



**STATE OF NEW JERSEY**

Single Audit Report

Year ended June 30, 2008

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, 2008

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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, 2008. This Schedule is the responsibility of the State of New Jersey's management. Our responsibility is to express an opinion on this Schedule based on our audit.

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

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

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

In our opinion, the Schedule 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, 2008 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**

July 16, 2009

**STATE OF NEW JERSEY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Agriculture:		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 1,445	—
10.028	Wildlife Services	86	—
10.069	Conservation Reserve Program	134	134
10.156	Federal-State Marketing Improvement Program	18	—
10.163	Market Protection and Promotion	30	—
10.169	Specialty Crop Block Grant Program	71	47
10.304	Homeland Security - Agricultural	2	—
10.435	State Mediation Grants	22	—
10.450	Crop Insurance	277	—
10.475	Cooperative Agreements w/States for Intrastate Meat & Produce	104	—
	<i>Food Stamp Cluster:</i>		
10.551	Food Stamps (nonmonetary)	526,036	—
10.561	State Administrative Matching Grants for Food Stamp Program	80,372	68,369
	Total Food Stamp Cluster	606,408	68,369
	<i>Child Nutrition Cluster:</i>		
10.553	School Breakfast Program	36,912	36,912
10.555	National School Lunch Program	157,502	157,502
10.555	National School Lunch Program (nonmonetary)	24,384	—
10.556	Special Milk Program for Children	849	849
10.559	Summer Food Service Program for Children	5,932	5,681
10.559	Summer Food Service Program for Children (nonmonetary)	18	—
	Total Child Nutrition Cluster	225,597	200,944
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	109,274	17,375
10.558	Child and Adult Care Food Program	57,735	57,294
10.558	Child and Adult Care Food Program (nonmonetary)	90	—
10.560	State Administrative Expenses for Child Nutrition	3,330	—
	<i>Emergency Food Assistance Cluster:</i>		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,066	667
10.569	Emergency Food Assistance Program (Food Commodities)	6,203	—
	Total Emergency Food Assistance Cluster	7,269	667
10.572	WIC Farmer's Market Nutrition Program (FMNP)	976	71
10.576	Senior Farmers' Market Nutrition Program	650	33
10.652	Forestry Research	47	—
10.664	Cooperative Forestry Assistance	1,167	290
10.675	Urban and Community Forestry Program	282	4
10.677	Forest Land Enhancement Program (FLEP)	53	—
10.680	Forest Health Protection	106	—
10.913	Farm and Ranch Lands Protection Program	4,163	4,163
10.914	Wildlife Habitat Incentive Program (WHIP)	58	—
	Total U.S. Department of Agriculture	1,019,394	349,391
	U.S. Department of Commerce:		
11.407	Interjurisdictional Fisheries Act of 1986	162	—
11.413	Fishery Products Inspection and Certification	115	—
11.419	Coastal Zone Management Administration Awards	2,664	56
11.441	Regional Fishery Management Councils	298	—
11.450	Automated Flood Warning Systems	40	—
11.472	Unallied Science Program	68	—
11.474	Atlantic Coastal Fisheries Cooperative Management Act	336	—
11.555	Public Safety Interoperable Communications Grant Program	283	—
	Total U.S. Department of Commerce	3,966	56

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008  
(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Defense:		
12.401	National Guard Military Operations and Maintenance (O&M) Projects	\$ 26,075	—
12.UNA	Unassigned Catalog Number	1,442	—
12.UNA	Delaware Bay Oyster Revitalization	168	—
12.CON	Contractual Agreement	704	704
	Total U.S. Department of Defense	28,389	704
	U.S. Department of Housing and Urban Development:		
14.228	Community Development Block Grants/State's Programs	8,602	8,466
14.231	Emergency Shelter Grants Program	2,031	1,959
14.235	Supportive Housing Program	879	57
14.238	Shelter Plus Care	1,932	—
14.239	HOME Investment Partnerships Program	11,455	5,146
14.241	Housing Opportunities for Persons with AIDS	1,888	—
14.241	Housing Opportunities for Persons with AIDS Pass-Through – Woodbridge Township	560	—
14.241	Housing Opportunities for Persons with AIDS Pass-Through – Camden	493	—
14.241	Housing Opportunities for Persons with AIDS Pass-Through – City of Paterson	790	—
	<i>Section 8 Project-Based Cluster:</i>		
14.856	Lower Income Housing Assistance Program: Section 8 Moderate Rehabilitation	9,829	32
14.871	Section 8 Housing Choice Vouchers	200,709	137
14.900	Lead-Based Paint Hazard Control in Privately Owned Housing	982	907
	Total U.S. Department of Housing and Urban Development	240,150	16,704
	U.S. Department of the Interior:		
15.308	Grants for Mining and Mineral Resources and Research Institute	6	—
	<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration	2,993	582
15.611	Wildlife Restoration	985	—
	Total Fish and Wildlife Cluster	3,978	582
15.614	Coastal Wetlands Planning, Protection and Restoration Act	928	—
15.615	Cooperative Endangered Species Conservation Fund	35	—
15.616	Clean Vessel Act	348	310
15.633	Landowner Incentive	417	349
15.634	State Wildlife Grants	392	—
15.808	U.S. Geological Survey - Research and Data Collection	(3)	—
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	5	—
15.810	National Cooperative Geologic Mapping Program	134	—
15.904	Historic Preservation Fund Grants-in-aid	779	125
15.916	Outdoor Recreation - Acquisition, Development, and Planning	6,913	—
15.UNA	Unassigned Federal Number	25	—
	Total U.S. Department of the Interior	13,957	1,366
	U.S. Department of Justice:		
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	1,059	232
16.320	Services for Trafficking Victims	113	—
16.523	Juvenile Accountability Incentive Block Grants	2,067	1,373
16.540	Juvenile Justice and Delinquency Prevention: Allocation to States	1,554	1,142
16.543	Missing Children's Assistance	169	—
16.548	Title V: Delinquency Prevention Program.	271	266
16.550	State Justice Statistics Program for Statistical Analysis Centers	50	—
16.554	National Criminal History Improvement Program (NCHIP)	648	169
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	696	8
16.564	Crime Lab Improvement Combined Offender DNA Index System Backlog Reduction	1,293	42
16.575	Crime Victim Assistance	11,937	10,497
16.576	Crime Victim Compensation	5,555	2,799
16.579	Edward Byrne Medical Formula Grant Program	2,081	1,468

**STATE OF NEW JERSEY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance		
	Discretionary Grants Program	\$ 4	—
16.582	Crime Victim Assistance/Discretionary Grant	1	—
16.585	Drug Court Discretionary Grant Program	8	—
16.588	Violence Against Women Formula Grants	3,048	2,172
16.593	Residential Substance Abuse Treatment for State Prisoners	185	—
16.606	State Criminal Alien Assistance Program	8,597	—
16.607	Bulletproof Vest Partnership Program	144	—
16.609	Community Prosecution & Project Safe Neighborhoods	918	622
16.727	Enforcing Underage Drinking Laws Program	341	323
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant		
	Program (Prison Rape Elimination)	74	7
16.738	Edward Byrne Memorial Justice Assistance Program	4,669	2,468
16.741	Forensic DNA Backlog Reduction Program	21	—
16.742	Paul Coverdell Forensic Sciences Improvements Grant Program	300	87
16.744	Anti-Gang Initiative	330	283
16.CON	Contractual Agreement – Domestic Marijuana Eradication	80	—
16.UNA	Unassigned Federal Number - Federal Forfeiture	266	—
16.UNA	Unassigned Federal Number	20	—
	Total U.S. Department of Justice	46,499	23,958
	U.S. Department of Labor:		
17.002	Labor Force Statistics	2,500	—
17.005	Compensation and Working Conditions	343	—
	<i>Employment Services Cluster:</i>		
17.207	Employment Service/Wagner-Peyser Funded Activities	17,474	10
17.801	Disabled Veterans' Outreach Program	2,329	—
17.804	Local Veterans' Employment Representative Program	960	—
	Total Employment Services Cluster	20,763	10
17.225	Unemployment Insurance – Federal	126,075	—
17.225	Unemployment Insurance – State	2,119,162	—
17.235	Senior Community Service Employment Program	2,726	—
17.245	Trade Adjustment Assistance: Workers	2,744	2,585
	<i>WIA Cluster:</i>		
17.258	Workforce Investment Act-Adult Program	31,860	21,339
17.259	Workforce Investment Act-Youth Program	13,910	13,910
17.260	Workforce Investment Act-Dislocated Workers	15,702	15,545
	Total WIA Cluster	61,472	50,794
17.261	Workforce Investment Act-Pilots, Demonstrations, and Research Projects	162	—
17.266	Work Incentives Grant	570	153
17.268	H-1B High Growth Job Training Grants	34	34
17.273	Temporary Labor Certification for Foreign Workers	636	—
17.503	Occupational Safety & Health – State Program	2,045	—
17.504	Consultation Agreements	1,749	—
17.600	Mine Health and Safety Grants	58	—
	Total U.S. Department of Labor	2,341,039	53,576
	U.S. Department of Transportation:		
20.106	Airport Improvement Program	3,077	3,054
	<i>Highway Planning and Construction Cluster:</i>		
20.205	Highway Planning and Construction	825,762	134,992
20.218	National Motor Carrier Safety	3,450	—
20.219	Recreational Trails Program	906	776
20.232	Commercial Driver License State Programs	998	—
20.237	Safety Data Improvement Program	1	—
20.505	Federal Transit: Metropolitan Planning Grants	3,776	—

**STATE OF NEW JERSEY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	<i>Highway Safety Cluster:</i>		
20.600	State and Community Highway Safety	\$ 5,151	2,307
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	1,960	1,346
20.602	Occupant Protection	814	814
20.604	Safety Incentive Grants For Use Of Seatbelts	34	34
20.605	Safety Incentive to Prevent Operation of MV by Intoxicated Persons	46	46
20.609	Safety Belt Performance Grants	2,272	1,547
20.610	State Traffic Safety Information System Improvement Grants	668	—
20.612	Incentive Grant program to Increase Motorcyclist Safety	186	—
20.613	Child Safety and Child Booster Seats Incentive Grants	434	254
	Total Highway Safety Cluster	11,565	6,348
20.700	Pipeline Safety	354	—
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	231	75
20.CON	Contractual Agreements – Fatal Accident Reporting System	158	—
20.UNA	Section 157 Safety Innovative	18	18
	Total U.S. Department of Transportation	850,296	145,263
	Equal Employment Opportunity Commission:		
30.002	Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	209	—
	Total Equal Employment Opportunity Commission	209	—
	General Services Administration		
39.011	Election Reform Payments	(232)	—
	Total General Services Administration	(232)	—
	National Foundation on the Arts and the Humanities:		
45.025	Promotion of the Arts: Partnership Agreements	652	326
45.301	Museums for America	3	—
	Total National Foundation on the Arts and the Humanities	655	326
	U.S. Department of Veterans Affairs:		
64.005	Grants to States for Construction of State Home Facilities	131	—
64.024	VA Homeless Providers Grant and Per Diem Program	19,347	—
64.101	Burial Expense Allowance for Veterans	510	—
64.125	Vocational and Educational Counseling for Servicemembers and Veterans	440	—
64.203	State Cemetery Grants	1,129	—
	Total U.S. Department of Veterans Affairs	21,557	—
	U.S. Environmental Protection Agency:		
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose		
	Activities Relating to Clean Air Act	1,362	—
66.202	Congressionally Mandated Projects	143	—
66.436	Surveys, Studies, Investigations, Demonstrations, Training Grants and Cooperative		
	Agreements - Section 104(b)(3) of the Clean Water Act	15	—
66.454	Water Quality Management Planning	595	330
66.458	Capitalization Grants for Clean Water State Revolving Funds	49,277	48,063
66.461	Regional Wetland Program Development Grants	93	—
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	35	—
66.468	Capitalization Grants for Drinking Water State Revolving Fund	23,636	20,798
66.471	State Grants to Reimburse Operators of Small Water Systems for		
	Training & Certification Costs	14	—
66.472	Beach Monitoring & Notification Program Implementation Grant	330	208
66.474	Water Protection Grants to the States	135	—
66.479	Wetland Program Grants - State/Tribal Environmental Outcome		
	Wetland Demonstration Program	2	—
66.480	Assessment and Watershed Protection Program Grants	3	—

**STATE OF NEW JERSEY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
66.500	Environmental Protection - Consolidated Research	\$ 1	—
66.511	Office of Research & Development Consolidated Research/Training	58	—
66.605	Performance Partnership Grants	23,275	3,516
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	345	—
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	153	—
66.707	TSCA Title IV State Lead Grants: Certification of Lead-Based Paint Professionals	362	—
66.708	Pollution Prevention Grants Program	18	—
66.801	Hazardous Waste Management State Program Support	115	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site: Specific Cooperative Agreements	5,939	—
66.805	Leaking Underground Storage Tank Trust Fund Program	1,196	—
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	6	—
66.817	State and Tribal Response Program Grants	773	—
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	196	—
66.951	Environmental Education Training	2	—
	Total U.S. Environmental Protection Agency	108,079	72,915
	U.S. Department of Energy:		
81.041	State Energy Program	695	160
81.042	Weatherization Assistance for Low-Income Persons	3,237	2,993
81.117	Energy Efficiency and Renewable Energy Information, Dissemination, Outreach, Training and Technical Analysis/Assistance	12	—
81.119	State Energy Program Special Projects	130	—
81.PRF	PORF Funds - Feds Collect Fees from Companies than pass on to state	41	41
81.ADM	Administration Costs Consolidations	387	—
	Total U.S. Department of Energy	4,502	3,194
	U.S. Department of Education:		
84.002	Adult Education: State Grant Program	16,333	14,355
84.010	Title 1 Grants to Local Educational Agencies	216,593	212,337
84.011	Migrant Education: State Grant Program	2,230	2,104
84.013	Title I Program for Neglected and Delinquent Children	2,535	101
	<i>Special Education Cluster:</i>		
84.027	Special Education: Grants to States	342,677	324,113
84.173	Special Education – Preschool Grants	11,728	11,189
	Total Special Education Cluster	354,405	335,302
84.032	Federal Family Education Loans - Guaranty Program	806,501	—
84.048	Career and Technical Education - Basic Grants to States	22,624	19,539
84.069	Leveraging Educational Assistance Partnership	1,839	—
84.126	Rehabilitation Services: Vocational Rehabilitation Grants to States	61,515	31,736
84.169	Independent Living: State Grants	381	381
84.177	Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	997	997
84.181	Special Education: Grants for Infants and Families with Disabilities	9,890	7,136
84.184	Safe and Drug-Free Schools and Communities: National Programs	356	85
84.185	Byrd Honors Scholarships	1,156	—
84.186	Safe and Drug-Free Schools and Communities: State Grants	8,206	7,488
84.187	Supported Employment Services for Individuals with Severe Disabilities	1,305	1,305
84.196	Education for Homeless Children and Youth	1,233	1,082
84.213	Even Start: State Educational Agencies	3,084	2,941
84.215	Fund for the Improvement of Education	607	505
84.224	Assistive Technology	827	816
84.243	Tech-Prep Education	1,438	1,331
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit In-service Training	78	—
84.282	Charter Schools	1,967	1,892



**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008  
(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
84.287	Twenty-First Century Community Learning Centers	\$ 26,650	26,085
84.293	Foreign Language Assistance	216	46
84.298	State Grants for Innovative Programs	2,690	2,247
84.318	Education Technology State Grants	3,740	3,329
84.323	Special Education: State Personnel Development	705	454
84.330	Advanced Placement Program	213	—
84.331	Grants to States for Incarcerated Youth Offenders	646	—
84.332	Comprehensive School Reform Demonstration	494	460
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	3,513	3,033
84.336	Teacher Quality Enhancement Grants	492	20
84.357	Reading First State Program	20,031	18,054
84.358	Rural Education (REAP)	71	—
84.365	English Language Acquisition Grants	18,404	17,438
84.366	Mathematics and Science Partnerships	4,610	4,118
84.367	Improving Teacher Quality State Grants	57,592	55,950
84.369	Grants for State Assessments and Related Activities	11,402	730
84.CON	Contractual Agreements – National Center Educational Statistics	149	—
	Total U.S. Department of Education	1,667,718	773,397
	Election Assistance Commission:		
90.401	Help America Vote Act Requirements Payments	6,997	382
	Total Election Assistance Commission	6,997	382
	U.S. Department of Health and Human Services:		
93.003	Public Health and Social Services Emergency Fund	577	(42)
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	222	—
93.041	Special Programs for the Aging: Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect, and Exploitation	142	32
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	343	104
93.043	Special Programs for the Aging: Title III, Part D: Disease Prevention and Health Promotion Services	630	630
	<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers	9,936	9,936
93.045	Special Programs for the Aging: Title III, Part C: Nutrition Services	17,962	16,655
93.053	Nutrition Services Incentive Program	3,671	3,671
	Total Aging Cluster	31,569	30,262
93.048	Special Programs for the Aging: Title IV & Title II Discretionary	483	199
93.051	Alzheimer's Disease Demonstration Grants to States	151	7
93.052	National Family Caregiver Support, Title III, Part E	4,717	4,579
93.086	Healthy Marriage Promotion & Responsible Fatherhood Grants	256	31
93.103	Food and Drug Administration - Research	7	—
93.110	Maternal and Child Health Federal Consolidated Programs	225	6
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	5,078	3,523
93.116	Project Grants and Cooperative Agreements for Tuberculosis (nonmonetary)	283	—
93.127	Emergency Medical Services for Children	40	—
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	189	59
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,591	1,313
93.142	NIEHS Hazardous Waste Worker Health and Safety Training	100	—

**STATE OF NEW JERSEY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
93.150	Projects for Assistance in Transition from Homelessness	\$ 1,923	1,915
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	2,280	2,055
93.165	Grants to States for Loan Repayment Program	175	—
93.197	Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	1,104	682
93.204	Surveillance of Hazardous Substance Emergency Events	113	—
93.217	Family Planning Services	3,569	3,124
93.234	Traumatic Brain Injury: State Demonstration Grant Program	110	—
93.235	Abstinence Education	92	92
93.240	State Capacity Building	487	—
93.243	Substance Abuse and Mental Health Services: Projects of Regional and National Significance	120	—
93.251	Universal Newborn Hearing Screening	165	8
93.262	Occupational Safety and Health Program	190	—
93.268	Immunization Grants	5,032	1,326
93.268	Immunization Grants (nonmonetary)	46,614	—
93.275	Substance Abuse and Mental Health Services: Access to Recovery	2,797	2,780
93.283	Centers for Disease Control and Prevention: Investigations and Technical Assistance	35,947	17,788
93.293	Public Health Law Social Distancing Project	40	—
93.393	Cancer Cause and Prevention Research - Third Party - The Mount Sinai School of Medicine	307	—
93.556	Promoting Safe and Stable Families	5,185	5,185
93.558	Temporary Assistance for Needy Families	364,895	302,845
93.558	Temporary Assistance for Needy Families - Third Party - Northrop Grumman	1	—
93.563	Child Support Enforcement	155,254	35,803
93.566	Refugee and Entrant Assistance: State Administered Programs	2,243	1,451
93.568	Low-Income Home Energy Assistance	108,352	13,703
93.569	Community Services Block Grant	14,010	13,465
	<i>Child Care Cluster:</i>		
93.575	Child Care and Development Block Grant	89,111	87,960
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	77,644	75,203
	Total Child Care Cluster	166,755	163,163
93.576	Refugee and Entrant Assistance: Discretionary Grants	192	163
93.585	Empowerment Zones Program	1,553	1,553
93.586	State Court Improvement Program	923	20
93.590	Community Based Child Abuse Prevention Grants	1,229	1,225
93.597	Grants to States for Access and Visitation Programs	163	—
93.599	Chafee Education and Training Vouchers Program (ETV)	1,182	1,182
93.600	Head Start	68	—
93.603	Adoption Incentive Payments	312	309
93.617	Voting Access for Individuals with Disabilities Grants to State	26	—
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,203	239
93.643	Children's Justice Grants to States	283	278
93.645	Child Welfare Services: State Grants	10,468	—
93.652	Adoption Opportunities	332	291
93.658	Foster Care - Title IV-E	53,920	—
93.659	Adoption Assistance	37,175	—
93.667	Social Services Block Grant	65,304	43,593
93.669	Child Abuse and Neglect State Grants	590	592
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters: Grants to States and Indian Tribes	2,404	2,402
93.674	Chafee Foster Care Independence Program	3,807	3,807
93.767	State Children's Insurance Program	301,471	287,714
93.768	Medicaid Infrastructure Grants - To Support the Competitive Employment of People With Disabilities	396	—

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008  
(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	\$ 2,934	—
93.777	State Survey and Certification of Health Care Providers and Suppliers	10,750	—
93.778	Medical Assistance Program	4,916,884	3,708,848
	Total Medicaid Cluster	4,930,568	3,708,848
93.779	Centers For Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	905	315
93.793	Medicaid Transformation Grant	1	—
93.889	National Bioterrorism Hospital Preparedness Program	13,769	9,887
93.913	Grants to States for Operation of Offices of Rural Health	210	210
93.917	HIV Care Formula Grants	46,921	43,379
93.926	Healthy Start Initiative	618	505
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	191	43
93.940	HIV Prevention Activities: Health Department Based	12,760	7,595
93.941	HIV Demonstration, Research, Public and Professional Education Project	49	—
93.942	Research, Treatment, and Education Programs on Lyme Disease in the United States	232	232
93.944	Human Immunodeficiency Virus (HIV) Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	4,465	95
93.946	Cooperative Agreements to Support State Based Safe Motherhood and Infant Health Initiative Programs	16	—
93.958	Block Grants for Community Mental Health Services	8,513	8,292
93.959	Block Grants for Prevention and Treatment of Substance Abuse	49,612	42,718
93.977	Preventive Health Services: Sexually Transmitted Diseases Control Grants	2,958	176
93.977	Preventative Health Services Sexually Transmitted Diseases Control Grants (nonmonetary)	638	—
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	300	18
93.991	Preventive Health and Health Services Block Grant	3,218	1,463
93.994	Maternal and Child Health Services Block Grant to the States	11,406	3,779
93.CON	Contractual Agreement	2,414	—
93.UNA	Federal Civil Monetary	149	—
	Total U.S. Department of Health and Human Services	6,537,277	4,777,011
	Corporation for National and Community Service:		
94.003	State Commissions	428	—
94.004	Learn and Serve America: School and Community Based Programs	500	359
94.006	AmeriCorps	2,592	2,252
94.007	Planning & Program Development Grants	39	—
94.009	Training & Technical Assistance	184	8
	<i>Foster Grandparents/Senior Companion Cluster:</i>		
94.011	Foster Grandparent Program	744	—
94.013	Volunteers in Service to America	31	—
	Total Corporation for National and Community Service	4,518	2,619
	Social Security Administration:		
	<i>Disability Insurance/SSI Cluster</i>		
96.001	Social Security - Disability Insurance	51,050	1,186
	Total Social Security Administration	51,050	1,186

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008  
(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Homeland Security:		
	<i>Homeland Security Cluster:</i>		
97.004	State Domestic Preparedness Equipment Support Program	\$ (19)	—
97.067	Homeland Security Grant Program	21,460	16,761
	Total Homeland Security Grant Cluster	21,441	16,761
	<i>Urban Areas Security Cluster:</i>		
97.008	Urban Areas Security Initiative	17,532	8,279
97.012	Boating Safety Financial Assistance	1,651	—
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	435	435
97.019	National Fire Academy Educational Program	(4)	—
97.023	Community Assistance Program – State Support Services Element	232	—
97.029	Flood Mitigation Assistance	2,984	2,984
97.032	Crisis Counseling	65	65
	<i>Public Assistance Grants:</i>		
97.036	Disaster Grants - Public Assistance (Residentially Declared Disasters)	17,846	17,791
	<i>Hazard Mitigation Grants:</i>		
97.039	Hazard Mitigation Grant	745	—
97.040	Chemical Stockpile Emergency Preparedness Program	(116)	—
97.041	National Dam Safety Program	(10)	—
97.042	Emergency Management Performance Grants	2,832	1,375
97.043	State Fire Training Systems Grant	20	—
97.047	Pre-Disaster Mitigation	(35)	—
97.056	Port Security Grant Program	1,713	—
97.070	Map Modernization Management Support	104	—
97.075	Rail and Transit Security Grant Program	825	—
97.091	Homeland Security Biowatch Program	432	—
97.092	Repetitive Flood Claims	1,796	1,796
	Total U.S. Department of Homeland Security	70,488	49,486
	Totals	\$ 13,016,508	6,271,534

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

## STATE OF NEW JERSEY

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

#### (1) Basis of Presentation

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

The schedule of expenditures of Federal awards (the Schedule) includes all Federal award programs administered by the State of New Jersey (the State) except for component units for the fiscal year ended June 30, 2008. The State of New Jersey financial reporting entity is described in note 1B of the State's Comprehensive Annual Financial Report. Accordingly, the accompanying Schedule presents the Federal awards programs administered by the State of New Jersey, as defined above, for the year ended June 30, 2008.

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

The State of New Jersey administers the Federal Family Education Loan Program – Guaranty Program (FFELP). During the fiscal year ended June 30, 2008 new loans guaranteed amounted to approximately \$672,843,000, loans repurchased during the year amounted to approximately \$115,449,000 and administrative costs amounted to approximately \$18,209,000 and are included in the accompanying Schedule. The principal outstanding for guaranteed loans at June 30, 2008 was \$3,923,607,000. 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 award programs that have not been assigned a Catalog of Federal Domestic Assistance (CFDA) number, which are reported by the respective Federal Agency and titled "UNA". Programs under direct contract are titled "CON". The Administration Costs Consolidations under the U.S. Department of Energy is labeled "ADM".

#### (2) Basis of Accounting

##### (a) *General*

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

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

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

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

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

## **STATE OF NEW JERSEY**

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

Year ended June 30, 2008

**(3) Matching Costs**

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

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

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

**(5) Contingencies**

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

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



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**Independent Auditors' Report on Compliance with Requirements  
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, 2008. 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 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*.

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

**Disclaimer**

As described in finding 08-1 in the accompanying schedule of findings and questioned costs, we were unable to express, and we do not express, an opinion on the compliance with the activities allowed or unallowed, allowable costs/cost principles, and eligibility compliance requirements applicable to its Medicaid Cluster.



## Scope Limitation

As identified in item 08-2 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the State with the Child Support Enforcement Program regarding reporting, subrecipient monitoring and special tests and provisions, nor were we able to satisfy ourselves as to the State's compliance with those requirements by other auditing procedures.

## Qualifications

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

Federal awarding agency	State administering agency	Federal program	Compliance requirement	Finding number
U.S. Department of Health and Human Services	Department of Human Services	Block Grants for the Prevention and Treatment of Substance Abuse	Subrecipient monitoring	08-3
U.S. Department of Health and Human Services	Department of Human Services	Child Care Cluster	Subrecipient monitoring	08-4
U.S. Department of Health and Human Services	Department of Human Services	Medicaid Cluster	Special tests and provisions	08-5
U.S. Department of Education	Department of Human Services	Rehabilitation Services: Vocational Rehabilitation Grants to States	Allowable costs/ cost principles	08-7
U.S. Department of Education	Department of Human Services	Rehabilitation Services: Vocational Rehabilitation Grants to States	Procurement	08-8
U.S. Department of Agriculture U.S. Department of Education U.S. Department of Health and Human Services	Department of Human Services	Food Stamps Cluster/ Rehabilitation Services: Vocational Rehabilitation Grants to States/ Temporary Assistance for Needy Families/ Child Support Enforcement/ Child Care Cluster/ State Children's Insurance Program/ Medicaid Cluster/ Block Grants for the Prevention and Treatment of Substance Abuse	Activities allowed or unallowed/ Allowable costs/ cost principles	08-10
U.S. Department of Justice	Department of Law and Public Safety	Edward Byrne Memorial Justice Assistance Grant	Activities allowed or unallowed/ Allowable costs/ cost principles	08-11
U.S. Department of Justice	Department of Law and Public Safety	Edward Byrne Memorial Justice Assistance Grant	Cash management	08-12
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Suspension and debarment	08-14
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Subrecipient monitoring	08-15
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Reporting	08-16





Federal awarding agency	State administering agency	Federal program	Compliance requirement	Finding number
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Equipment and real property management	08-17
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Activities allowed or unallowed/ Allowable costs/ cost principles	08-18
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Procurement	08-19
Election Assistance Commission	Department of Law and Public Safety	Help America Vote Act	Suspension and debarment	08-20
Election Assistance Commission	Department of State	Requirements Payments		
Election Assistance Commission	Department of Law and Public Safety	Help America Vote Act	Subrecipient monitoring	08-21
Election Assistance Commission	Department of State	Requirements Payments		
Election Assistance Commission	Department of Law and Public Safety	Help America Vote Act	Reporting	08-22
Election Assistance Commission	Department of State	Requirements Payments		
Election Assistance Commission	Department of Law and Public Safety	Help America Vote Act	Activities allowed or unallowed/ Allowable costs/ cost principles/ Procurement	08-23
Election Assistance Commission	Department of State	Requirements Payments		
U.S. Department of Agriculture	Department of Agriculture	Child Nutrition Cluster	Special tests and provisions	08-24
U.S. Department of Health and Human Services	Department of Community Affairs	Low-Income Home Energy Assistance/ Community Services Block Grant	Reporting	08-28
U.S. Department of Health and Human Services	Department of Community Affairs	Community Services Block Grant	Eligibility	08-29
U.S. Department of Health and Human Services	Department of Community Affairs	Low-Income Home Energy Assistance	Activities allowed or unallowed/ Allowable costs/ cost principles	08-31
U.S. Department of Health and Human Services	Department of Community Affairs	Low-Income Home Energy Assistance	Cash management	08-32
U.S. Department of Health and Human Services	Department of Health and Senior Services	Immunization Grants	Period of availability	08-33
U.S. Department of Health and Human Services	Department of Health and Senior Services	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Reporting	08-35
U.S. Department of Health and Human Services	Department of Health and Senior Services	HIV Care Formula Grants	Cash management	08-36
U.S. Department of Health and Human Services	Department of Health and Senior Services	HIV Care Formula Grants	Matching, level of effort, earmarking	08-37
U.S. Department of Health and Human Services	Department of Health and Senior Services	HIV Care Formula Grants	Period of availability	08-38
U.S. Department of Health and Human Services	Department of Health and Senior Services	National Bioterrorism Hospital Preparedness Program	Cash management	08-39
U.S. Department of Education	Department of Education	Special Education Cluster	Subrecipient monitoring	08-41
U.S. Department of Education	Department of Education	Career and Technical Education - Basic Grants to States	Subrecipient monitoring	08-42
U.S. Department of Education	Department of Education	Career and Technical Education - Basic Grants to States	Suspension and debarment	08-43



<b>Federal awarding agency</b>	<b>State administering agency</b>	<b>Federal program</b>	<b>Compliance requirement</b>	<b>Finding number</b>
U.S. Department of Agriculture U.S. Department of Health and Human Services	Department of Human Services	Food Stamps Cluster/ Temporary Assistance for Needy Families	Subrecipient monitoring	08-45
U.S. Department of Education	Department of Education	Special Education Cluster Career and Technical Education - Basic Grants to States	Subrecipient monitoring	08-46
U.S. Department of Agriculture	Department of Agriculture	Child Nutrition Cluster	Subrecipient monitoring	08-47
U.S. Department of Homeland Security	Department of Law and Public Safety	Disaster Grants - Public Assistance (Residentially Declared Disasters)	Subrecipient monitoring	08-48

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 fourth and fifth paragraphs, the State 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, 2008. The results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-30, 08-34, and 08-40.

### **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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questions costs as items: 08-3, 08-4, 08-5, 08-6, 08-7, 08-8, 08-9, 08-10, 08-11, 08-12, 08-13, 08-14, 08-15, 08-16, 08-17, 08-18, 08-19, 08-20, 08-21, 08-22, 08-23, 08-24, 08-25, 08-26, 08-27, 08-28, 08-29, 08-30, 08-31, 08-32, 08-33, 08-34, 08-35, 08-36, 08-37, 08-38, 08-39, 08-40, 08-41, 08-42, 08-43, 08-44, 08-45, 08-46, 08-47, and 08-48.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items: 08-3, 08-4, 08-5, 08-6, 08-7, 08-8, 08-10, 08-11, 08-12, 08-13, 08-14, 08-15, 08-16, 08-17, 08-18, 08-19, 08-20, 08-21, 08-22, 08-23, 08-24, 08-25, 08-26, 08-27, 08-28, 08-29, 08-31, 08-32, 08-33, 08-35, 08-36, 08-37, 08-38, 08-39, 08-41, 08-42, 08-43, 08-44, 08-45, 08-46, 08-47, and 08-48 to be material weaknesses.

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

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

July 16, 2009

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### (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, 2008.
- (b) The audit by the State Auditor, State of New Jersey, disclosed no material weaknesses and two significant deficiencies were reported in connection with the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2008.
- (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, 2008.

##### *Single Audit*

- (d) This audit of Federal financial assistance disclosed material weaknesses and significant deficiencies which were reported in connection with major Federal programs of the State of New Jersey for the year ended June 30, 2008.
- (e) The type of report issued on compliance for major programs:

##### **Disclaimer:**

Medicaid Cluster  
Child Support Enforcement

##### **Qualifications:**

Block Grants for the Prevention and Treatment of Substance Abuse  
Food Stamps Cluster  
Temporary Assistance for Needy Families  
Child Care Cluster  
Child Support Enforcement  
Medicaid Cluster  
Rehabilitation Services: Vocational Rehabilitation Grants to States  
Edward Byrne Memorial Justice Assistance Grant  
Homeland Security Cluster  
Help America Vote Act Requirements Payments  
Child Nutrition Cluster  
Low-Income Home Energy Assistance  
Community Services Block Grant  
Immunization Grants  
Centers for Disease Control and Prevention: Investigations and Technical Assistance  
HIV Care Formula Grants  
National Bioterrorism Hospital Preparedness Program  
Special Education Cluster

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Career and Technical Education – Basic Grants to States  
State Children’s Insurance Program  
Disaster Grants – Public Assistance (Residentially Declared Disasters)

The opinions for all other major programs are unqualified.

- (f) There were audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended June 30, 2008.
- (g) The major Federal programs of the State of New Jersey for the year ended June 30, 2008 were as follows:

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
U.S Department of Agriculture			
Child Nutrition Cluster	10.553, 10.555, 10.556 10.559	1NJ300304	10/1/01 - 9/30/02
		1NJ300304	10/1/02 - 9/30/03
		1NJ300304	10/1/03 - 9/30/04
		1NJ300304	10/1/04 - 9/30/05
		1NJ300304	10/1/05 - 9/30/06
		1NJ300304	10/1/06 - 9/30/07
		1NJ300304	10/1/07 - 9/30/08
U.S Department of Agriculture			
Food Stamps Cluster	10.551, 10.561	12-35-344106	10/1/05 - 9/30/06
		12-35-344107	10/1/06 - 9/30/07
		12-35-344108	10/1/07 - 9/30/08
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0108	10/1/04 - 9/30/08
		2006-DJ-BX-0023	10/1/05 - 9/30/09

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
U.S. Department of Labor			
Employment Services Cluster	17.207	ES148840555	7/1/05 - 9/30/08
		ES157110655	7/1/06 - 9/30/09
		ES162340755A34	7/1/07 - 9/30/10
	17.801, 17.804	E-9-5-7-5046	10/1/06 - 9/30/07
		E-9-5-8-5046	10/1/07 - 9/30/08
U.S. Department of Environmental Protection			
Clean Water State Revolving Fund	66.458	CS340001-94-1	9/1/94 - 9/30/10
		CS340001-95-0	7/1/95 - 9/30/11
		CS340001-96-4	1/17/96 - 9/30/10
		CS340001-97-0	9/30/97 - 9/30/12
		CS340001-98-0	9/30/98 - 9/30/14
		CS340001-99-0	7/01/99 - 9/30/16
		CS340001-00-0	7/01/00 - 9/30/20
		CS340001-01-0	7/25/01 - 9/30/25
		CS342002-01-0	7/01/02 - 9/30/28
		CS342003-03-0	7/01/03 - 9/30/29
		CS340001-05-0	7/01/05 - 6/30/36
		CS340001-06-0	7/01/06 - 6/30/31
		CS340001-07-0	7/01/07 - 6/30/31

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
U.S. Department of Environmental Protection			
Performance Partnership Grants	66.605	BG992488-99-3	7/1/98 - 6/30/01
		BG992488-02-5	7/1/01 - 6/30/04
		BG992488-03-7	7/1/04 - 6/30/07
		BG992488-04-2	7/1/07 - 6/30/10
U.S. Department of Education			
Adult Education: State Grant Program	84.002	V002A050030	7/1/05 - 9/30/06
		V002A060030	7/1/06 - 9/30/07
		V002A070030	7/1/07 - 9/30/08
U.S. Department of Education			
Special Education Cluster	84.027	H027A050100A	7/1/05 - 9/30/06
		H027A060100A	7/1/06 - 9/30/07
		H027A070100A	7/1/07 - 9/30/08
	84.173	H173A050114	7/1/05 - 9/30/06
		H173A060114	7/1/06 - 9/30/07
		H173A070114	7/1/07 - 9/30/08
U.S. Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A050030A	10/1/05 - 9/30/06
		V048A060030A	10/1/06 - 9/30/07
		V048A070030A	10/1/07 - 9/30/08

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
U.S. Department of Education			
Rehabilitation Services: Vocational Rehabilitation Grants to States	84.126	H126A060043	10/1/05 - 9/30/06
		H126A070043	10/1/06 - 9/30/07
		H126A0800423	10/1/07 - 9/30/08
Election Assistance Commission			
Help America Vote Act Requirements Payments	90.401	N/A - State Plan only	N/A - State Plan only
U.S. Department of Health & Human Services			
Aging Cluster	93.044, 93.045, 93.053	06AANJT3SP	10/1/05 - 9/30/06
		07AANJT3SP	10/1/06 - 9/30/07
		07AANJNSIP	10/1/06 - 9/30/07
		08AANJT3SP	10/1/07 - 9/30/08
		08AANJNSIP	10/1/07 - 9/30/08
U.S. Department of Health & Human Services			
Immunization Grants	93.268	H23/ CCH222576	1/1/05 - 12/31/05
		H23/ CCH222576	1/1/06 - 12/31/06
		H23/ CCH222576	1/1/07 - 12/31/07
		H23/ CCH222576	1/1/08 - 12/31/08
U.S. Department of Health & Human Services			
Centers for Disease Control and Prevention: Investigations and Technical Assistance	93.283	U 90/ CCU 217004	8/31/04 - 8/30/05
		U 90/ CCU 217004	8/31/05 - 8/30/06



**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

<b>Major Program/Cluster</b>	<b>CFDA Number</b>	<b>Federal Award Number</b>	<b>Federal Award Period</b>
		U 90/ CCU 217004	8/31/06 - 8/30/07
		U 90/ CCU 217004	8/31/07 - 8/30/08
<b>U.S. Department of Health &amp; Human Services</b>			
Temporary Assistance for Needy Families	93.558	G0201NJTANF	10/1/01 - 9/30/03
		G0501NJTANF	10/1/04 - 9/30/06
		G0601NJTANF	10/1/05 - 9/30/07
		G0701NJTANF	10/1/06 - 9/30/08
		G0802NJTANF	10/1/07 - 9/30/09
<b>U.S. Department of Health &amp; Human Services</b>			
Child Support Enforcement	93.563	G0604NJ4004	10/1/05 - 9/30/07
		G0704NJ4004	10/1/06 - 9/30/08
		G0804NJ4004	10/1/07 - 9/30/09
<b>U.S. Department of Health &amp; Human Services</b>			
Low-Income Home Energy Assistance	93.568	G-0601NJLIEA	10/1/05 - 9/30/07
		G-0701NJLIEA	10/1/06 - 9/30/08
		G-0801NJLIEA	10/1/07 - 9/30/09
<b>U.S. Department of Health &amp; Human Services</b>			
Community Services Block Grant	93.569	G-03B1NJCOSR	10/1/02 - 9/30/04
		G-06B1NJCOSR	10/1/05 - 9/30/07
		G-07B1NJCOSR	10/1/06 - 9/30/08
		G-08B1NJCOSR	10/1/07 - 9/30/09

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Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
U.S. Department of Health & Human Services			
Child Care Cluster	93.575	G0701NJCCDF	10/1/06 - 9/30/08
		G0801NJCCDF	10/1/07 - 9/30/09
	93.596	G0501NJCCDA	10/1/04 - 9/30/06
		G0701NJCCDA	10/1/06 - 9/30/08
		G0801NJCCDA	10/1/07 - 9/30/09
U.S. Department of Health & Human Services			
Child Welfare Services: State Grants	93.645	G0601NJ1400	10/01/05 - 9/30/07
		G0701NJ1400	10/01/06 - 9/30/08
		G0801NJ1400	10/01/07 - 9/30/09
U.S. Department of Health & Human Services			
Foster Care - Title IV-E	93.658	G0601NJ1401	10/1/05 - 9/30/07
		G0701NJ1401	10/1/06 - 9/30/08
		G0801NJ1401	10/1/07 - 9/30/09
U.S. Department of Health & Human Services			
Adoption Assistance	93.659	G0701NJ1407	10/1/06 - 9/30/08
		G0801NJ1407	10/1/07 - 9/30/09
U.S. Department of Health & Human Services			
State Children's Insurance Program	93.767	0705NJ5021	7/1/06 - 6/30/08
		0805NJ5021	7/1/07 - 6/30/09

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<b>Major Program/Cluster</b>	<b>CFDA Number</b>	<b>Federal Award Number</b>	<b>Federal Award Period</b>
<b>U.S. Department of Health &amp; Human Services</b>			
Medicaid Cluster	93.775, 93.777, 93.778	050405NJ5028	7/1/03 - 6/30/05
		050405NJ5048	7/1/03 - 6/30/05
		050505NJ5028	7/1/04 - 6/30/06
		050505NJ5048	7/1/04 - 6/30/06
		050605NJ5028	7/1/05 - 6/30/07
		050605NJ5048	7/1/05 - 6/30/07
		0705NJ5028	7/1/06 - 6/30/08
		0705NJ5048	7/1/06 - 6/30/08
		0805NJ5028	7/1/07 - 6/30/09
		0805NJ5048	7/1/07 - 6/30/09
<b>U.S. Department of Health &amp; Human Services</b>			
National Bioterrorism Hospital Preparedness Program	93.889	4U 3RHS00024	8/31/03 - 2/28/06
		6U3RHS03811	9/1/04 - 8/31/06
		6U RHSO 5926-01	9/1/05 - 8/31/07
<b>U.S. Department of Health &amp; Human Services</b>			
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

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<b>Major Program/Cluster</b>	<b>CFDA Number</b>	<b>Federal Award Number</b>	<b>Federal Award Period</b>
		2 X 07 HA 00017	4/1/07 - 3/31/08
		2 X 07 HA 00017-18	4/1/08 - 3/31/09
<b>U.S. Department of Health &amp; Human Services</b>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	05B1NJSAPT	7/1/04 - 6/30/06
		06B1NJSAPT	7/1/05 - 6/30/07
		07B1NJSAPT	7/1/06 - 6/30/08
		08B1NJSAPT	7/1/07 - 6/30/09
<b>U.S. Department of Homeland Security</b>			
Homeland Security Cluster	97.004	2004-GET-40043	12/1/03 - 5/31/07
	97.067	2005-GRT-50004	4/1/05 - 9/30/07
		2005-GET-50047	10/1/04 - 9/30/08
		2006-GET-60048	7/1/06 - 6/30/09
		2007-GET-70056	7/1/07 - 6/30/10
<b>U.S. Department of Homeland Security</b>			
Disaster Grants - Public Assistance (Residentially Declared Disasters)	97.036	DR 1295	9/19/99 - 12/31/08
		DR 1337	8/17/00 - 12/31/08
		EM 3169	9/11/01 - 12/31/08
		EM 3188	8/14/03 - 12/31/08
		EM 3181	12/16/03 - 12/31/08

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<b>Major Program/Cluster</b>	<b>CFDA Number</b>	<b>Federal Award Number</b>	<b>Federal Award Period</b>
		DR 1530	7/12/04 - 12/31/08
		DR 1563	9/17/04 - 12/31/08
		EM 3257	9/19/05 - 12/31/08
		DR 1653	7/7/06 - 10/7/07
		DR 1694	4/6/07 - 5/21/09

(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, 2008.

(i) The State of New Jersey did not qualify as a low risk auditee for the year ended June 30, 2008.

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

Findings related to the basic financial statements of the State of New Jersey for the year ended June 30, 2008 were reported in accordance with *Government Auditing Standards* by the State Auditor, State of New Jersey, under separate cover.

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

See appendix of findings items 08-1 to 08-48.

## **APPENDIX OF FINDINGS**

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

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

**State Agency: Department of Human Services**

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

#### **Finding – Disclaimer of Opinion: 08-1 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility**

##### **Criteria**

##### *Activities Allowed or Unallowed*

1. Funds can only be used for Medicaid benefit payments (as specified in the State plan, Federal regulations, or an approved waiver), expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for State Medicaid Fraud Control Units (42 CFR sections 435.10, 440.210, 440.220, and 440.180).
2. *Case Management Services* - The State plan may provide for case management services as an optional medical assistance service. The term “case management services” means services that will assist individuals eligible under the plan in gaining access to needed medical, social, educational, and other services.

Medicaid case management services are divided into two separate categories:

*Administrative Case Management* - Services must be identifiable with Title XIX benefit (e.g., outreach services provided by public school districts to Medicaid recipients).

*Medical/Targeted Case Management* - Services must be provided to an eligible Medicaid recipient. Services do not have to be specifically medical in nature and can include securing shelter, personal needs, etc. (e.g., services provided by community mental health boards, county offices of aging).

Case management services is an area of risk because of the high growth of expenditures and prior experience that indicates problems with the documentation of case management expenditures.

With the exception of case management services provided through capitation (a process in which payment is made on a per beneficiary basis) or prepaid health plans, Federal regulations typically require the following documentation for case management services: date of service; name of recipient; name of provider agency and person providing the service; nature, extent, or units of service; and, place of service (Pub. L. No. 99-272, Section 9508; 42 CFR part 434).

3. *Managed Care* - A State may obtain a waiver of statutory requirements in order to develop a system that more effectively addresses the health care needs of its population. For example, a waiver may involve the use of a program of managed care for selected elements of the client population or allow the use of program funds to serve specified populations that would be otherwise ineligible (Section 1115 of the Social Security Act). Managed care providers must be eligible to participate in the program at the time services are rendered, payments to managed care plans should only be for eligible clients for the proper period, and the capitation payment should be properly calculated. Medicaid medical services payments (e.g., hospital and doctors charges) should not be made for services that are covered by managed care.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

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States should ensure that capitated payments to providers are discontinued when a beneficiary is no longer enrolled for services. Requirements related to beneficiaries' access to managed care services are covered under III.N.6 Special Tests and Provisions - Managed Care.

4. *Medicaid Health Insurance Premiums* - A State may enroll certain Medicare-eligible recipients under Medicare Part B and pay the premium, deductibles, cost sharing, and other charges (42 CFR section 431.625).
5. *Disproportionate Share Hospital* - Federal financial participation is available for aggregate payments to hospitals that serve a disproportionate number of low-income patients with special needs. The State plan must specifically define a disproportionate share hospital and the method of calculating the rate for these hospitals. Specific limits for the total disproportionate share hospital payments for the State and the individual hospitals are contained in the legislation (Section 1923 of the Social Security Act and 42 USC 1396(r)).
6. *Home and Community-Based Services* - A State may obtain a waiver of statutory requirements to provide an array of home and community-based services which may permit an individual to avoid institutionalization (42 CFR part 441, subpart G). The HHS OIG has issued a special fraud alert concerning home health care. Problems noted include cost report frauds, billing for excessive services or services not rendered, and use of unlicensed staff. The full alert was published in the *Federal Register* on August 10, 1995, (page 40847) and is available on the Internet from the HHS OIG home page, Special Fraud Alerts section (<http://oig.hhs.gov/fraud/fraudalerts.html>).

#### *Allowable Costs/Cost Principles*

##### *Recoveries, Refunds, and Rebates (Costs must be the net of all applicable credits)*

1. States must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third-party resources should be exhausted prior to paying claims with program funds. Where a third-party liability is established after the claim is paid, reimbursement from the third party should be sought (42 CFR sections 433.135 through 433.154).
2. The State is required to credit the Medicaid program for (1) State warrants that are canceled and uncashed checks beyond 180 days of issuance (escheated warrants) and (2) overpayments made to providers of medical services within specified time frames. In most cases, the State must refund provider overpayments to the Federal Government within 60 days of identification of the overpayment, regardless of whether the overpayment was collected from the provider (42 CFR sections 433.300 through 433.320, and 433.40).
3. Section 1903(w)(1) of the Social Security Act (as amended by Pub. L. No. 102-234) provides that, effective January 1, 1992, before calculating the amount of Federal financial participation, certain revenues received by a State will be deducted from the State's medical assistance expenditures. The revenues to be deducted are (1) donations made by health providers and entities related to providers (except for *bona fide* donations and, subject to a limitation, donations made by providers for the direct costs of out-stationed eligibility workers); and (2) impermissible health care-related taxes that exceed a specified limit (42 USC 1396(b)(w); 42 CFR section 433.57).



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### Schedule of Findings and Questioned Costs

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“Provider-related donations” are any donations or other voluntary payments (in-cash or in-kind) made directly or indirectly to a State or unit of local government by (1) a health care provider, (2) an entity related to a health care provider, or (3) an entity providing goods or services under the State plan and paid as administrative expenses. “Bona fide provider-related donations” are donations that have no direct or indirect relationship to payments made under Title XIX (42 USC 1396 *et seq.*) to (1) that provider, (2) providers furnishing the same class of items and services as that provider, or (3) any related entity (42 CFR sections 433.58(d) and 433.66(b)).

Permissible health care-related taxes are those taxes which are broad-based taxes, uniformly applied to a class of health care items, services, or providers, and which do not hold a taxpayer harmless for the costs of the tax, or a tax program for which CMS has granted a waiver. Health care-related taxes that do not meet these requirements are impermissible health care-related taxes (42 CFR section 433.68(b)).

The provisions of Pub. L. No. 102-234 apply to all 50 States and the District of Columbia, except those States whose entire Medicaid program is operated under a waiver granted under section 1115 of the Social Security Act (42 CFR part 433; *Federal Register*, August 13, 1993, 58 FR 43156-43183).

4. Section 1927 of the Social Security Act allows States to receive rebates for drug purchases the same as other payers receive. Drug manufacturers are required to provide a listing to CMS of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer’s price and their best prices for each covered outpatient drug. Based on these data, CMS calculates a unit rebate amount for each drug, which it then provides to States. No later than 60 days after the end of the quarter, the State Medicaid agency must provide to manufacturers drug utilization data. Within 30 days of receipt of the utilization data from the State, the manufacturers are required to pay the rebate or provide the State with written notice of disputed items not paid because of discrepancies found.

#### *Eligibility for Individuals*

- a. 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).
- b. There are specific requirements that must be followed to ensure that individuals meet the financial and categorical requirements for Medicaid. These include that the State or its designee shall:
  - (1) Require a written application signed under penalty of perjury and include in each applicant’s case records facts to support the agency’s decision on the application (42 USC 1320b-7(d); 42 CFR sections 435.907 and 435.913).
  - (2) Use the income and eligibility verification system (IEVS) to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration (SSA), and the Internal Revenue Service to verify income eligibility and the amount of eligible benefits. With approval from HHS, States may use alternative sources for income information. States also: (a) may target the items of information for each data source that are most likely to be most productive in identifying and preventing ineligibility and incorrect payments, and a State is not required to

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use such information to verify the eligibility of all recipients; (b) with reasonable justification, may exclude categories of information when follow-up is not cost effective; and (c) can exclude unemployment compensation information from the Internal Revenue Service or earnings information from SSA that duplicates information received from another source (42 USC 1320b-7(a); 42 CFR sections 435.948(e) and 435.953).

- (3) Require, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish his or her social security account numbers (SSN) and the State shall utilize the SSN in the administration of the program. The State shall not deny or delay services to an otherwise eligible applicant pending issuance or verification of the individual's SSN by SSA. If the applicant cannot recall the SSN or has not been issued a SSN, the agency must assist the applicant in completing an application for an SSN and either send the application to SSA or, if there is evidence that the applicant has been previously issued a SSN, request SSA to furnish the number. A State may give a Medicaid identification number to an applicant who, because of well-established religious objections, refuses to obtain a SSN. In redetermining eligibility, if the case record does not contain the required SSN, the agency must require the recipient to furnish the SSN (42 CFR section 435.920(b)) (42 USC 1320b-7(a)(1); 42 CFR sections 435.910 and 920).
  - (4) Verify each SSN of each applicant and recipient with SSA to insure that each SSN furnished was issued to that individual and to determine whether any others were issued (42 CFR sections 435.910(g) and 42 CFR 435.920).
  - (5) Document qualified alien status if the applicant or recipient is not a U.S. citizen (42 USC 1320b-7d).
  - (6) Redetermine the eligibility of Medicaid recipients with respect to circumstances that may change (e.g., income eligibility), at least every 12 months. The agency may consider blindness and disability as continuing until the review physician or review team determines that the recipient's blindness or disability no longer meets the definition contained in the plan. There must be procedures designed to ensure that recipients make timely and accurate reports of any changes in circumstances that may affect their eligibility. The State must promptly redetermine eligibility when it receives information about changes in a recipient's circumstances that may affect his or her eligibility (42 CFR section 435.916).
- c. Qualified aliens, as defined at 8 USC 1641, who entered the United States on or after August 22, 1996, are not eligible for Medicaid for a period of five years, beginning on the date the alien became a qualified alien, unless the alien is exempt from this five-year bar under the terms of 8 USC 1613. States must provide Medicaid to certain qualified aliens in accordance with the terms of 8 USC 1612(b)(2), provided that they meet all other eligibility requirements. States may provide Medicaid to all other otherwise eligible qualified aliens who are not barred from coverage under 8 USC 1613 (the five-year bar). All aliens who otherwise meet the Medicaid eligibility requirements are eligible for treatment of an emergency medical condition under Medicaid, as defined in 8 USC 1611(b)(1)(A), regardless of immigration status or date of entry.

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d. *Medicaid Eligibility Quality Control System (MEQC)*

- (1) States are required to operate a MEQC system in accordance with requirements established by CMS. The MEQC system redetermines eligibility for individual sampled 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).
- (2) However, most States are operating MEQC pilots or have been given a waiver from the traditional MEQC program described in regulation. The pilots and waivers differ from the traditional MEQC program by performing special studies, targeted reviews, or other activities that are designed to ensure program integrity or improve program administration (42 USC 1396b; 42 CFR sections 431.800 through 431.865).

- e. As discussed in the General Audit Approach for Medicaid Payments, the auditor will likely combine III.A, "Activities Allowed or Unallowed," III.B, "Allowable Costs/Cost Principles," and III.E, "Eligibility." Therefore, compliance requirements related to amounts provided to or on behalf of eligibles were combined with III.A, "Activities Allowed or Unallowed."

*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 of New Jersey, Department of Human Services, Division of Medical Assistance and Health Services (DMAHS), utilizes its Bureau of Quality Control (the Bureau) to perform Medicaid Eligibility Quality Control (MEQC) and Payment Error Rate Measurement (PERM) positive case reviews of eligibility determinations, as well as to perform Negative Case Action (NCA) reviews of eligibility terminations, performed by the respective County Welfare Agencies (CWAs). PERM ended at the end of federal fiscal year 2007 (September 30, 2007) and the traditional MEQC was to resume beginning October 1, 2006.

In order to perform these reviews, the Bureau selects a monthly sample that is reviewed by the Bureau. After the initial reviewer reviews a selected case, the Supervising Program Support Specialist will review the file. The Bureau then utilizes a "Medicaid Quality Control Summary Report" (551-B Form) to report any eligibility, processing, or other errors noted in the MEQC or PERM review. The CWAs are required to submit a "Response to Medicaid Quality Control Summary Report" (551-D Form) to the Bureau, noting whether they agree with the errors cited by the Bureau and the corrective action to be implemented.

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The following was noted during testwork over the MEQC and PERM positive and negative case reviews:

- For all of the MEQC positive cases reviewed by the Bureau for the period of July 1, 2007 through September 30, 2007, the Bureau performed the reviews subsequent to the review deadline outlined in 42 CFR 431.816.
- For all of the MEQC positive cases that related to the period of October 1, 2007 through June 30, 2008, the Bureau did not perform any reviews.
- For six of the forty MEQC cases reviewed for the period of July 1, 2007 through September 30, 2007, there was no evidence of review by the Supervising Program Support Specialist.
- For four of the forty MEQC cases reviewed for the period of July 1, 2007 through September 30, 2007, the Bureau had sent the CWA a 551-B Form, but this report was signed by the case reviewer rather than their supervisor, the Supervising Program Support Specialist, or another level of supervisory review.
- For five of the forty MEQC cases reviewed for the period of July 1, 2007 through September 30, 2007, the Bureau had sent the CWA a 551-B Form, but no 551-D Form had been received indicating the CWAs corrective action to be implemented.
- For three of the forty PERM cases reviewed for the period of July 1, 2007 through September 30, 2007, we noted that there was no evidence of review by the Supervising Program Support Specialist.
- For two of the forty NCA cases reviewed for the period July 1, 2007 through June 30, 2008, the Bureau had sent the CWA a 551-B Form, but no 551-D Form had been received indicating the CWAs corrective action to be implemented.
- For four of the forty NCA cases reviewed for the period July 1, 2007 through June 30, 2008, the Bureau had performed the case review subsequent to the review deadline outlined in 42 CFR 431.816.

Total program expenditures for the Medicaid Cluster included on the schedule of expenditures of federal awards was \$4,930,568,814 for the State fiscal year 2008.

A similar finding was included in the 2007 prior year single audit report as item 07-42.

**Cause**

The Bureau did not perform all case reviews within the specified time periods; did not follow their prescribed guidelines for proper supervisory review of each case; and ensure the 551-D Form was received from the CWA after the 551-B Form to communicate technical errors to the CWAs noted during the MEQC review process was issued.

**Effect**

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

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**Recommendation**

We recommend that the Department implement procedures to monitor and perform eligibility reviews of eligibility determinations performed at the CWAs on a timely basis and to strengthen its internal control procedures to ensure proper supervisory review of each case and ensure the 551-D Form is received from the CWA if the 551-B Form is issued.

**Related Noncompliance**

We were unable to determine compliance with the above requirements.

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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**Child Support Enforcement (93.563)**

**State Agency: Department of Human Services**

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

**Finding – Scope Limitation: 08-2 Reporting, Subrecipient Monitoring, and Special Tests and Provisions**

**Criteria**

*Reporting*

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

*Subrecipient Monitoring*

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

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

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

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

#### *Special Tests and Provisions*

##### Establishment of Paternity and Support Obligations

The IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock. The agency must establish a support obligation when paternity is not an issue. These services must be provided for any child in cases referred to the IV-D agency or to individuals applying for services under 45 CFR section 302.33 or 45 CFR section 309.65(a)(2) for whom paternity or a support obligation had not been established (45 CFR sections 303.4 and 303.5, 45 CFR sections 309.100 and 309.105). For State IV-D agencies, these services must be provided within the time frames specified in 45 CFR sections 303.3(b)(3) and (b)(5), 303.3(c) and, 303.4(d).

##### Enforcement of Support Obligations

For all cases referred to the IV-D agency or applying for services under 45 CFR section 302.33 or 45 CFR section 309.65(a)(2) in which an obligation to support and the amount of the obligation has been established, the agency must maintain a system for (a) monitoring compliance with the support obligation; (b) identifying on the date the parent fails to make payments in an amount equal to support payable for one month, or an earlier date in accordance with State or tribal law, those cases in which there is a failure to comply with the support obligation; and (c) enforcing the obligation. To enforce the obligation the agency must initiate income withholding, if required by and in accordance with 45 CFR section 303.100 or 45 CFR section 309.110. State IV-D agencies must initiate any other enforcement action, unless service of process is necessary, within 30 calendar days of identification of the delinquency or other support-related noncompliance, or location of the absent parent, whichever occurs later. If service of process is necessary, service must be completed and enforcement action taken within 60 calendar days of identification of the delinquency or other noncompliance, or the location of the absent parent whichever occurs later. If service of process is unsuccessful, unsuccessful attempts must be documented and meet the State's guidelines defining diligent

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efforts. If enforcement attempts are unsuccessful, the State IV-D agency should determine when it would be appropriate to take an enforcement action in the future and take it at that time (45 CFR section 303.6). Optional enforcement techniques available for use by the State's are found at 45 CFR sections 303.71, 303.73, and 303.104.

#### Securing and Enforcing Medical Support Obligations – State Programs

The State IV-D agency must attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for services under 45 CFR section 302.33. Specifically, the State IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the agency must petition the court or administrative authority to include medical support in the form of health insurance coverage and/or cash medical support in all new or modified orders for support be provided by either or both parents. The agency is also required to establish written criteria to identify cases not included above, where there is a high potential for obtaining medical support based on: (a) available evidence that health insurance may be available to either or both parents at reasonable cost, and (b) facts (as defined by the State) which are sufficient to warrant modification of an existing support order to include health insurance coverage for a dependent child(ren). For cases meeting the established criteria, the agency shall petition the court or administrative authority to modify support orders to include medical support in the form of health insurance coverage and/or payment for medical expenses incurred on behalf of the child (45 CFR sections 303.31(b)(1)-(4) and DRA, Section 7307).

For non-TANF cases, the agency shall petition for medical support when the eligible individual is a Medicaid recipient or with consent of the individual if not a Medicaid recipient (45 CFR section 303.31(c)).

In cases where medical support is ordered, the agency is required to verify that it was obtained. If it was not obtained, the agency should take steps to enforce the health insurance coverage required by the support order, unless it determines that health insurance was not available to either or both parents at reasonable cost (45 CFR section 303.31(b)(7) and DRA, Section 7307).

The agency shall inform the Medicaid agency when a new or modified order for child support includes medical support and shall provide information to the custodial parent concerning the health insurance policy secured under any order (45 CFR sections 303.31(b)(5) and (6)).

The medical support provisions outlined in DRA, Section 7307 have an effective date of October 1, 2006. In the case where the Secretary of HHS determines that State legislation is required to meet any of the requirements imposed by Subtitle C of Title VII of the DRA, the effective date shall be 3 months after the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that began after the date of the enactment of the DRA (February 8, 2006). For purposes of the preceding sentence, in the case of a State that has a 2-year legislative session, each year of the session shall be considered to be a separate regular session of the State legislature.

#### Provision of Child Support Services for Interstate Cases – State Programs

The State IV-D agency must provide the appropriate child support services needed for interstate cases (cases in which the child and custodial parent live in one State and the responsible relative lives in another State), establish an interstate central registry responsible for receiving, distributing and responding to inquiries on all incoming interstate IV-D cases, and meet required time frames pertaining to provision of interstate services.



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The case requiring action may be an initiating interstate case (a case sent to another State to take action on the initiating State's behalf) or a responding interstate case (a request by another State to provide child support services or information only). Specific time frame requirements for responding and initiating interstate cases are at 45 CFR sections 303.7(a) and 303.7(b)(2), (4), (5) and (6), respectively (45 CFR sections 302.36 and 303.7).

#### **Condition**

##### Access to Automated Child Support Enforcement System (ACSES) (Scope Limitation)

The Department of Human Services (the Department), Division of Family Development (the Division) is responsible for the administration of the Child Support Enforcement (CSE) program.

For the State fiscal year 2008, we were not able to obtain access to the ACSES to select a sample of cases reported in the Annual Self-Assessment Report or the OCSE 34-A report to ensure compliance with the special tests and provisions, subrecipient monitoring, and reporting requirements of the CSE program.

##### OCSE 34A Reconciliations

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 \$2.2 to \$12.8 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 2007, 2006, 2005, 2004, 2003, 2002, 2001, and 2000 prior year single audit reports as items 07-5, 06-1, 05-7, 04-18, 03-7, 02-6, 01-6, and 00-30, respectively.

#### **Cause**

##### Access to ACSES

The Division would not grant the auditor access to the case information contained within ACSES as a result of instruction by the Internal Revenue Service (IRS) to comply with IRS publication 1075 to the Department.

##### OCSE 34A Reconciliations

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 reengineering of ACSES is completed.

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**Effect**

Access to ACSES

Underlying information reported in the Annual Self-Assessment Report and the OCSE 34-A report could not be audited.

OCSE 34A Reconciliations

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

**Recommendation**

Access to ACSES

We recommend the Department allow audit access to the information contained within ACSES to perform testwork in accordance with OMB Circular A-133.

OCSE 34A Reconciliations

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**

Compliance could not be tested for the above requirements.

**Questioned Costs**

Access to ACSES

Cannot be determined

OCSE 34A Reconciliations

\$2.2 million to \$12.8 million (Represents the unreconciled differences range)

**View of Responsible Official**

See management's corrective action plan.

**Auditor Response to Department View of Responsible Official**

The Division would not allow the auditor access to the ACSES system to select a sample of cases. Internal control and compliance testwork could not be performed. Pursuant to Rule 301 of the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct, *a member in public practice shall not disclose any confidential client information without the specific consent of the client.* Additionally, pursuant to the data confidentiality clause in the special terms and conditions section of the contract between the State

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of New Jersey and KPMG to perform the State of New Jersey single audit, *all financial, statistical, personnel and/or technical data supplied by the State to the contractor are confidential. The contractor is required to use reasonable care to protect the confidentiality of such data.*

Based upon the above requirements, a member of the Firm who is assigned to audit any state agency under the contract that has access to confidential information shall comply with the terms of the contract and AICPA Rule 301 and shall maintain the information as confidential, shall use the information solely for the purposes outlined in the contract and shall not inspect, access, disclose, transfer or “browse” the information for any purposes other than the specific purposes required to complete the audit under the contract. Further confidentiality agreements are not considered necessary as they would not impose any greater standards than what is required by the AICPA Code of Professional Conduct.

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

**State Agency: Department of Human Services**

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

#### **Finding: 08-3 Subrecipient Monitoring**

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

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

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

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

#### Condition

##### Reporting

The oversight of Treatment and Prevention Contracts and Letter of Agreement Monitoring is performed by the Department of Human Services, Division of Addiction Services (the Division). Quarterly expenditure reports are required to be reviewed and approved, as evidenced by a signature of the respective reviewer. These reports are due from the subrecipient within 10 working days of the end of the period to the Division and are required to be reviewed by the Division within 30 days of receipt. If there are adjustments required on the expenditure report, the reviewer contacts the subrecipient to discuss the issue, requests a new version and reviews and approves the final expenditure report.

The following was noted during our testwork:

- For three of forty subrecipients selected for testwork, we noted that there was no evidence of receipt of the quarterly report throughout the fiscal year.
- For two of forty subrecipients selected for testwork, we noted that there were portions of the expenditure report not completed, but was still approved as received.
- For sixteen of forty subrecipients selected for testwork, we noted the expenditure reports were received beyond the 10 working days of the end of the respective period without any evidence of follow-up by the Division.
- For eight of forty subrecipients selected for testwork, we noted the expenditure reports were not reviewed within 30 days of the date of receipt by the Division.

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#### **Site Visits**

In order to complete the compliance monitoring of its various subrecipients, the Division is divided into two units: Prevention Agency and Treatment Agency. Each unit has different monitoring processes. The Treatment Agency does their site visits at least once a calendar year, while, the Prevention Agency conducts about two site visits a year – one informal and one formal. At the conclusion of all site visits, the monitor may have findings that require corrective action or they may provide best practice suggestions to the subrecipient. These conclusions are communicated to the subrecipient in a report, which are signed and submitted by members of the respective agency and are reviewed and approved by the respective supervisor.

The following was noted during our testwork:

- For three of twenty Treatment Agency subrecipients and four of twenty Prevention Agency subrecipients selected for testwork, we noted there was no evidence of timely supervisory review on the site visit report.
- For four of twenty Prevention Agency subrecipients selected for testwork, we noted there was no evidence of the monitor's signature on the report submitted to be reviewed and approved by the respective supervisor.
- For seven of twenty Prevention Agency subrecipients selected for testwork, we noted there was no evidence for the site visit having been conducted or completed.

The amount expended for the subrecipients was \$21,439,509 and the total amount included in the sample was \$26,210,744. The total amount passed through to subrecipients for State fiscal year 2008 was \$42,718,467.

A similar finding was included in the 2007 prior year single audit report as item 07-2.

#### **Cause**

The Division did not ensure that the expenditure and audit reports submitted by subrecipients were completed and reviewed and approved timely by both a reviewer and supervisor, and that site visits over subrecipients were conducted by a monitor, and reviewed and approved timely by a supervisor.

#### **Effect**

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

#### **Recommendation**

We recommend that the Division strengthen its procedures to ensure that all expenditure and audit reports for subrecipients are completed and reviewed and approved timely by both the reviewer and supervisor and site visits for subrecipients are conducted by a monitor and reviewed and approved by a supervisor.

#### **Related Noncompliance**

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

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**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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

**State Agency: Department of Human Services**

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

**Finding: 08-4 Subrecipient Monitoring**

#### **Criteria**

#### **Subrecipient Monitoring**

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



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

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

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

#### Condition

The Department of Human Services, Division of Family Development (the Division) conducts site visits over the various subrecipients that it provides funding under the Child Care Cluster (CCC). A supervisor reviews the results of the monitoring review before any conclusion is made about a subrecipient's compliance with program requirements and issues a letter documenting whether or not a subrecipient was in compliance. If there are issues that require a corrective action plan, the supervisor's letter documents the requirements and deadlines.

For six of forty subrecipient monitoring files selected for testwork, the Division did not perform proper follow-up procedures regarding the required submission of the respective subrecipient's corrective action plan. For one of forty subrecipient monitoring files selected for testwork, the Division could not provide adequate documentation to support that a monitoring review had been performed during State fiscal year 2008. The contract amount provided to this subrecipient was \$784,902 for State fiscal year 2008, of which a portion related to this program.

Total payments to subgrantees during State fiscal year 2008 were \$102,853,409.

A similar finding was included in the 2007 prior year single audit report as item 07-7.

#### Cause

There were inconsistencies in practice and missing documentation throughout the subrecipient monitoring files maintained by the Division.

#### Effect

The State of New Jersey awarded funding to agencies that are not fulfilling their obligations as subrecipients, while, the State is not properly monitoring its subrecipients.

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**Recommendation**

We recommend that the Division strengthen its procedures over the monitoring reviews of subrecipients, including document retention and follow-up of corrective action plans submitted by the subrecipients.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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

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

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

**Finding: 08-5 Special Tests and Provisions**

**Criteria**

*Inpatient Hospital and Long-Term Care Facility Audits*

The State Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers. The State Medicaid agency must provide for the filing of uniform cost reports for each participating provider. These cost reports are used to establish payment rates. The State Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the State Plan (42 CFR section 447.253).

**Condition**

Nursing home cost reports are due to the Office of Nursing Facility Rate Setting and Reimbursement (the Office) within three months after the end of the nursing home's fiscal year end. If a nursing home fails to submit a cost report, the facility is given a financial penalty. Copies of the cost reports are forwarded to the analyst who performs the desk review procedures.

For two of twenty facility cost reports and desk reviews selected for testwork, the Office did not perform the desk review of the cost reports. The total contract payments for these two facilities during State fiscal year 2008 were \$8,825,431.

A similar finding was included in the 2007 prior year single audit report as item 07-1.

**Cause**

The Office had significant turnover during State fiscal year 2008, limiting their resources to perform the desk reviews of the submitted cost reports.

**Effect**

Any overpayment amounts due to the Unit may not be paid timely. Additionally, Unisys may have incorrect reimbursement rates for processing Medicaid claims and payments.

**Recommendation**

We recommend that the Departments strengthen internal controls over the process for performing desk reviews of the cost reports on a timely basis.

**Related Noncompliance**

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

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**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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**Foster Care – Title IV-E (93.658)**

**Adoption Assistance (93.659)**

**State Agency: Office of Information Technology**  
**Department of Children and Families**  
**Department of Human Services**

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

**Finding: 08-6 Other Requirement – Information Technology General Controls**

**Criteria**

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

As part of an entity's internal controls to reasonably ensure compliance over Federal laws and regulations, an entity must maintain an effective control environment over their information technology systems used to generate and process information to administer Federal programs in accordance with the respective rules and regulations that govern the program.

**Condition**

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

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

*1. NJSPIRIT Password Rules*

- Password rules for NJSPIRIT are not strictly enforced.

*2. Formal Testing and Sign-Off Process for Database Changes*

- Approvals for patches applied to the database servers were not available for review and could not be validated.

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3. *Disaster Recovery Test*

- A disaster recovery test was not performed for NJSPIRIT during State fiscal year 2008.

4. *Sensitive Access and Segregation of Duties*

- All central and local office users had the ability to update rate tables in NJSPIRIT during State fiscal year 2008.
- Twelve NJSPIRIT users, who have supervisory rights in NJSPIRIT, also had the ability to create vendors in the Contract Management System.

5. *Formal Sign-Off for Conversion of Fiscal Balances and Post-Go-Live Conversion Related Data Updates*

- Fiscal balances for vendors, open invoices, and other balances converted as part of conversion process to NJSPIRIT were not formally approved.
- Approvals for eighteen of twenty-five post-go-live conversion related data cleansing incidents are not available for review and could not be validated.

6. *User Access Provisioning and Monitoring*

- User access modifications to NJSPIRIT and supporting approvals are not documented and could not be validated.
- Periodic user access reviews for the NJSPIRIT application and supporting operating and database applications were not conducted during State fiscal year 2008.

**Cause**

1. *NJSPIRIT Password Rules*

- The NJSPIRIT application relies on the DCF portal for user authentication. Upon successful authentication by the portal, users can log in directly to the NJSPIRIT application if he/she has a valid user ID in NJSPIRIT. During State fiscal year 2008, password rules for the DCF portal were not configured. As the NJSPIRIT application relies on the DCF portal for user authentication and password controls, the password rules for the NJSPIRIT application were not enforced.

2. *Formal Testing and Sign-Off Process for Database Changes*

- There were four database patches applied to the NJSPIRIT supporting Oracle database. These patches were tested in a “TEST” environment and verbal approvals for migrating these patches into production were obtained. As the supporting change request for these patches were not properly documented, we were unable to validate the approvals obtained.

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3. *Disaster Recovery Test*

- During State fiscal year 2008, disaster recovery tests were not performed for the NJSPIRIT application.

4. *Sensitive Access and Segregation of Duties*

- During State fiscal year 2008, the NJSPIRIT application was stabilizing and management was in the process of defining the roles and responsibilities amongst users. During this time, all central and local office users by default were granted access to the critical rate tables.
- Twelve users with full access to the Contract Management System also have supervisory rights in the NJSPIRIT application. Full access in the Contract Management System allows these users to create/update vendors and supervisory rights allow them process/approve payments within NJSPIRIT. Access to the Contract Management System should be restricted to individuals from the Contract Management Office, which is responsible for managing vendors.

5. *Formal Sign-Off for Conversion of Fiscal Balances and Post-Go-Live Conversion Related Data Updates*

- As part of the conversion process to the NSPIRIT application, fiscal balances, such as vendor balances, total open invoices and others, were not formally approved. Only client-related data and service payment rate tables were formally approved as part of the conversion process.
- For eighteen of twenty-five post-go-live conversion data conversion cleansing incidents selected for testwork, the related release approvals required for cleansing the production data were not available for review and could not be validated.

6. *User Access Provisioning and Monitoring*

- During State fiscal year 2008, user access modification requests and approvals for the NJSPIRIT application were not consistently documented.
- DCF is responsible for conducting periodic reviews over user access for the NJSPIRIT application. DHS is responsible for conducting periodic reviews over user access for the supporting operating and database for the NJSPIRIT application. During State fiscal year 2008, these periodic reviews of user access pertaining to the NJSPIRIT application and the supporting infrastructure were not performed.

**Effect**

1. *NJSPIRIT Password Rules*

- There is an increased risk that unauthorized users may obtain access to the NJSPIRIT application without the enforcement of password parameters.

2. *Formal Testing and Sign-Off Process for Database Changes*

- The absence of documenting proper change control procedures may result in unauthorized changes to the NJSPIRIT application and its related infrastructure.

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3. *Disaster Recovery Test*

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

4. *Sensitive Access and Segregation of Duties*

- The granting of access to critical rate tables to individuals with no defined role or responsibility in maintaining these tables could result in unauthorized or inadvertent updates to the approved rates, which could lead to improper client or vendor related payments.
- The absence of proper segregation of duties between vendor management and payment functions may result in unauthorized or improper payments to vendors.

5. *Formal Sign-Off for Conversion of Fiscal Balances and Post-Go-Live Conversion Related Data Updates*

- The absence of formal validation and approval of fiscal balances converted to the NJSPIRIT application could result in undetected data discrepancies, which could impact the fiscal and reporting aspects of the NJSPIRIT application.
- The absence of proper change control policies and procedures could result in unauthorized changes to production data.

6. *User Access Provisioning and Monitoring*

- The absence of adherence to the standard policy for granting and documenting modification to user access in the NJSPIRIT application may result in improper access by unauthorized users.
- Without periodically reviewing user access to the NJSPIRIT application and supporting infrastructure, there is a risk of improper or unauthorized user access.

**Recommendation**

1. *NJSPIRIT Password Rules*

- We recommend that a formal set of password rules be established for the NJSPIRIT application.

2. *Formal Testing and Sign-Off Process for Database Changes*

- We recommend that appropriate management identified change control procedures are followed and evidence of approval for infrastructure changes be properly documented and maintained.

3. *Disaster Recovery Test*

- We recommend that disaster recovery procedures are planned and periodic disaster recovery tests are performed.



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#### 4. *Sensitive Access and Segregation of Duties*

- We recommend that only a limited number of management identified individuals with responsibility to maintain rates are granted access to critical rate table information. We also recommend that this list of users is reviewed and monitored on a regular basis.
- We recommend that user rights are updated to ensure proper segregation of duties for those users with ability to create vendors in Contract Management System do not have the ability to process/approve payments in the NJSPIRIT application.

#### 5. *Formal Sign-Off for Conversion of Fiscal Balances and Post-Go-Live Conversion Related Data Updates*

- We recommend that procedures are established to ensure fiscal balances are verified, approved and evidence of approval is documented and maintained during a conversion process.
- We recommend that procedures are established to ensure that all data cleansing incidents are documented and related approvals are documented and maintained.

#### 6. *User Access Provisioning and Monitoring*

- We recommend that all user access modification requests related to the NJSPIRIT application are properly documented, approved and maintained.
- We recommend that a review of user access for the NJSPIRIT application and supporting infrastructure should be performed on a periodic basis.

#### **Related Noncompliance**

Not applicable as this is an internal control finding.

#### **Questioned Cost**

None

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

See management's corrective action plan.

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

**State Agency: Department of Human Services**

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

**Finding: 08-7 Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**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.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

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#### *b. Selected Items of Cost*

- (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).

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**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.

The Department of Human Services (the Department), Commission for the Blind and Visually Impaired (CBVI) is one of two state agencies responsible for the administration of the Rehabilitation Services: Vocational Rehabilitation Grants to States program. During testwork over the CAPs, CBVI did not prepare or submit to the Department the quarterly CAPs for the quarters ending March 31, 2008 and June 30, 2008.

Total program expenditures related to the Department were \$12,688,830 and total program expenditures included on the schedule of expenditures of federal awards were \$61,514,789.

**Cause**

CBVI did not have adequate staffing levels to prepare the cost allocation plans for the quarters ended March 31, 2008 and June 30, 2008.

**Effect**

Cost allocation plans are not prepared and submitted in a timely manner.

**Recommendation**

We recommend that CBVI prepare and submit the CAPs in a timely manner to the Department.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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

**State Agency: Department of Human Services**

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

**Finding: 08-8 Procurement**

**Criteria**

States, and governmental sub recipients 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 indicated below. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

**Condition**

For four of the thirty procurements selected for testwork, the Department did not perform price competition procedures. The amount expended for the four procurements was \$4,690 and the total amount included in the sample was \$42,409. The total other than personal service expenditures from which the sample was drawn were \$2,367,815.

A similar finding was included in the 2007, 2006, 2005, 2004, 2003, and 2002 prior year single audit reports as items 07-4, 06-11, 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.

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**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

\$4,690

**View of Responsible Official**

See management's corrective action plan.

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

**State Agency: Department of Human Services**

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

#### **Finding: 08-9 Period of Availability**

##### **Criteria**

1. Discretionary Funds (CFDA 93.575) must be obligated by the end of the succeeding fiscal year after award, and expended by the end of the third fiscal year after award (42 USC 9858h(c); 45 CFR section 98.60).
2. Mandatory Funds (CFDA 93.596) for States must be obligated by the end of the fiscal year in which they are awarded if the State also requests Matching Funds (CFDA 93.596). If no Matching Funds are requested for the fiscal year, then the Mandatory Funds (CFDA 93.596) are available until expended (45 CFR section 98.60(d)).
3. Mandatory Funds (CFDA 93.596) for Tribes must be obligated by the end of the succeeding fiscal year after award, and expended by the end of the third fiscal year after award (45 CFR section 98.60(e)).
4. Matching Funds (CFDA 93.596) must be obligated by the end of the fiscal year in which they are awarded, and expended by the end of the succeeding fiscal year after award (45 CFR section 98.60(d)).

##### **Condition**

The Department of Human Services (the Department), Division of Family Development (the Division) is responsible for the administration of the Child Care Cluster (CCC) program, including monitoring compliance with period of availability requirements.

The Division had recorded expenditure modifications (EM) in the State of New Jersey's Comprehensive Financial System (NJCFS), which is used to prepare the schedule of expenditure of federal awards (SEFA), related to fiscal year 2005 Matching Funds of \$134,971 and a combination of both fiscal year 2005 Matching and Mandatory Funds of \$369,079. As per 45 CFR section 98.60(d), the Matching Funds were supposed to be expended by the end of the succeeding fiscal year (end of fiscal year 2006). As a result of the reconciliation process, it was noted that these Matching Funds were reported in the SEFA for the State's fiscal year ended June 30, 2008, however, were properly claimed and reported in State fiscal year 2005 on the ACF-696, *Child Care and Development Fund Financial Report* (ACF-696 Report).

Total expenditures for Matching and Mandatory Funds (CFDA 93.596) were \$77,644,360, and are included in the SEFA.

##### **Cause**

The Division did not properly reconcile expenditures claimed on the ACF-696 Report to the SEFA in the year in which the expenditures were reported.

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**Effect**

The expenditures for Matching Funds reported for the CCC program in the SEFA may not reconcile to expenditures claimed on the ACF-696 Report.

**Recommendation**

We recommend that the Division strengthen its procedures over ensuring that expenditures for Matching Funds for the CCC program per the SEFA are properly reconciled in a timely manner to the year in which they are claimed on the ACF-696 Report.

**Related Noncompliance**

Not applicable as this is an internal control finding.

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.



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**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)**

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

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

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

**Block Grants for the Prevention & Treatment of Substance Abuse (93.959)**

**State Agency: Department of Human Services**

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

**U.S. Department of Education**

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

**Finding: 08-10 Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**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.

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- (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:

- One of thirty time sheets selected for Department Management testwork did not have evidence of supervisory review.
- Three of thirty time sheets selected for Department Management testwork could not be provided to support the personal service expenditures. The total personal service expenditures related to these three time sheets was \$5,113 and the total personal service expenditures included in the sample was \$81,398. Total personal service expenditures from which the sample was drawn were \$23,517,578 and total aggregate personal service expenditures for the programs noted above were \$806,569,679 during State fiscal year 2008.

**Cause**

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

**Effect**

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

**Recommendation**

We recommend that the Department strengthen internal controls over the process for proper review and authorization of personal services expenditures and to ensure supporting documentation for personal services expenditures is properly maintained.

**Related Noncompliance**

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

**Questioned Costs**

\$5,113

**View of Responsible Official**

See management's corrective action plan.

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**Edward Byrne Memorial Justice Assistance Grant (16.738)**

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

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

**Finding: 08-11 Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**Criteria**

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.

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 one of the ten employees selected for testwork, an employee of the Division of State Police did not have after the fact certification prepared or signed by the employee working on the grant as required by OMB Circular A-87 to support personnel costs charged to the program for the two pay cycles selected in our sample. The amount charged for this employee for the two pay cycles was \$2,400 and the total amount charged for this employee for the State fiscal year 2008 was \$37,125. The total amount of payroll costs included in our sample was \$56,572 and total amount of payroll costs charged to the program during 2008 was \$1,579,790.

**Cause**

The Department does not have adequate controls in place to ensure that employees working on grants prepare and sign certifications.

**Effect**

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

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**Recommendation**

We recommend the Department implement procedures to ensure that 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 in compliance with the above requirement.

**Questioned Costs**

\$37,125

**View of Responsible Official**

See management's corrective action plan.

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#### **Edward Byrne Memorial Justice Assistance Grant (16.738)**

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

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

#### **Finding: 08-12 Cash Management**

##### **Criteria**

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

Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients 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 subgrantees 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 non-profit 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.

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

The requirements 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**

The Department's policy is to reimburse subrecipients after the receipt of the detailed cost statements. For three of the nine subrecipient reimbursements included in our sample, the Department funded an amount in excess of actual expenses incurred. The difference between actual expenses incurred and the amount funded was \$104,277. The total amount of payments to subrecipients included in the sample was \$757,782 and the payments passed through to subrecipients for State fiscal year 2008 was \$2,467,871.

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**Cause**

The Department did not follow the guidelines requiring all expenses be incurred before a subrecipient can receive funding. Additionally, the Department did not ensure the subrecipient reported interest earnings on the advanced funds.

**Effect**

Funds in excess of expenses are passed to subrecipients and interest earnings are not reported.

**Recommendation**

We recommend the Department implement procedures to ensure funds are disbursed to subrecipients on a reimbursement basis and interest earned on excess funds is reported and remitted as required by Federal regulations.

**Related Noncompliance**

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

**Questioned Costs**

\$104,277

**View of Responsible Official**

See management's corrective action plan.

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**Edward Byrne Memorial Justice Assistance Grant (16.738)**

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

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

**Finding: 08-13 Reporting**

**Criteria**

*Financial Reporting*

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). 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.

*Financial Status Report (FSR) (SF-269 (OMB No. 0348-0039) or SF-269A (OMB No. 0348-0038)).* 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**

The fiscal analyst prepares and reviews the Financial Status Reports (269A) each quarter. There is no segregation of duties between the preparation of the reports and the review to ensure that the reports are accurate and complete.

**Cause**

The Department does not have a formal review process in place prior to the submission of the Financial Status Reports.

**Effect**

The Financial Status Reports submitted to the Federal Government may not be accurate and complete.

**Recommendation**

We recommend the Department establish a formal review process by management of the Financial Status Reports to ensure that they are complete and accurate prior to being submitted to the Federal Government.

**Related Noncompliance**

Not applicable as this is an internal control finding.

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**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.



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

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

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

#### **Finding: 08-14 Suspension and Debarment**

##### **Criteria**

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. §\_\_.220 of the governmentwide nonprocurement debarment and suspension common rule contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

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

Governmentwide requirements for nonprocurement suspension and debarment are contained in the OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension. The OMB guidance, which superseded the common rule published November 26, 2003, is substantially the same as that rule. Most of the Federal agencies have adopted this guidance and relocated their associated agency rules in Title 2 of the CFR as final rules. For any agency that has not completed its adoption of 2 CFR part 180, pending completion of that adoption, agency implementations of the common rule remain in effect. Appendix II includes the current CFR citations for all agencies. In either case, the applicable requirements are specified in the terms and conditions of award.

##### **Condition**

For twenty-two (FY 2005 subawards) out of forty subrecipient transactions (FY 2005, 2007, and 2008 subawards) selected for testwork, there was no suspension and debarment certifications included in the files. Based on our audit procedures, none of the subrecipients were listed on the Excluded Parties List System maintained by General Services Administration (GSA), and therefore do not appear to be suspended or debarred. The payments to the twenty-two subrecipients included in our sample were \$1,337,131 and the amount tested was \$3,333,208. The total amount passed through to subrecipients for the State fiscal year was \$16,875,642.

A similar finding was included in the 2006 prior year single audit report as item 06-31 for the Urban Areas Security Cluster Program (97.008) which is now part of the Homeland Security Cluster.

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**Cause**

The Department implemented procedures to ensure suspension and debarment certification was received from the subrecipients in State fiscal year 2006. The transactions selected for testwork included grants awarded in State fiscal year 2005 with expenditures in State fiscal year 2008, which preceded the implementation of this control. All transactions selected subsequent to State fiscal year 2005, suspension and debarment certification was included in the award letters.

**Effect**

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

**Recommendation**

We recommend that the Department continue with its corrective action procedures to ensure that all subrecipients are not suspended or debarred as required by Federal regulations.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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

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

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

#### Finding: 08-15 Subrecipient Monitoring

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

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

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

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

#### *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 \$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 twenty-eight (State fiscal year 2005 and 2007 subawards) out of forty subrecipients (State fiscal year 2005, 2007, and 2008 subawards) selected for testwork, we noted the Department did not have procedures in place to communicate award information (e.g. CFDA Title and number and name of Federal agency). For State fiscal year 2008, approximately \$16,875,350 in pass through payments was provided to subrecipients. The payments to the twenty-eight subrecipients included in the sample were \$1,854,571 and the amount tested was \$3,333,208.

A similar finding was included in the 2007 and 2006 prior year single audit reports as items 07-29 and 06-27, respectively.

#### **Cause**

The Department implemented procedures to communicate award information beginning with the Federal fiscal year 2007 awards, which were awarded in State fiscal year 2008. The transactions selected for testwork primarily included grants awarded in State fiscal years which preceded the implementation of these procedures.

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**Effect**

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

**Recommendation**

We recommend that the Department continue with its corrective action procedures to ensure that all subrecipients are aware of 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 the above requirement.

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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

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

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

**Finding: 08-16 Reporting**

**Criteria**

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

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

**Condition**

The Office of Management and Budget, NJ Department of Treasury generates the Schedule of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system, New Jersey Comprehensive Financial System (NJCFS). The Department of Law and Public Safety prepares the Federal financial status reports (FFSRs) for the Homeland Security Grants programs from NJCFS. The Department of Law and Public Safety did not reconcile the amounts reported on the FFSRs for the 2005 GET and 2005 GRT awards to the amounts reported on the SEFA. The amounts reported for these two awards during the State fiscal year 2008 per the financial status reports were \$19,715,203 and \$1,116,857, and the amount included in the SEFA for these two awards were \$13,627,454. The unreconciled difference is reported as a questioned costs below.

A similar finding was included in the 2007, 2006, and 2005 prior year single audit reports as items 07-34, 06-25, and 05-33, respectively.

**Cause**

The Department does not have proper procedures in place to allow them to reconcile the expenditures charged to the programs on the 2005 GET and 2005 GRT FFSRs to the amounts reported on the SEFA, which are supported by the underlying financial records.

**Effect**

The expenditures reported on the 2005 GET and 2005 GRT FFSRs may not be supported by the State's underlying financial records and may be inappropriately charged to the program.

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**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

\$7,204,606

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

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

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

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

#### **Finding: 08-17 Equipment and Real Property Management**

##### **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 acquired under a subgrant from a State.

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

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**

Five (one OHSP and four DSP) of forty pieces of equipment selected for testwork, the equipment did not have the appropriate tag identification at the time of inspection. Costs charged to the program for these transactions were \$10,731 and have been included below as questioned costs.

Five (DSP) of the forty pieces of equipment selected for testwork, we were unable to verify the equipment to the fixed asset system. Costs charged to the program for these transactions were \$174,630 and have been included below as questioned costs.

For four (DSP) of the forty pieces of equipment selected for testwork, the supporting documentation detailed the purchase as other than equipment. Two of the four related to software development, one was for supply tape, and one insect repellent. Costs charged to the program for these transactions were \$97,437 and have been included below as questioned costs.



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Total equipment expenditures charged to this program during State fiscal year 2008 were \$703,491 and the amount of equipment expenditures included in the sample was \$373,307.

A similar finding was included in the 2007, 2006, 2005, 2004, 2003, and 2002 prior year single audit reports as items 07-31, 07-32, 06-21, 06-22, 05-30, 04-27, 03-39, and 02-36, respectively.

**Cause**

The Department does not have adequate controls in place to ensure equipment is appropriately inventoried and tracked in the fixed asset system. Additionally, review procedures do not include reviewing supporting documentation to ensure costs are accurately classified in the State accounting system.

**Effect**

Equipment purchased with Federal Funds is not readily identifiable by item or location and purchases may not be properly classified.

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

\$282,792

**View of Responsible Official**

See management's corrective action plan.

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

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

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

**Finding: 08-18 Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**Criteria**

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

For those employees 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 seventeen (two Office of Attorney General, thirteen State Police, and two Military and Veterans Affairs) of the forty 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 for these transactions during 2008 was \$50,392.

Total personal service expenditures charged to this program during State fiscal year 2008 were \$1,835,022 and the amount of expenditures included in the sample was \$111,392.

A similar finding was included in the 2007, 2006, 2005, 2004, 2003, 2002, 2001, and 2000 prior year single audit reports as items 07-33, 06-18, 05-31, 04-26, 03-38, 02-34, 01-27, and 00-09, respectively.

**Cause**

The Department does not have adequate controls in place to ensure that employees working on grants prepare and sign certifications.

**Effect**

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

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**Recommendation**

We recommend that the Department implement procedures to ensure that 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 in compliance with the above requirement.

**Questioned Costs**

\$50,392

**View of Responsible Official**

See management's corrective action plan.

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

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

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

**Finding: 08-19 Procurement**

**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 indicated below. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

**Condition**

For four (Office of Attorney General) of the thirty expenditures selected for testwork, the Department was unable to provide documentation to support that the proper procurement procedures were followed. The total expenditures charged to this program for these expenditures were \$54,520 out of a total sample of \$760,283. The total amount of other than personal service expenditures for the State fiscal year 2008 was \$2,557,686.

**Cause**

The Department does not have adequate controls in place to ensure that bidding documentation is maintained.

**Effect**

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

**Recommendation**

We recommend that the Department ensure the proper supporting documentation for transactions charged to Federal programs is maintained.

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**Related Noncompliance**

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

**Questioned Costs**

\$54,520

**View of Responsible Official**

See management's corrective action plan.

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

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

**Federal Agency: Election Assistance Commission**

#### **Finding: 08-20 Suspension and Debarment**

##### **Criteria**

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Under nonprocurement suspension and debarment rules in effect prior to November 26, 2003, covered transactions included procurement contracts for goods or services equal to or in excess of \$100,000 (the “small purchase” or “simplified acquisition threshold”). A change in the nonprocurement suspension and debarment rule took effect on November 26, 2003. As of that date “covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. §\_\_.220 of the governmentwide nonprocurement debarment and suspension common rule contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions—this was the case before November 26, 2003, and was not changed by the revised rules.

Under rules in effect prior to November 26, 2003, contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. Effective November 26, 2003, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (§\_\_.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, U.S. 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**

For two of two subrecipient transactions selected for testwork the subrecipient did not have proper suspension and debarment certifications in their files. Transactions for these two subrecipients amounted to \$357,535 for State fiscal year 2008. Based on our audit procedures, none of the subrecipients were listed on the Excluded Parties List System maintained by General Services Administration (GSA), and therefore do not appear to be suspended or debarred. The total amount expended for pass through grants in fiscal year 2008 was \$382,120.

A similar finding was included in the 2007 prior year single audit report as item 07-40.

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**Cause**

The Department does not have controls in place to ensure receipt of certification that the organization and its principals are not suspended or debarred. The Department does not include Suspension and Debarment Certification in their award letters or the payment vouchers from the local agencies.

**Effect**

Entities suspended or debarred or whose principals are suspended or debarred may receive funding.

**Recommendation**

We recommend that the Department implement controls to ensure that all subrecipients certify that their organization and its principals are not suspended or debarred.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

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

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

**Federal Agency: Election Assistance Commission**

#### Finding: 08-21 Subrecipient Monitoring

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



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

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

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

#### *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 \$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 one of the two subrecipients selected for testwork, we noted the Department does not have procedures in place to communicate award identification information (e.g. CFDA Title and number and/or name of Federal agency). The subrecipient received a payment of \$321,125 of the total payments to subrecipients of \$382,120.

A similar finding was included in the 2007 and 2006 prior year single audit reports as items 07-38 and 06-36, respectively.

#### **Cause**

The Department does not include the required Federal award information in their communication to the subrecipients.

#### **Effect**

Inadequate communication of program requirements could result in errors at the subrecipient level.

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**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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

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

**Federal Agency: Election Assistance Commission**

#### **Finding: 08-22 Reporting**

##### **Criteria**

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

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

##### **Condition**

#### **Schedule of Expenditures of Federal Awards**

The Office of Management and Budget (OMB), NJ Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system, New Jersey Comprehensive Financial System (NJCFS). The Department prepares the Federal financial status reports (SF-269A) for the HAVA programs from NJCFS. The Department did not reconcile the amounts reported on the SF-269A or expenditures in NJCFS to the amounts reported in the SEFA. The Federal share of outlays reported on the SF-269A for the period October 1, 2007 to September 30, 2008 was \$3,614,309.

The initial amount reported in the SEFA of \$6,764,560 for the HAVA programs included an adjustment of (\$232,070) of Title I funds that were improperly classified as CFDA number 90.401. The Title I funds should have been classified as CFDA number 39.011.

#### **Federal Financial Report**

Our testwork over the Federal Financial Reports noted the following:

- The Department did not have support for the interest and unobligated balances of \$5,193,723 and \$23,655,835, respectively, reported on the SF-269A for the period ending September 30, 2007.

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- The amount reported for the prior period of \$39,282,705 did not agree to the SF-269A report that was submitted to the Federal Government for the period ending September 30, 2006.
- The CFDA number reported on the SF-269A report for the period ended September 30, 2007 indicates 39.011 when the activity was for 90.401.

A similar finding was included in the 2007 and 2006 prior year single audit reports as items 07-37 and 06-35, respectively.

**Cause**

The Department does not have procedures in place to ensure that reports are filed within the required timeframe, that proper supporting documentation is maintained, and that they reconcile the 269 Report to the GN12 report. The Department did not report the SEFA adjustment to OMB.

**Effect**

The expenditures reported on the SF-269A reports may not be supported by the State's underlying financial records and may be inappropriately charged to the program. Expenditures may not be properly adjusted in the SEFA.

**Recommendation**

We recommend that the Department implement procedures to routinely reconcile the expenditures reported on the SF-269A reports to the State's underlying financial records maintained on the State's central accounting system. Additionally, we recommend that the Department ensure that the reports are filed within the required time frame.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

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

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

**Federal Agency: Election Assistance Commission**

#### **Finding: 08-23 Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Procurement 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.

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- (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.

#### *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 indicated below. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

#### **Condition**

For five of thirty-two other than personal service expenditures selected for testwork, the Department was unable to provide supporting documentation; therefore, we were unable to verify the costs were allowable or the activities were allowed related to the HAVA program. The total costs charged to the program for these five transactions was \$38,660.

For six of thirty-two expenditures selected for testwork, the Department was unable to provide supporting documentation; therefore, we were unable to verify that these expenditures followed the required State procurement procedures. Total costs to the program for these six transactions were \$41,260.

The total amount of other than personal services expenditures included in the sample was \$3,237,624 and the amount expensed during State fiscal year was \$5,814,741.

A similar finding was included in the 2007 and 2006 prior year single audit reports as items 07-35 and 06-34, respectively.

#### **Cause**

The Department does not have adequate controls in place to ensure that supporting documentation is filed and/or maintained.

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**Effect**

Unallowable costs or activities could be charged to the program.

**Recommendation**

We recommend that the Department ensure that the required activities allowed/allowable costs and procurement documentation is maintained and stored properly in order to easy access to the files and ease of reviewing the files for future.

**Related Noncompliance**

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

**Questioned Costs**

\$41,260

**View of Responsible Official**

See management's corrective action plan.

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

**State Agency: Department of Agriculture**

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

**Finding: 08-24 Special Tests and Provisions**

**Criteria**

*School Food Accounts*

A School Food Authority (SFA) is required to account for all revenues and expenditures of its non-profit school food service in accordance with State requirements. A SFA must operate its food services on a non-profit basis; all revenue generated by the school food service must be used to operate and improve its food services.

**Condition**

The Department did not perform a complete review of school food service accounting records for all of the SFAs receiving funds through this cluster to ensure the SFA is accounting for all revenues and expenditures of its non profit school food services in accordance with State requirements.

The amount of funds passed through to SFAs for the State fiscal year was \$200,943,897.

**Cause**

The Department does not currently have a qualified individual identified to perform the necessary reviews of the SFAs to ensure that the SFAs are in compliance with the school food accounting requirements.

**Effect**

The SFAs may not be properly segregating their school food services accounting from other accounts.

**Recommendation**

We recommend that the Department identify a qualified individual to review and perform follow up procedures, as applicable, on audit reports obtained from SFAs.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.



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**Adoption Assistance (93.659)**

**State Agency: Department of Children and Families**

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

**Finding: 08-25 Eligibility**

**Criteria**

- a. Adoption assistance subsidy payments may be paid on behalf of a child only if all of the following requirements are met:
  - (1) The child is eligible, or would have been eligible, for the former Aid to Families with Dependent Children (AFDC) program (i.e., met the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act) except for his/her removal from the home of a relative pursuant to either a voluntary placement agreement or as a result of a judicial determination to the effect that continuation in the home of removal would have been contrary to the welfare of the child; the child is eligible for Supplemental Security Income; or is a child whose costs in a foster family home or child care institution are covered by the foster care maintenance payments being made with respect to his/her minor parent (42 USC 673(a)(2)(A)).
  - (2) The child was determined by the State to be a child with special needs (42 USC 673(c)).
  - (3) The State has made reasonable efforts to place the child for adoption without a subsidy (42 USC 673(c)).
  - (4) The agreement for the subsidy was signed and was in effect before the final decree of adoption and contains information concerning the nature of services; the amount and duration of the subsidy; the child's eligibility for Title XX services and Title XIX Medicaid; and covers the child should he/she move out of State with the adoptive family (42 USC 675(3)).
- b. Nonrecurring expenses of adoption may be paid on behalf of a child only if all of the following requirements are met:
  - (1) The agreement, as a separate document or part of an agreement for State or Federal Adoption assistance payment or services, was signed prior to the final decree of adoption (45 CFR section 1356.41).
  - (2) The agreement indicates the nature and amount of the nonrecurring expenses to be paid (45 CFR section 1356.41(a)).
  - (3) The State has determined that the child is a child with special needs (45 CFR section 1356.41(d)).
  - (4) The child has been placed for adoption in accordance with applicable State and local laws (45 CFR section 1356.41(d)).

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- c. There may be no income-eligibility requirement (means test) for the prospective adoptive parent(s) in determining eligibility for adoption assistance subsidy payments or nonrecurring expenses of adoption (45 CFR sections 1356.40(c) and 1356.41(c)).

#### **Condition**

As part of the Department's policy adoptive parents are required to sign and return a subsidy agreement renewal form on an annual basis. We noted for twenty-nine of forty cases selected for testwork the subsidy agreement renewal form was not included in the file. There are no questioned costs associated with these cases as the renewal form is required to comply with Department policy and is not required on an annual basis according to Federal regulations.

Additionally, as part of the Department's policy Title IV-E Eligibility Determination forms are required to be completed prior to the finalization of adoption. We noted for four of the forty cases selected for testwork the Title IV-E Eligibility Determination form was completed after the finalized adoption date, but before the case was federally claimed. There are no questioned costs associated with these cases as the Title IV-E Determination form is required to be completed prior to the finalization of adoption to comply with Department policy and is not required according to Federal regulations.

A similar finding was included in the 2007 prior year single audit report as item 07-41.

#### **Cause**

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

#### **Effect**

Claims could be made on behalf of ineligible recipients.

#### **Recommendation**

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

#### **Related Noncompliance**

Not applicable as this is an internal control finding.

#### **Questioned Costs**

None

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

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

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#### **Adoption Assistance (93.659)**

**State Agency: Department of Children and Families**

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

#### **Finding: 08-26 Reporting**

##### **Criteria**

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals (Medicare and Medicaid).

The value of adoption assistance subsidy payments reimbursed to the State as well as grant funds shall be included in the total expenditures of CFDA 93.659 when determining Type A programs. Additionally, the value of adoption assistance subsidy payments shall be included with grant funds on the Schedule of Expenditures of Federal Awards.

##### **Condition**

During our audit we noted the underlying details of expenditures reported in the New Jersey Comprehensive Financial System (NJCFS) reflect only salary expenditures and the Department of Children and Families did not consider adoption assistance payments in its reconciliation process of the Schedule of Federal Awards (SEFA) to the Federal financial reports submitted to the Federal Government. The Office of Management and Budget, NJ Department of Treasury generates the SEFA from the State's underlying financial records on the central accounting system, NJCFS. The Department of Children and Families prepares the quarterly Federal IV-E Foster Care and Adoption Assistance Financial Report reporting actual expenditures incurred for adoption assistance payments, state administration and state training. The applicable federal match percentage is applied to the total State expenditures computing the Federal share of these expenditures. Funds are drawn from the Federal Government based upon the expenditures reported.

The Department of Children and Families is required to prepare a reconciliation of the amounts reported on the SEFA to the amounts claimed in the Federal financial reports. The Department of Children and Families does not consider the adoption assistance payments Federal expenditures and therefore does not include them in the reconciliation. The Department of Children and Families applies the reimbursements of the Federal share of the adoption assistance payments to salary accounts. Although the 'total' amount of expenditures reported on the SEFA and the amounts reported in the Federal financial reports appear proper the underlying details in NJCFS do not properly reflect the Federal share of expenditures as reported in the Federal financial reports.

##### **Cause**

The Department of Children and Families Federal appropriation for the adoption assistance program is entirely set up in Federally funded salary accounts in NJCFS and the adoption assistance payments are considered State expenditures for budgetary purposes by the Department. The Department shows all of the expenditures in NJCFS for the adoption assistance program as salary expenditures versus salary, adoption assistance payments and training.

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#### **Effect**

While the amounts reported in the quarterly Federal financial reports agree to underlying records (NJCFRS, cost allocation reports, and the New Jersey Statewide Protective Investigation, Reporting and Information Tool (NJSPIRIT) application), the underlying details of the State accounting system do not reflect the Federal expenditures as reported in the Federal financial reports and the reconciliation process does not properly consider the Federal expenditure activity of the program in its entirety.

#### **Recommendation**

We recommend that the Department implement procedures to properly consider the Federal expenditure activity when preparing the reconciliation of the SEFA to the amounts reported in the Federal financial reports.

#### **Related Noncompliance**

Not applicable as this is an internal control finding.

#### **Questioned Costs**

None

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

See management's corrective action plan.

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

**State Agency: Department of Children and Families**

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

#### Finding: 08-27 Eligibility

##### Criteria

Code of Federal Regulations Title 45 Sec. 206.10 Application, determination of eligibility and furnishing of assistance.

- (a) State plan requirements. A State plan under title I, IV-A, X, XIV, or XVI (AABD), of that Social Security Act shall provide that:
  - (9) Where an individual has been determined to be eligible, eligibility will be reconsidered or redetermined:
    - (i) When required on the basis of information the agency has obtained previously about anticipated changes in the individual's situation;
    - (ii) Promptly, after a report is obtained which indicates changes in the individual's circumstances that may affect the amount of assistance to which he is entitled or may make him ineligible; and
    - (iii) Periodically, within agency established time standards, but not less frequently than every 12 months in OAA, AB, APTD, and AABD, on eligibility factors subject to change. For recipients of AFDC, all factors of eligibility will be redetermined at least every 6 months except in the case of monthly reporting cases or cases covered by an approved error-prone profiling system as specified in paragraph (a)(9)(iv) of this section. Under the AFDC program, at least one face-to-face redetermination must be conducted in each case once in every 12 months.
    - (iv) In accordance with paragraph (a)(9)(iii) of this section, under an alternative redetermination plan based on error-prone profiling, which has been approved by the Secretary, and includes:
      - (A) A description of the statistical methodology used to develop the error-prone profile system upon which the redetermination schedule is based;
      - (B) The criteria to be used to vary the scope of review and to assign different types of cases; and
      - (C) A detailed outline of the evaluation system, including provisions for necessary changes in the error-prone output, such as types of cases, types of errors, frequencies of redeterminations and corrective action.

## **STATE OF NEW JERSEY**

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

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#### **Condition**

As part of the State plan requirements and Department policy foster care revenue specialists are required to complete a Title IV-E Eligibility Redetermination form for each consecutive year that the child remains in foster care. We noted for nine of forty cases selected for testwork the Title IV-E Eligibility Redetermination form was not included in the file and evidence was subsequently printed from the New Jersey Statewide Protective Investigation, Reporting and Information Tool (NJSPIRIT), indicating that a redetermination was completed; however, not in a timely manner.

#### **Cause**

The Department did not ensure that all required forms were complete and included in the files in a timely manner.

#### **Effect**

Claims could be made on behalf of ineligible recipients.

#### **Recommendation**

The Department should ensure that the foster care documentation is complete, accurate and timely for proper eligibility determination and redetermination.

#### **Related Noncompliance**

Not applicable as this is an internal control finding.

#### **Questioned Costs**

None

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

See management's corrective action plan.

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

**Community Services Block Grant (93.569)**

**State Agency: Department of Community Affairs**

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

**Findings: 08-28 Reporting**

**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 (the Department) prepares the Federal financial status reports (FFSR's) for the Low-Income Home Energy Assistance program and the Community Services Block Grant program from the New Jersey Comprehensive Financial System (NJCFS) 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 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. The amounts reported on the SEFA was \$108,351,501 for the Low-Income Home Energy Assistance and \$14,009,644 for the Community Services Block Grant.

A similar finding was noted in the 2007 prior year single audit report as item 07-11 for the Low-Income Home Energy Assistance program and the Community Services Block program and in the 2006, 2005, 2004, and 2003 prior year single audit reports as items 06-42, 05-52, 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.

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**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 the above requirement.

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.



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#### Community Services Block Grant (93.569)

**State Agency: Department of Community Affairs**

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

#### **Finding: 08-29 Eligibility**

##### **Criteria**

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

- a. A private non-profit 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 non-profit 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 ten of the thirteen subgrantees selected for test work, 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. Eight of those subgrantees were cited for non-compliance by the Department during its subrecipient monitoring procedures while the remaining two were erroneously not cited as noncompliant. The agencies for which the Department was unable to provide documentation supporting their eligibility qualifications received Federal funds of \$5,691,491 during the State fiscal year 2008. Total payments to subgrantees during State fiscal year 2008 were \$13,464,675 and the total amount of payments to subgrantees included in the sample was \$7,613,124.

A similar finding was noted in the 2007, 2006, and 2005 prior year single audit reports as items 07-10, 06-44, and 05-57, respectively.

##### **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.

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**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

\$5,691,491

**View of Responsible Official**

See management's corrective action plan.

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**Community Services Block Grant (93.569)**

**State Agency: Department of Community Affairs**

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

**Finding: 08-30 Subrecipient Monitoring**

**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 OCS 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**

For five of the twenty-four subgrantees selected for test work the Department did receive an improvement plan by the subgrantee; however, the Department was unable to provide evidence that the improvement plans were submitted within 60 days as required by the subgrantee.

The amount provided to the five subgrantees was \$3,042,066 for the State fiscal year 2008. Total payments to subgrantees during State fiscal year 2008 were \$13,464,675 and the total amount of payments to subgrantees included in the sample was \$14,088,294.

A similar finding was included in the 2007, 2006, 2005 and 2004 prior year single audit reports as items 07-13, 06-43, 05-51 and 04-47, respectively.

**Cause**

The Department does not have adequate policies and procedures in place to ensure that its subgrantees are correcting deficiencies identified during onsite reviews.

**Effect**

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

**Recommendation**

We recommend that the Department implement procedures to ensure its subgrantees provide improvement plans in accordance with Federal requirements.

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**Related Noncompliance**

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

**Questioned Costs**

\$3,042,066

**View of Responsible Official**

See management's corrective action plan.

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

**State Agency: Department of Community Affairs**

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

**Finding: 08-31 Activities Allowed or Unallowed and Allowable Costs/Costs Principles**

**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).

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### Schedule of Findings and Questioned Costs

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#### *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 ten of thirteen benefit payments made to individuals and utility companies selected for testwork during the period July 1, 2007 to October 12, 2007, the Department was unable to provide detailed support for amounts requested on the payment vouchers as the Department's prior year corrective action plan of obtaining detailed reports of payments made to utility companies was not implemented until October 12, 2007. For two of twenty-seven benefit payments made to individuals and utility companies selected for testwork during the period October 13, 2007 to June 30, 2008, the benefit paid did not agree to the benefit on the detailed report of individuals receiving benefits. Expenditures passed through to individuals and utility companies for this program was \$13,703,412. The amount of payments for the period July 1, 2007 through October 12, 2007 was \$1,348,870 and the amount of unsupported payments after October 12, 2007 was \$379. The total payments to individuals and utility companies included in the sample was \$51,039,051.

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A similar finding was included in the 2007, 2006, and 2005 prior year single audit reports as items 07-14, 06-45, and 05-53, respectively.

**Cause**

The Department did not receive detailed reports of payments to be made to utility companies prior to October 12, 2007. Further, the differences related to the two payments subsequent to October 12, 2007 were a result of an oversight in the payment voucher review process.

**Effect**

Federal funds could be utilized for unallowable costs and the Department could be advancing funds to subgrantees before program costs are incurred.

**Recommendation**

We recommend the Department continue to obtain the detailed report of payments to be made to individuals and utility companies prior to making those payments. Additionally, the Department should ensure that all payments made agree to the detailed reports prior to payment.

**Related Noncompliance**

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

**Questioned Costs**

\$1,349,249

**View of responsible officials**

See management's corrective action plan.

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

**State Agency: Department of Community Affairs**

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

**Finding: 08-32 Cash Management**

**Criteria**

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

Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients 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 subgrantees 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 non-profit 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.

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

The requirements 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**

The State of New Jersey, Department of Treasury, Office of Management and Budget (the State or NJOMB) and the Secretary of the Treasury, U.S. Department of Treasury (U.S. Treasury), have entered into a Treasury State Agreement (TSA) under the provisions of the Cash Management Improvement Act of 1990 (CMIA) and 34 CFR Part 205 to improve the transfer of federal funds to the State for its administration of its federal programs covered under the TSA. Section 3.2 of the TSA states that the State must notify U.S. Treasury, or its designated agent, in writing within thirty days of the time the State becomes aware of a change that involves additions or deletions of programs subject to Subpart A, changes in funding techniques, and/or changes in



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clearance patterns, of which the notification must include a proposed amendment for review by U.S. Treasury, or its designated agent.

The Department did not perform drawdowns in accordance with the funding technique as specified in the Cash Management Improvement Act (CMIA) Agreement. The CMIA Agreement states that the Department is required to follow the Prior Month Actual, Mid-Monthly funding technique and shall request federal funds for this program such that they are deposited on the fifteenth calendar day of the month. The amount of the request is to represent the actual disbursements of the preceding month. The Department is drawing down program funds approximately every two weeks based on expenditure reports and not following the Prior Month Actual, Mid-Monthly funding technique.

Additionally, for one of five drawdowns selected for test work, the Department had a net under draw of grant funds in the amount of \$182,729 which was a result of an over draw of \$253,864 from fiscal year 2007 grant funds and an under draw of \$436,592 from fiscal year 2008 grant funds. The total amount of drawdowns included in the sample was \$64,460,445.

**Cause**

The Department experienced turnover in fiscal year 2008 and as a result some drawdowns were not properly reviewed before the drawdown was performed. Also, the Department was not fully aware of the requirements stated in the CMIA Agreement as this was the first full year that this Department was responsible for drawdowns under the CMIA Agreement.

**Effect**

Cash drawdowns may not be complete and accurate and the Department is not drawing federal grant funds in accordance with the CMIA Agreement.

**Recommendation**

We recommend that the Department strengthen the review and approval procedures to ensure the amounts drawn down are supported by underlying documentation from NJCFS and are drawn in accordance with the funding technique as specified in the CMIA Agreement.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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**Immunization Grants (93.268)**

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

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

**Finding: 08-33 Period of Availability**

**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 obligations of \$823,362 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.

A similar finding was included in the 2007, 2006 and 2005 prior year single audit reports as items 07-22, 06-47 and 05-58, respectively.

**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 implement procedures 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 request an extension of the deadline to liquidate all obligations incurred under the award, if necessary.

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**Related Noncompliance**

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

**Questioned Costs**

\$823,362

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**  
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**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: 08-34 Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**Criteria**

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.

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 two of the forty employees selected for testwork, the support the Department provided (i.e. timesheets) for time charged to the program did not agree to the Department's Time and Activity reports. The amount expended for these personal service expenditures was \$4,231.

Total personal service expenditures for the program during State fiscal year 2008 were \$12,163,341 and the total amount of personal service expenditures included in the sample was \$69,604.

A similar finding was included in the 2007 prior year single audit report as item 07-19.

**Cause**

Employee timesheets were not properly input into the Time and Activity system.

**Effect**

Disbursements made for personal service costs may not be properly charged to the program.

**Recommendation**

We recommend that the Department implement procedures to ensure that employee timesheets are properly input into the Time and Activity system.

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**Related Noncompliance**

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

**Questioned Costs**

\$4,231

**View of Responsible Official**

See management's corrective action plan.

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#### **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: 08-35 Reporting**

##### **Criteria**

*Federal Cash Transactions Report (SF-272 (OMB No. 0348-0003) or SF-272-A (OMB No. 0348-0003)).* Recipients use the SF-272 when payment is by advances or reimbursements. The Federal awarding agency may waive the requirement for an SF-272 when electronic payment mechanisms provide adequate data.

##### *Reporting Under the Payment Management System*

Many recipients utilize the Payment Management System (PMS) operated by the Division of Payment Management (DPM) within the Department of Health and Human Services' Program Support Center. After a Federal agency awards a grant, DPM is responsible for controlling payments to the recipient; receiving collections for unexpended funds, duplicate payments, and interest earned on Federal funds; accounting for disbursement information provided by the recipient; and reporting data equivalent to the SF-272, *Federal Cash Transactions Report*, to the recipient and the Federal agency.

Federal awarding agencies enter authorization amounts in PMS to allow recipients to draw Federal funds. There are three methods by which recipients can request funds: (1) the PMS 270 cash request, (2) SMARTLINK II, or (3) CASHLINE systems. SMARTLINK II enables recipients to request Federal funds through computer link with DPM, while CASHLINE allows funds to be requested via a touch-tone telephone. Once a quarter, using the authorization amounts provided by the Federal agency, payments requested by recipients, cash collection activity, and disbursement information provided by recipients, DPM generates PSC-272 reports.

The PSC 272 is a series of reports consisting of:

1. PSC 272, *Federal Cash Transactions Report, Status of Federal Cash (OMB No. 0937-0200)*. This report provides a total accountability of all Federal cash received by the recipient. It is partially prepared by DPM based on data reported to DPM, and is completed and certified by the recipient.
2. PSC 272-A, *Federal Cash Transactions Report (OMB No. 0937-0200)*. This report is a continuation of the PMS-272 and is used by the recipient to report cash disbursements to DPM.
3. PSC 272-B, *Statement of Cash Accountability (OMB No. 0937-0200)*. This report is furnished for the recipient's information and shows how the recipient's cash accountability was derived by DPM.
4. PSC 272-C, *Error Correction Document (OMB No. 0937-0200)*. This report can be used by the recipient to report data reconciliation problems for awards on the PSC 272-A or the Advances to Payee portion of the PSC 272-B.

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5. PSC 272-E, *Major Program Statement (OMB No. 0937-0200)*. This report is furnished to States, Indian tribes, and cross-serviced organizations for their information only. This report lists individual payments during the quarter among the various programs, and provides a cash accountability for all advances received through PMS by major program. All information provided is pre-printed by DPM.
6. PSC 272-F, *Authorizations for Future Periods (OMB No. 0937-0200)*. This report is provided for information only and requires no action by the recipient. It represents all awards posted in the PMS database that have effective dates in future reporting periods.
7. PSC 272-G, *Inactive Documents Report (OMB No. 0937-0200)*. This report lists all awards posted in the PMS database that have become inactive or fully disbursed during the current period or a previous period. In the event that disbursement adjustments are required, they should be reported via the PSC 272-A.

The reports are either mailed to the recipient or electronically downloaded by the recipient using DPM's Electronic 272 System. Recipients should verify the reported amounts. If discrepancies are noted, the report is annotated (or the PSC 272-C is completed) and returned to DPM. The recipient uses the PSC 272-A to report the amount of disbursements made; then signs, dates, and returns the report to DPM. Recipients may report disbursements data electronically using the Electronic 272 process. PSC 272 reporting requirements do not apply to block grant programs; however, DPM does provide block grant recipients with a PSC 272-E, *Major Program Statement*, quarterly. This report is provided solely for information and no action is required by the recipient.

#### Condition

For two of four quarterly PSC-272 reports selected for testwork, we noted that total disbursements for the Emergency Preparedness for Bioterrorism program did not agree to supporting documentation from the New Jersey Comprehensive Financial System (NJCFS).

Total disbursements per the PSC-272 report for the quarter ended December 31, 2007 of \$115,242,667 were in excess of total disbursements per NJCFS for the quarter ended December 31, 2007 of \$114,513,257 by \$729,410.

Total disbursements per the PSC-272 report for the quarter ended June 30, 2008 of \$127,274,378 were less than total disbursements per NJCFS for the quarter ended June 30, 2008 of \$129,852,024 by \$2,577,626.

#### Cause

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

#### Effect

The Department did not report accurate disbursements on the PSC-272 reports to the Federal Government for the quarters ending December 31, 2007 and June 30, 2008.

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**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 in compliance with the above requirement.

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.



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**HIV Care Formula Grant (93.917)**

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

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

**Finding: 08-36 Cash Management**

**Criteria**

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

Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients 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 subgrantees 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 non-profit 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.

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

The requirements 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 two of the eight 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 two drawdowns totaled \$606,365. The total amount of drawdowns included in the sample was \$3,384,810.

**Cause**

The support for drawdowns was not maintained by the Department.

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**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.

**Related Noncompliance**

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

**Questioned Costs**

\$606,365

**View of Responsible Official**

See management's corrective action plan.

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**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: 08-37 Matching, Level of Effort, Earmarking**

**Criteria**

Level of Effort – *Maintenance of Effort*

The State will maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the State for the 1-year period preceding the fiscal year for which the State is applying for Title II/Part B funds (42 USC 300ff-27(b)(6)(E); Pub. L. No. 109-415, section 2616(b)(7)(E)).

**Condition**

Based upon our audit inquiry, no supporting documentation for maintenance of effort could be provided as there does not appear to be a process in place to maintain support for the information submitted with the annual grant application. Additionally, there is no process in place to monitor the State's compliance with the maintenance of effort requirement.

The information was subsequently recreated for the 2008 application (covering periods April 1, 2008 to March 31, 2009) based upon our audit inquiry. No supporting documentation was provided for the 2007 application (covering periods April 1, 2007 to March 31, 2008) and no evidence could be provided to ensure the State met the maintenance of effort requirement.

**Cause**

The Department does not have adequate controls or procedures in place to ensure compliance with the maintenance of effort requirement.

**Effect**

The State did not meet the maintenance of effort requirement for the State fiscal year 2008.

**Recommendation**

We recommend that the Department implement procedures to ensure that the maintenance of effort requirement is met, monitored and appropriate documentation is maintained.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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**HIV Care Formula Grant (93.917)**

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

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

**Finding: 08-38 Period of Availability**

**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 obligations of \$50,631 incurred under the award within 90 days after the end of the funding period. The Department requested a 60-day extension which was approved by the federal agency; however, all obligations were not liquidated within the extended timeframe.

A similar finding was included in the 2007, 2006 and 2005 prior year single audit reports as items 07-21, 06-47, and 05-61, respectively.

**Cause**

The Department did not liquidate obligations incurred under the award within the approved extended timeframe.

**Effect**

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

**Recommendation**

We recommend that the Department implement procedures to liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.

**Related Noncompliance**

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

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**Questioned Costs**

\$50,631

**View of Responsible Official**

See management's corrective action plan.

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#### **National Bioterrorism Hospital Preparedness Program (93.889)**

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

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

#### **Finding: 08-39 Cash Management**

##### **Criteria**

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

Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients 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 subgrantees 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 non-profit 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.

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

The requirements 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 two of the ten drawdowns selected for testwork, we were unable to agree the amount drawn down to supporting documentation from the New Jersey Comprehensive Financial System (NJDFS). These two drawdowns totaled \$925,000. The total amount of drawdowns included in the sample was \$5,121,216.

##### **Cause**

The support for drawdowns was not maintained by the Department.

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**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.

**Related Noncompliance**

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

**Questioned Costs**

\$925,000

**View of Responsible Official**

See management's corrective action plan.

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

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

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

**Finding: 08-40 Cash Management**

**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.

**Condition**

The Vocational Rehabilitation program funds are drawn down daily by the Department for client service activity on a reimbursement basis. The Department utilizes the ESUM table from NJCFS to calculate the daily draw which represents actual expenditures processed in the NJCFS system the day before. For three of fifty-five client service activity drawdowns selected for test work, the Department drew in excess of the ESUM expenditures in the amount of \$194,025. The total amount of drawdowns included in the sample was \$7,959,845. There are no questioned costs at June 30, 2008 as the cumulative amount drawn down for the program was less than the cumulative expenditures reported.

**Cause**

The drawdowns did not agree to the underlying NJCFS documentation maintained by the Department due to manual errors in the calculation.

**Effect**

Cash drawdowns may not be complete and accurate.

**Recommendation**

We recommend that the Department implement procedures to ensure the amounts drawn from the Federal Government are in accordance with the Department's policy and complies with Federal regulations.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.



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### Schedule of Findings and Questioned Costs

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#### Special Education Cluster (84.027 and 84.173)

**State Agency: Department of Education**

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

#### Finding: 08-41 Subrecipient Monitoring

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

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

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

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

#### *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 \$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**

There was no evidence that during-the-award monitoring of the program's subrecipients through reporting, site visits, regular contact, or other means had occurred during the fiscal year.

The amounts passed to subrecipients for the State fiscal year 2008 was \$335,301,946.

#### **Cause**

The Department does not have adequate policies and procedures in place to monitor its subgrantees compliance with Federal regulations.

#### **Effect**

The subrecipients may not be administering the Federal award in compliance with laws, regulations, and the provisions of contracts and grant agreements and achieving required performance goals.

#### **Recommendation**

We recommend that the Department implement procedures to monitor its subrecipients in accordance with Federal requirements.

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**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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#### Career and Technical Education – Basic Grants to States (84.048)

**State Agency: Department of Education**

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

#### **Finding: 08-42 Subrecipient Monitoring**

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

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

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

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

#### *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 \$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**

The Department did not identify to its subrecipients the program's CFDA number. Additionally, there was no evidence that during-the-award monitoring of the program's subrecipients through reporting, site visits, regular contact, or other means had occurred during the fiscal year.

The amounts passed to subrecipients for the State fiscal year 2008 was \$19,538,979.

#### **Cause**

The Department does not have adequate policies and procedures in place to monitor its subrecipients compliance with Federal regulations.

#### **Effect**

The subrecipients may not be administering the Federal award in compliance with laws, regulations, and the provisions of contracts and grant agreements and achieving required performance goals.

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**Recommendation**

We recommend that the Department implement procedures to monitor its subrecipients in accordance with Federal requirements.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

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#### Career and Technical Education – Basic Grants to States (84.048)

**State Agency: Department of Education**

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

#### **Finding: 08-43 Suspension and Debarment**

##### **Criteria**

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. §\_\_.220 of the governmentwide nonprocurement debarment and suspension common rule contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

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

Governmentwide requirements for nonprocurement suspension and debarment are contained in the OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension. The OMB guidance, which superseded the common rule published November 26, 2003, is substantially the same as that rule. Most of the Federal agencies have adopted this guidance and relocated their associated agency rules in Title 2 of the CFR as final rules. For any agency that has not completed its adoption of 2 CFR part 180, pending completion of that adoption, agency implementations of the common rule remain in effect. Appendix II includes the current CFR citations for all agencies. In either case, the applicable requirements are specified in the terms and conditions of award.

##### **Condition**

The Department does not have a process in place to ensure that subrecipients are not suspended and debarred. Based on our audit procedures, none of the subrecipients were listed on the Excluded Parties List System maintained by General Services Administration (GSA), and therefore do not appear to be suspended or debarred.

The amounts passed to subrecipients for the State fiscal year 2008 was \$19,538,979.

##### **Cause**

The Department did not obtain suspension and debarment certifications from the program’s subrecipients.

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**Effect**

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

**Recommendation**

We recommend that the Department implement procedures to obtain suspension and debarment certifications from all subrecipients.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.



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

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

**State Agency: Office of Information Technology**

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

**Finding: 08-44 Other Requirement – Information Technology General Controls**

**Criteria**

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

As part of an entity's internal controls to reasonably ensure compliance over Federal laws and regulations, an entity must maintain an effective control environment over their information technology systems used to generate and process information to administer Federal programs in accordance with the respective rules and regulations that govern the program.

**Condition**

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

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

*1. Database Access/Monitoring of Database Access*

- Two general database accounts are shared by system administrators and direct access to the database is not logged or monitored.
- BULL mainframe root user account is shared by system administrators.
- A generic user account is shared by job schedule administrators to schedule batch jobs.

*2. Formal Testing and Sign-Off Process for Operation System Changes*

Formal documentation is not maintained for the approval and testing of patches applied to the Bull operating system.

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A similar finding was included in the 2007 prior year single audit report as item 07-8.

**Cause**

OIT does not have a formalized implemented policy for documenting the operating system changes. Currently the operating system changes and the pertinent approval and testing of these changes is not documented.

**Effect**

Without a formal testing and approval documentation in place to validate that only the approved operating system and database patches are implemented, there is a risk that unauthorized patches or upgrades are applied to the FAMIS infrastructure which can adversely impact functioning and integrity of FAMIS data.

**Recommendation**

We recommend that OIT implement a formalized policy for documenting the operating system and database changes. The Operating System and database patches should be formally documented and testing evidence and approvals retained as part of this process.

**Related Noncompliance**

Not applicable as this is an internal control finding.

**Questioned Cost**

None

**View of Responsible Official**

See management's corrective action plan.

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

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

**State Agency: Department of Human Services**

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

#### Finding: 08-45 Subrecipient Monitoring

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

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

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

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

#### *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 \$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**

The State of New Jersey, Department of Human Services, Division of Family Development (DFD) is responsible for the addition/removal of DFD users on the Family Assistance Management Information System (FAMIS). The County Welfare Agencies (CWAs), which administer the Food Stamps and Temporary Assistance for Needy Families programs at the county (subrecipient) level, have a designated Information Security Officer that is responsible for the addition/removal of the subrecipients respective users of FAMIS. As part of DFD's overall subrecipient monitoring process, they ensure that the CWAs are in compliance for expending program funds in accordance with program requirements. However, DFD currently does not monitor the user access at the subrecipient level over FAMIS.

A similar finding was included in the 2007 prior year single audit report as item 07-9.

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**Cause**

There is a lack of policies and procedures in place for granting, revoking and monitoring of user access at the subrecipient level over FAMIS.

**Effect**

The lack of granting, revoking and monitoring information security policies and procedures for managing user privileges on the system at the subrecipient level increases the risk of unauthorized or inappropriate access to FAMIS.

**Recommendation**

We recommend that user access policies and procedures are documented and distributed to the subrecipients and the Department develops and implements monitoring procedures to help ensure the policies and procedures are followed at the subrecipient level regarding access to FAMIS.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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### Schedule of Findings and Questioned Costs

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#### Special Education Cluster (84.027 and 84.173)

#### Career and Technical Education – Basic Grants to States (84.048)

#### State Agency: Department of Education

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

#### Finding: 08-46 Subrecipient Monitoring

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

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

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

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

#### Condition

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

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

The Department of Education, Office of Fiscal Accountability and Compliance (the Office), is a cognizant agency responsible for the performance of the above duties of its subrecipients which include school districts, boards of education, various educational related institutions, and charter schools. During the State fiscal year 2008, 333 subrecipients were required to submit OMB Circular A-133 audit reports to the Office. Of the 333 audit reports, the Office completed six desk reviews. For the six desk reviews completed, the supervisor did not sign the desk review as evidence of their review or approval of the desk review performed.

Additionally, the Office does not properly update the GSA to reflect the receipt of the subrecipient audit report and the desk review status. Our testwork noted the GSA was not updated to reflect the receipt of 214 subrecipient audit reports by the Department (333 in total were received and the GSA indicated 119 were received) and the performance of an additional 16 desk reviews (22 were desk reviewed according to Department records and the GSA indicated 6).

The subrecipients receive funding from various Federal programs that amounted to approximately \$873 million for the State fiscal year 2008. The two major programs audited at the Department of Education for the

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State fiscal year 2008 were Special Education Cluster and the Career and Technical Education – Basic Grants to States. The total payments to subrecipients for these two programs were \$335,301,946 and \$19,538,979, respectively.

**Cause**

The Office did not complete desk reviews of subrecipients' OMB Circular A-133 audit reports and did not properly update the State of New Jersey's GSA system to ensure all information related to subrecipients' OMB Circular A-133 audit reports is accurate.

**Effect**

Subrecipients may not be properly monitored to ensure compliance with federal OMB Circular A-133 requirements.

**Recommendation**

We recommend that the Office ensure that OMB Circular A-133 desk reviews are completed in a timely manner and that the GSA system is properly updated to ensure complete and accurate information is reported and maintained.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.



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### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

**State Agency: Department of Agriculture**

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

#### **Finding: 08-47 Subrecipient Monitoring**

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

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

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

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

#### Condition

The Department is responsible for the performance of OMB Circular A-133 desk reviews for subrecipients. For one of three desk reviews that were not received during the required submission deadline, the Department did not perform any follow-up procedures to ensure the subrecipient's federal OMB Circular A-133 audit report was completed and ready for submission to the Department.

Total payments to subrecipients during State fiscal year 2008 for the Child Nutrition Cluster were \$200,943,897.

#### Cause

The Department did not have a formal policy or procedure for performing follow-up on subrecipients' OMB Circular A-133 reports to have a desk review performed.

#### Effect

Subrecipients may not be properly monitored to ensure compliance with federal OMB Circular A-133 requirements.

#### Recommendation

We recommend that the Department implement a formal policy or procedure to perform appropriate follow-up procedures for subrecipient OMB Circular A-133 audit reports that are not submitted for desk review during the required submission timeframe.

#### Related Noncompliance

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

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**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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Year ended June 30, 2008

#### **Public Assistance Grants – Disaster Grants – Public Assistance (Residentially Declared Disasters) (97.036)**

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

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

#### **Finding: 08-48 Subrecipient Monitoring**

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

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

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

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

#### *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 \$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 all thirty subrecipients selected for testwork, we noted the Department did not have procedures in place to communicate the CFDA title and number or the applicable compliance requirements. For State fiscal year 2008, approximately \$18,421,045 in pass through payments was provided to subrecipients. The payments to thirty subrecipients included in the sample were \$10,387,809.

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

#### **Cause**

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

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**Effect**

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

**Recommendation**

We recommend that the Department implement procedures to ensure that all Federal award information (e.g. CFDA title and number) and compliance requirements are communicated to subrecipients as required by Federal regulations.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

(Unaudited)

# **STATE OF NEW JERSEY SINGLE AUDIT**

**FISCAL YEAR 2008**



***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, 2008  
VIEWS OF RESPONSIBLE OFFICIALS  
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

<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>
08-1 07-42	<p><b>Response to Conditions:</b></p> <ul style="list-style-type: none"> <li><b>1 and 2:</b> We agree with the audit finding. The delay in completing work and reporting MEQC findings to CMS per 42 CFR 431.816, is attributable to insufficient quality control resources resulting from hiring constraints imposed on the DMAHS. Instead of the continued operation of Medicaid Pilot Projects, the Bureau resumed conducting traditional MEQC reviews beginning in federal fiscal year (FFY) 2007 (10/1/2006 through 9/30/2007). During August 2006, CMS announced its selection of the 17 states, including New Jersey, to participate in the PERM process for FFY 2007 in accordance with the Improper Payments Information Act of 2002 and 42 CFR 431.950. CMS expected States to operate both federal requirements concurrently; but PERM would have priority as evidenced by their focused guidance. The Bureau met the FFY 2007 PERM eligibility review reporting requirements timely (April 2008), but the MEQC requirements were met one year late (June 2009).</li> </ul> <p><b>Corrective Action Plan:</b> The Division is committed to completing all MEQC reviews. As these will be done in sequential order, the completion of subsequent MEQC cycles may also be delayed. It was/is not possible to meet both federal reporting requirements timely, operating at the same staff level. New Jersey must participate in PERM again in FFY 2010, beginning October 2009.</p> <ul style="list-style-type: none"> <li><b>3 and 6:</b> We agree with the audit finding. In the matter of a supervisory review of cases, the unit supervisor approves all QC dispositions: Eligible, Eligibility/Liability Error, Technical Error, and Dropped. For FFY 2007, 567 PERM and 1,044 MEQC cases were reviewed. The cover page of some cases may not bear the Unit Supervisor's initials (indicating approval); but she touched each case and approved each disposition as evidenced by her password protected daily production logs, without which there would be no weekly status reports or cases released for data entry.</li> </ul> <p><b>Corrective Action Plan:</b> While the Bureau is satisfied that these findings do not represent a breakdown in the internal controls used to ensure the integrity of the QC review process; in the future, the Bureau will clearly document any short cuts or exceptions made to expedite workflow. The Bureau also added a "Supervisor Certification" section (initials and approval date) on the QC worksheet cover. Beginning the FFY 2008 MEQC cycle, the Supervisor Certification Section will be routinely completed by supervisor.</p> <ul style="list-style-type: none"> <li><b>4:</b> We agree with the audit finding. Due to the high volume of a certain recurring technical error, the Bureau Manager discontinued the unit supervisor sign-off requirement on these QC Summary Reports (Form 551-B) midway the cycle. The decision averted an emerging backlog. The Bureau utilizes supervisory level staff to conduct MEQC reviews and does not feel that this is a breakdown of its internal controls. Each reviewer has more than ten years of Medicaid program experience, more than five years of QC experience and each served or was capable of serving as the unit supervisor during her absence. Also, QC Summary Reports represent "interim findings" that may become final or may change after any dispute the eligibility determining agency has raised (via the Form 551-D Response) is resolved by the Bureau Chief.</li> </ul> <p><b>Corrective Action Plan:</b> BQC will clearly document in its written procedures any authorized exceptions/deviations.</p> <ul style="list-style-type: none"> <li><b>5 and 7:</b> We agree with the audit finding.</li> </ul>	<p>Corrective action date not yet determined.</p> <p>July 1, 2009 (beginning with MEQC reviews completed for the October 2007 sample month)</p> <p>July 1, 2009</p>

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	<p><b>Corrective Action Plan:</b> The Bureau does not have authority to force compliance; but will continue to meet and encourage the County Board of Social Services (CBOSS or CWA) administrators and supervisors to submit all 551-D Responses. Note: (1) These were mostly reviews of cases that had been closed at the time the 551B was sent; (2) closed cases do not share the same CBOSS staff consideration as do their open (active) cases and (3) a non-response has come to signify agreement with the Bureau finding—without expending precious time &amp; resources to do so.</p> <ul style="list-style-type: none"> <li>• <b>8:</b> We agree with the audit finding. The MEQC-NCA federal deadline for reporting FFY 2008 findings to CMS is December 2008. The Bureau accomplished this requirement in June 2009.</li> </ul> <p><b>Corrective Action:</b> Efforts are being made to reassign/acquire an additional staff member for the FFY 2009 MEQC-NCA reviews, which began June 2009 (late) and have a reporting deadline of December 2009.</p>	<p>Ongoing</p> <p>Implementation date unknown due to hiring freezes.</p> <p>Robert Grzyb (609) 984-4460</p>
<p><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></p>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
<p>Scope Limitation: 08-2 No finding in prior years OCSE 34A: 08-2 07-5 06-1 05-7 04-18 03-7 02-6 01-6 00-30</p>	<p><b>Scope Limitation:</b> The Division disagrees with this finding.</p> <p>During 2008, the Internal Revenue Service (IRS) conducted an audit of the Office of Child Support Services (OCSS) within the Division (DFD). A portion of this audit dealt with OCSS-DFD compliance with IRS Publication 1075 (Tax Information Security Guidelines for Federal, State and Local Agencies and Entities). In accordance with a finding within this audit, anyone that requires access to confidential tax information (employees, contractors, etc.) must sign a confidentiality agreement that contains specific language from Publication 1075.</p> <p>Legal representatives from OCSS-DFD and KPMG have reviewed the agreement and suggested changes prior to signoff of the agreement. While some progress has been made, there are sections of the agreement that are currently under dispute. Since the Division does not have the authority to modify the language from exhibit 7 of the IRS requirements, the OCSS could not agree to four changes proposed by KPMG. Since the areas of disagreement stated in this document relate to an issue between an IRS regulation and KPMG, it is the Division's position that a finding against DFD is not warranted.</p> <p>In order to facilitate the finalization of the agreement and allow KPMG access to the required information, it is the Division's suggestion that a meeting or teleconference be arranged between the Assistant Director, OCSS-DFD, and a comparable official within KPMG.</p> <p><b>OCSE 34A:</b> The differences are a result of the limited ability of the existing ACSES program to provide the necessary detail of the financial</p>	<p>Scope Limitation: N/A</p> <p>As of July 1, 2009, the NJKiDS system has been implemented in</p>

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	information in order to reconcile the child support bank accounts on the OCSE 34A report. The Division is currently in the process of replacing the ACSES data system and, included in the redesign, is the systems requirement to maintain all information within the NJKiDS system in order to identify all collections and disbursements.	19 counties. The remaining two counties will become available during SFY 2010.  Robert Grzyb (609) 984-4460
<b>Block Grants for the Prevention and Treatment of Substance Abuse (93.959)</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>
08-3 07-2	<p><b>Expenditure Reports:</b></p> <ol style="list-style-type: none"> <li>1. The Division will issue a regular electronic bulletin to all agencies to remind them that they must submit a quarterly expenditure report and a final expenditure report, on time, with all fields complete in order for payment to be released. The bulletin will also indicate when the single audit is due.</li> <li>2. Payments subsequent to the report due date will be withheld until reports are submitted and complete.</li> <li>3. Follow up of non-submitted or incomplete reports will be documented in the file or in e-mail.</li> <li>4. Written procedures will be put into place by August 31, 2009 to ensure that a supervisor is reviewing and following up receipt of reports as a prerequisite for payment, and the review of reports.</li> </ol> <p><b>Site Visits:</b> There was no Director of Prevention in place for this period due to state hiring constraints. A Director of Prevention has since been hired.</p> <ol style="list-style-type: none"> <li>1. The Division will develop and implement comprehensive written procedures to ensure that all contract monitoring site visits have been conducted, documented, and are signed off by both the monitor and the monitor's supervisor. Tracking records will be reviewed in unit staff meetings to ensure timely completion.</li> <li>2. The Division has eliminated prevention Letters of Agreement. All services are now procured through contracts, which require formal review as described in #1, above.</li> <li>3. The Division eliminated informal site visits for prevention, and has adopted a uniform formal monitoring process for all contracts across the Division.</li> <li>4. The Division has developed standard monitoring tools for all contracts that review specific deliverables for each contracted service.</li> </ol>	August 2009 Robert Grzyb (609) 984-4460

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<b>Child Care Cluster (93.575 and 93.596)</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>
08-4 07-7	In accordance with the audit recommendation, Child Care Operations will continue to review and refine all contract monitoring and tracking procedures. Supervisors will now be solely responsible for ensuring that staffs complete all monitoring visits and submit timely and accurate reports as well as follow up response when corrective action plans are required.	August 1, 2009 Robert Grzyb (609) 984-4460
<b>Medicaid Cluster (93.775, 93.777 and 93.778)</b> <b>State Agency: Department of Human Services</b> <b>Department of Health and Senior Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #1</b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
08-5 07-1	<p>Department of Health and Senior Services: Due to severe staffing shortages this past calendar year 2007 that have carried forward to the present (presently 16 staff out of a normal complement of 24) and due to the fact that 5 of the 16 have only recently joined the unit, some work has taken longer to complete as we are training and trying to work through backlogs of appeals and audit recalculations. It is noted that two cost reports in questioned were being reviewed, but due to the retirement of a supervisor who had not reported that he had the file for review at the time of his retirement, there was a delay in completing the review of those cost reports. It was discovered prior to this audit that the reviews of the cost reports were outstanding.</p> <p>Corrective Actions:</p> <ul style="list-style-type: none"> <li>a. Perform a physical inventory of outstanding files of all persons prior to their departures from this unit to ensure that all open issues are accounted for immediately.</li> <li>b. Maintain an accurate log of filed cost reports, including the date of when a rate is issued based upon that cost report, to ensure that all open files are properly tracked so that review of cost reports is performed in a timely manner.</li> </ul>	<p>Outstanding file inventory of departing employees: effective immediately</p> <p>Maintenance of cost report log: August 31, 2009</p> <p>Devon Graf (609) 588-2691</p> <p>Walter C. Valora (609) 588-7401</p>
<b>Foster Care—Title IV-E (93.658)</b> <b>Adoption Assistance (93.659)</b> <b>State Agency: Department of Children and Families</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>
08-6 No finding in prior years	<p><i>1. NJSPIRIT Password Rules</i></p> <p>In fiscal year (FY) 2009, DCF implemented a more complex protocol for the network that provides access to the NJSPIRIT application. This protocol mandates that passwords are configured using a minimum of at least eight characters, including at least one number and one upper case letter. Passwords must be changed by users at least once every 90 days. A 15-minute time-out rule is also enforced.</p>	June 2010

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	<p>DCF and DHS are jointly working on an Active Directory (AD) Integration and Identity Management Project. This project requires the completion of the planned upgrades to the DCF infrastructure currently underway. Using the upgraded infrastructure, DCF will “cutover” from the current SSO protocol to AD/ADAM in FY 2010. This will permit enforcement of the new password management policy directly when accessing NJSPIRIT.</p> <p>DCF agrees with the recommendation concerning access to the application and will work with DHS to implement the same protocol that it has implemented to access its network.</p> <p><i>2. Formal Testing and Sign-off Process for Database Changes</i> Patches to the databases are implemented by DHS personnel at DCF request by e-mail.</p> <p>DCF agrees with the recommendation and will jointly develop and implement a written protocol with DHS for requesting, approving, and documenting database patches.</p> <p><i>3. Disaster Recovery Test</i> DCF was unable to perform a disaster recovery test in FY 2008. However, in July 2008 (FY 2009), a partial disaster recovery test was made of the NJSPIIRT production database. During this exercise, backup servers at the disaster recovery location took over for the regular production servers with no disruption to users.</p> <p>A disaster recovery drill for the processing of checks produced through NJSPIRIT was conducted by OIT in April 2009. This exercise was successful, with checks printed as planned and the transmission of the appropriate files to Wachovia Bank.</p> <p>DCF is completing its infrastructure upgrade project in FY 2010. This includes the procurement and installation of three additional servers to establish high availability. As a result of this project, three <i>existing</i> servers will be re-configured and used to complete the disaster recovery script. DCF plans to conduct a full-scale disaster recovery exercise using this equipment in calendar year 2011.</p> <p><i>4. Sensitive Access and Segregation of Duties</i> In an effort to maximize flexibility, Division of Youth and Family Services (DYFS) management required that all users be given access to the rate tables when NJSPIRIT went live. In Spring 2009, this decision was reconsidered and access was restricted to employees in the business offices and one or two senior clerks in the local offices.</p> <p>Users with access rights to the rate tables will be reviewed as part of the larger annual review of security profiles.</p> <p>DCF will work with the Business Offices to develop a methodology to modify the security profiles of these individuals so that they can either create/update a vendor <b>or</b> initiate a vendor payment, but <b>not both</b> functions.</p> <p><i>5. Formal Sign off for Conversion of Fiscal Balances and Post-go-live Conversion Related Data Updates</i> Many validation processes occurred around the conversion of fiscal balances from the legacy system to NJSPIRIT. It appears that the lack of a formal signoff was an oversight and should not be construed as a large-scale deficiency.</p> <p>DCF will implement a fiscal review and formal signoffs for approval processes for any future conversions with the assistance of the Fiscal Unit.</p>	<p>June 2010</p> <p>June 2011</p> <p>June 2010</p> <p>June 2010</p>
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	<p>DCF will develop written protocols that will include: a formalized change request, change control process, designation of supervisory staff to sign off on the request, and documentation of future data scrubs</p> <p><i>6. User Access Provisioning and Monitoring</i> DCF uses a two-tier security methodology, which was requested by DYFS management when NJSPIRIT went live.</p> <p>The Information Technology and Reporting unit (ITR) is responsible for assigning all new employees and external partners (e.g. contracted nurses) to the appropriate user group. ITR also addresses any issues that cannot be resolved by local office staff. It has informal, undocumented procedures that are in keeping with the audit recommendation.</p> <p>Changes to security profiles within an office (e.g. when a worker is promoted to a supervisory position, is transferred to another office, or retires) are handled by a designated Worker Maintenance Administrator (WMA) at the Local Office.</p> <p>By August 1, 2009, DCF will implement a formal, documented protocol for all user access modification requests to NJSPIRIT that are handled by ITR. DCF ITR will initiate a discussion with DYFS Management either to have the same protocol followed at the Local Office level or to develop another strategy to address the audit recommendation.</p> <p>DCF will institute a formal annual review of all application users. DCF staff will verify that the users permitted access to the application corresponds to the list of employees provided by our Office of Human Resources.</p> <p>With regard to infrastructure user access, a formalized procedure will be developed and will be implemented upon the completion of the current infrastructure upgrade project. This review will occur on the same schedules as the annual review of application users, and will involve DCF working with DHS to review the list of technical personnel who have access to the NJSPIRIT infrastructure.</p>	<p>June 2010</p> <p>Donna Younkin (609) 292-3035</p>
<p><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></p>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
<p>08-7 No finding in prior years</p>	<p>Cost allocation plans (CAPs) for the quarters ended March 31, 2008 and June 30, 2008 were completed July 2, 2009. The Accountant who performed this function retired in September 2005. Due to the administrative hiring freeze, this position has remained vacant. Once approval to fill this position is received, the CAPs will be completed in a timely manner.</p>	<p>July 2009 and Ongoing Robert Grzyb (609) 984-4460</p>

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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>
08-8 07-4 06-11 05-65 04-2 03-1 02-1	In the future all necessary documentation supporting the approval and payment of an expenditure will be maintained together and provided when requested for audit.	June 30, 2009 Robert Grzyb (609) 984-4460
<b>Child Care Cluster (93.575 and 93.596)</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>
08-9 No finding in prior years	<p>In accordance with the audit recommendation, the Division is currently strengthening its procedures to ensure that all expenditures for Child Care matching funds are properly reconciled in a timely manner. Once copies of the filed ACF-696 reports are received, the federal reconciliation liaison will have the responsibility to:</p> <ul style="list-style-type: none"> <li>▪ Contact the Budget Office to determine the amount and timing of all final expenditure modifications and other related transactions.</li> <li>▪ Monitor the progress of the processing of the adjusting documents.</li> <li>▪ Inform the Manager, Accounting Operations &amp; Technical Services, of issues and/or problems that may interfere with the timely processing of these transactions.</li> </ul>	August 1, 2009 Robert Grzyb (609) 984-4460

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<b>Food Stamps Cluster (10.551 and 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>Child Care Cluster (93.575 and 93.596)</b> <b>State Children's Insurance program (93.767)</b> <b>Medicaid Cluster (93.775, 93.777 and 93.778)</b> <b>Block Grants for the Prevention and Treatment of Substance Abuse (93.959)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Agriculture</b> <b>U.S. Department of Education</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>
08-10 No finding in prior years	The Department is scheduled to implement an electronic timekeeping system, known as eCATS, in the Division of Management and Budget. The implementation of this system will address timekeeping internal control systems such as supervisory review and missing time sheets.	October 2009 Robert Grzyb (609) 984-4460
<b>Edward Byrne Memorial Justice Assistance Grant (16.738)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Justice</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
08-11 No finding in prior years	A Special Conditions document, which includes the required reporting requirements for time and attendance records, is provided to all subgrantees, including the Division of State Police (DSP). The Division of Criminal Justice's grant analyst will meet with DSP grant staff to emphasize the special condition requirement for proper time sheet certifications for employees assigned to federal grant programs.	September 2009 Ronald W. Kraemer Sr. (609) 984-4983

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<b>Edward Byrne Memorial Justice Assistance Grant (16.738)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Justice</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
08-12 No finding in prior years	Effective April 2009, procedures were implemented to disburse funds to subrecipients based on actual expenditure amounts only.	Implemented April 2009 Ronald W. Kraemer Sr. (609) 984-4983
<b>Edward Byrne Memorial Justice Assistance Grant (16.738)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Justice</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
08-13 No finding in prior years	A formal review process has been implemented effective with the January to March 2009 Financial Status Reports (SF269A). Supervisor approval is indicated on the Financial Status Reports.	Implemented April 2009 Ronald W. Kraemer Sr. (609) 984-4983
<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>
08-14 No finding in prior years	As noted in Finding 06-31 for the Urban Areas Security Cluster, and commencing with the federal fiscal year (FFY) 2006 Homeland Security Grant Program (HSGP), the Suspension and Debarment Certification form has been included in the subgrant application package, which all recipients of FFY 06 and out years HSGP funding are required to sign and return to the Office of Homeland Security and Preparedness (OHSP). The OHSP will continue to ensure that all subgrant awards issued contain the Suspension and Debarment Certification forms.	Ongoing Ronald W. Kraemer Sr. (609) 984-4983
<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>
08-15	As noted in Finding 06-27, this matter has been addressed by the OHSP who requires the CFDA and federal agency name to appear on	Ongoing

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07-29 06-27	all HSGP subgrant award documents so that recipients are fully aware of this information. The OHSP implemented procedures to communicate award information beginning with the FFY 07 subgrant awards. The transactions selected for test work primarily included grants awarded in state fiscal years that preceded the implementation of these procedures. The OHSP will continue to ensure that subgrant awards contain the CFDA title and number and federal agency name.	Ronald W. Kraemer Sr. (609) 984-4983
<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>
08-16 07-34 06-25 05-33	The OHSP has procedures in place to facilitate quarterly SF269 reconciliations to the NJCFS. The OHSP will implement a process to facilitate an annual reconciliation of the SEFA in accordance with the NJOMB Circular Letter.	September 2009 Ronald W. Kraemer Sr. (609) 984-4983
<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>
08-17 07-31 & 07-32 06-21 & 06-22 05-30 04-27 03-39 02-36	<p>As part of its normal subgrant award process, the OHSP does require all subrecipients of federal HSGP funding to comply with state (OMB Circular Letter No. 01-07 and 91-32) or local inventory and fixed asset inventory policies and procedures. The OHSP is currently drafting its own fixed asset Standard Operating Procedures that fully comply with the above Circular Letters for equipment purchases retained and utilized by the OHSP. The OHSP will reiterate to its subrecipients in all future subgrant award documents of their responsibility to fully adhere to and comply with their respective inventory and fixed asset inventory policies and procedures.</p> <p>The DSP implemented a procedure in response to a previous finding 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 division, complete an Inventoried Equipment Receiving Report (SP345) and tag same with an SP inventory tag. The SP345 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, the unit will have the receiving agency sign a receipt (SP494); it is not necessary to tag local items. Since there are changes made in personnel to the division's units on a regular basis, the inventory procedures again will be disseminated division-wide.</p> <p>The Grants Administration Bureau (GAB) will work with the Purchasing Unit to ensure that the proper minor object codes are assigned to respective purchases.</p>	<p>Ongoing Procedure to be implemented in September 2009 Ronald W. Kraemer Sr. (609) 984-4983</p>

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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>
08-18 07-33 06-18 05-31 04-26 03-38 02-34 01-27 00-09	<p>The OHSP has required local units of government receiving UASI funds for salary and fringe benefit costs to complete and submit monthly grant certification forms. These “certs” are required to be submitted by the local recipients of UASI funding in order to be reimbursed under the grant program. Finding 08-18 pertains solely to three state agencies who receive planning (salary/fringe benefits) funding. The OHSP will modify its existing subgrant award agreement to include language that will clearly state and require all state agencies who receive FFY09 and subsequent years’ HSGP funding that they will be required to complete and submit to OHSP bi-annual certifications.</p> <p>The DSP implemented the Bi-weekly Activity and a quarterly Certification of Time process on October 1, 2007. The affected DSP units submit their certifications quarterly to the GAB Accounting Unit Head and the receipt of the certifications are verified each quarter. For those individuals requested under the audit, several signed certifications were provided. For those who did not have certifications, two pay periods were prior to the October 1, 2007 date. If individuals who did not sign certifications are still funded under the HSGP and are on the DSP payroll, their certifications will be required and the list will be coordinated with the OHSP and/or the Office of the Attorney General, which provides the reimbursement to DSP.</p>	<p>Federal Fiscal Year 2009</p> <p>Immediate</p> <p>Ronald W. Kraemer Sr. (609) 984-4983</p>
<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>
08-19 No finding in prior years	<p>The OHSP fully complies with and adheres to State procurement policies and procedures for all procurement of goods and services that are retained and utilized by the OHSP. Finding 08-19 pertained to four transactions for which the Department/OAG could not produce supporting documentation. The State of New Jersey, Department of Treasury, Division of Purchase and Property requires proper supporting documentation for all procurements to be maintained by the procuring agency. The OHSP requires executive level state agency subrecipients to follow State procurement policies and policies. The OHSP requires local units of government and nongovernmental organizations to follow their respective policies and procedures governing their procurement. This information is articulated in the OHSP subgrant award agreement.</p>	<p>Ongoing</p> <p>Ronald W. Kraemer Sr. (609) 984-4983</p>

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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>Department of State</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>
08-20 07-40	NOTE: Responsibility for this grant program was transferred from the Department of Law and Public Safety to the Department of State (DOS) effective April 1, 2008. The two subrecipient transactions selected for test work were payments issued by the Department of Law and Public Safety. The DOS will ensure, as part of its outgoing grant agreement criteria, that a Suspension and Debarment Certification is completed by all sub recipients.	Ongoing William Schaum (609) 943-4993
<b>Help America Vote Act Requirements Payments (90.401)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Department of State</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>
08-21 07-38 06-36	NOTE: Responsibility for this grant program was transferred from the Department of Law and Public Safety to the Department of State (DOS) effective April 1, 2008. The sample selected for test work was originated under the Department of Law and Public Safety. The DOS includes CFDA title and number and/or name of federal agency on all grant agreements.	Ongoing William Schaum (609) 943-4993
<b>Help America Vote Act Requirements Payments (90.401)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Department of State</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>
08-22 07-37	NOTE: Responsibility for this grant program was transferred from the Department of Law and Public Safety to the Department of State (DOS) effective April 1, 2008. The figures reported on the SF-269A for the period 9/14/04 – 9/30/07 were reported by the Department of Law and Public Safety and thus could not be supported by DOS records nor would it be reconcilable with the last GN12 report. Since the report is cumulative, a level of generally accepted variance is to be anticipated between past reported figures that can be verified by DOS and those that cannot be verified. As levels of internal controls may differ, this is considered a transitional element related to the relocation of the grant and applicable management duties, and it is anticipated that all past variances will be settled at grant closeout. The DOS has assimilated the completion of the SF-269A into its already functioning routine reconciliation procedures. The reporting period ending 9/30/09 will be the first full project period to be under the DOS and will be reconciled on the next GN12 report due from OMB in September 2009.	September 2009 Eric Carlsson (609) 943-4988

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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>Department of State</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>
08-23 07-35 06-34	<p>NOTE: Responsibility for this grant program was transferred from the Department of Law and Public Safety to the Department of State (DOS) effective April 1, 2008.</p> <p><u>Activities Allowed or Unallowed/Allowable Costs</u> All five expenditures selected for test work were originated by the Department of Law and Public Safety. The DOS maintains all expenditure documentation on premises for four years and then at our Records Storage Center for an additional three years.</p> <p><u>Procurement</u> All six procurement expenditures selected for test work were originated by the Department of Law and Public Safety. The DOS maintains all procurement documentation on premises for four years and then at our Records Storage Center for an additional three years.</p>	Ongoing Eric Anderson (609) 341-2741
<b>Child Nutrition Cluster (10.553, 10.555, 10.556 and 10.559)</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>
08-24 No finding in prior years	The Division of Food and Nutrition (Division) has submitted numerous requests and justifications to fill the vacant auditor position since May 2006. The requests to fill have been denied over and over again. Since the Division has not been able to fill the vacant auditor position, we have recently engaged the services of two temporary employees. The review of school district audits for fiscal year 2008 will begin immediately. This review will encompass the evaluation of revenue and expenditures of school food service accounts to monitor the non-profit status as required by regulation.	July 2009 Emma Davis-Kovacs (609) 984-0692 Robert G. Gibson (609) 633-8587
<b>Adoption Assistance (93.659)</b> <b>State Agency: Department of Children and Families</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>
08-25 07-41	<p><b>Subsidy Agreement Renewal:</b> It was recently discovered that an automated second request letter for the renewal system is not working properly. Completion of the automated system is in process. In addition, the Department's policy is being updated to reflect new follow up guidelines with respect to the adoption assistance agreements.</p>	May 2010 Catherine Schafer (609) 984-2788

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	<b>IVE Eligibility Prior to Adoption:</b> The Department’s policy will be reviewed and modified to reflect the correct timing of eligibility determinations.	
<b>Adoption Assistance (93.659)</b> <b>State Agency: Department of Children and Families</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>
08-26 No finding in prior years	The Department shall annually submit a memorandum to NJOMB accompanying the GN12 report, which will outline the necessary adjustments to the SEFA. The Department and OMB will determine the exact form of the memorandum and the information to be provided. In addition, the adoption assistance expenditures will be reconciled to the adoption assistance claims.	Fiscal Year 2010 for Fiscal Year 2009 expenditures Catherine Schafer (609) 984-2788
<b>Foster Care—Title IV-E (93.658)</b> <b>State Agency: Department of Children and Families</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>
08-27 No finding in prior years	The IV-E specialist team is working to complete the redeterminations for each year. The team has completed over 80% of redeterminations and will complete the balance by May 2010.	May 2010 Catherine Schafer (609) 984-2788

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<b>Low-Income Home Energy Assistance (93.568)</b> <b>Community Services Block Grant (93.569)</b> <b>State Agency: Department of Community Affairs</b> <b>Federal Agencies: 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>
08-28 LIHEAP & CSBG: 07-11 CSBG: 06-42 05-52 04-44 03-24	<p>The recently realigned Division of Housing and Community Resources (Division) assigned account management responsibilities to the Division's new Fiscal Office in the latter part of 2008. Upon this assignment, controls over the Treasury-OMB required quarterly federal awards reconciliation process were strengthened to ensure that these tasks are consistently completed in an accurate and timely manner. The federal awards reconciliation completed at the end of each quarter record grantee reported expenditures in SAGE and NJCFS and administrative expenses recorded in NJCFS. The federal financial status reports (FFSRs) must be submitted annually on a federal fiscal year end basis.</p> <p>The Division has developed and instituted a spreadsheet that captures financial data quarterly that will reconcile both the required Treasury-OMB reconciliation report and update the FFSR upon each quarterly preparation.</p>	Implemented with Federal Fiscal Year 2009 (October 2008) Brian Phillips (609) 984-2698
<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>
08-29 07-10 06-44 05-57	<p>Three corrective action steps have been implemented to date to ensure compliance with the tripartite Board requirements of the CSBG program. A fourth step is also in process.</p> <ol style="list-style-type: none"> <li>The Board of Directors information in the annual SAGE CSBG application was expanded in 2008 and required the following information for each board member on all Fiscal Year (FY) 2009 applications:               <ul style="list-style-type: none"> <li>Name</li> <li>Title</li> <li>Residency</li> <li>Address</li> <li>Qualifications</li> <li>Term Dates</li> <li>Sector Representation</li> <li>Affiliation</li> <li>Business Address</li> </ul> </li> <li>Written tripartite policies were developed by the NJDCA CSBG program during FY 2008. Program Policy Bulletin #08-02 was issued on September 24, 2008 and established official policy for the six public community action agencies. Program Policy Bulletin #08-03 was issued on September 25, 2008 and established official policy for the private, non-profit Community Action Agencies (CAAs). These policy bulletins were distributed to all NJ CAAs during September 2008. These two program policies</li> </ol>	Implemented in State Fiscal Year 2009 (#s 1-3) State Fiscal Year 2010 (#4) Brian Phillips (609) 984-2698

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	<p>were also recently revised and updated as Policy Bulletins #09-02 and #09-03 and were reissued to our public, private, and non-profit community action grantees on June 24, 2009.</p> <p>3. The policy bulletins described in #2 above were included as parts of the official grant award contracts for all FY 2009 awards and the recent revisions will also be incorporated into the FY 2010 awards. Language on the Board of Directors policy bulletins is also included in the 2009 and 2010 grant agreements.</p> <p>4. The Division is currently seeking to contract with a consulting group via State procurement procedures to develop a comprehensive board-training program in an effort to assist our sub grantee CAAs in achieving and maintaining compliance with tripartite requirements. The board-training program developed by this initiative will be mandatory for all current and prospective CAA board members.</p>	
<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>
08-30 07-13 06-43 05-51 04-47	Division procedures and controls will be strengthened to help ensure corrective action plans, which may be requested and required from recipients after a monitoring visit, are received by established deadlines and within the 60-day program requirement. Supporting documentation of staff follow-up activities such as phone calls, e-mail requests, and official correspondence will also be maintained for non-compliant or delinquent agencies. The Division will also consider the use of sanctions on a case-by-case basis against any agency who does not comply with the required submission of a corrective action plan to the Department.	July 2009 Brian Phillips (609) 984-2698
<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>
08-31 07-14 06-45 05-53	Since October 12, 2007, the Department has continued obtaining the detailed reports of payments to be made to individuals and utility companies prior to making these payments. Controls have also been strengthened to ensure that all payments processed agree to the detailed reports prior to final approval being applied to these transactions. All detailed reports obtained are maintained for supporting documentation purposes.	Implemented partially in October 2008 and partially in State Fiscal Year 2009 Brian Phillips (609) 984-2698
<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>
08-32 No finding	Drawdown errors made during the first half of Fiscal Year (FY) 2008 occurred during a period of time when the Division was undergoing employee turnover in the fiscal unit responsible for these tasks. All drawdown errors identified were corrected timely by the	Fiscal Year 2010 Brian Phillips

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in prior years	<p>current fiscal office staff upon identification of these mistakes. Responsibilities for drawdown and related activities were also reassigned to the new fiscal office upon the recent realignment of the Division and controls have been strengthened in this area to help prevent future errors.</p> <p>Upon the transfer of this program to the Department from the Department of Human Services in FY 2008, the Department continued to employ the same drawdown methods used by Human Services and was not aware of its non-compliance with the prescribed CMIA prior month actual, mid-monthly funding technique for LIHEAP. To ensure compliance for FY 2010, the Division and the Department Fiscal Office has consulted with Treasury-OMB and have made a decision to begin following the funding technique (prior month actual, mid-monthly) prescribed in the current CMIA agreement and cited in this audit. Adherence to the prescribed funding technique will begin at the start of FY 2010.</p>	(609) 984-2698
<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>
08-33 07-22 06-47 05-58	The Department's procedure for handling unliquidated obligations at the close of a grant is to formally request a 60-day extension for the submission of a final expenditure report reflecting zero obligations. This request was made to the Grants Management Officer at the Centers for Disease Control and Prevention on November 30, 2007. This procedure continues to be in effect. Financial Services will also be amending this procedure to include a follow-up mechanism with federal granting authorities on a periodic basis until the extension is granted.	July 2009 Walter C. Valora (609) 588-7401
<b>Centers 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>
08-34 07-19	During the audit period, timesheets were being manually prepared and transmitted to Financial Services for input to the time and activity system. In May 2008, the Department implemented a new time and activity (T&A) reporting system, discontinuing use of the paper-driven T&A system to an automated eCATS (electronic cost accounting timesheet system). This change allows the employee to enter and submit his timesheet and his immediate supervisor applies (and certifies) his approval electronically in real time. All timesheets must now be entered before the end of the current pay period. All corrections unless otherwise noted must be made by the first Thursday of the new pay period. This will ensure more accurate and current data and should eliminate any control problems, which occurred in previous periods.	Implemented May 2008 Walter C. Valora (609) 588-7401

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<b>Centers 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>
08-35 No finding in prior years	Financial Services will be reviewing the procedures guiding the preparation of the federal financial report to ensure that the report is supported by accurate documentation and reviewed by a supervisor prior to its submission. Financial Services will be incorporating a reconciliation step in the process after further review of the transactions that were noted in the condition section of this finding.	July 2009 Walter C. Valora (609) 588-7401
<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>
08-36 No finding in prior years	Financial Services will be reviewing the procedures currently in place for the preparation and filing of cash receipt transactions. Management will be stressing the importance of proper maintenance of document files with staff assigned to this function. Because NJCFS was originally designed to be a “paperless system,” we have the ability to recreate the documentation for the missing transactions.	July 2009 Walter C. Valora (609) 588-7401
<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>
08-37 No finding in prior years	Financial Services will develop procedures to document the development of the maintenance of effort calculations and those working papers will be included in the grant files. Financial Services will also be developing procedures for monitoring the level of effort – maintenance of effort.	July 2009 Walter C. Valora (609) 588-7401
<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>
08-38 07-21 06-47	The Department’s procedure for handling unliquidated obligations at the close of a grant is to formally request a 60-day extension for the submission of a final expenditure report reflecting zero obligations. This request was made to the Grants Management Officer at the Health Resources and Services Administration (HIV/AIDS Bureau) on March 5, 2008. This procedure continues to be in effect.	July 2009 Walter C. Valora (609) 588-7401

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05-61	Financial Services will also be amending this procedure to include a follow-up mechanism with federal granting authorities on a periodic basis until the extension is granted. The program has also implemented a procedure to ensure that agencies with obligations related to grants are notified of the timeliness of their submissions allowing for liquidation of these obligations.	
<b>National Bioterrorism Hospital Preparedness Program (93.889)</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>
08-39 No finding in prior years	Financial Services will be reviewing the procedures currently in place for the preparation and filing of cash receipt transactions. Management will be stressing the importance of proper maintenance of document files with staff assigned to this function. Because NJCFS was originally designed to be a "paperless system," we have the ability to recreate the documentation for the missing transactions.	July 2009 Walter C. Valora (609) 588-7401
<b>Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)</b> <b>State Agency: Department of Labor &amp; Workforce Development</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>
08-40 No finding in prior years	The Department has enhanced its internal controls over cash drawdowns for the Vocational Rehabilitation program. While no internal control can preclude human error from ever happening, the enhanced procedures put in place will correct any error on the next drawdown, which is usually done on a daily basis. Additionally, a quarterly reconciliation of cash draws to expenditures will be performed.	July 2009 James M. King (609) 292-1885
<b>Special Education Cluster (84.027 and 84.173)</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>
08-41 No finding in prior years	<p>The IDEA application is established with electronic parameters that control how IDEA funds are allocated. Technical assistance is provided by both the county level staff and the NJ Office of Special Education Programs (OSEP) during the application process to assist subrecipients in creating approvable IDEA budgets. If questionable expenditures are identified, based on county office/OSEP review, the application is returned with comment requesting a correction and/ or clarification from the subrecipient (documentation may be requested, if necessary). This process is repeated until an approved application/report is reached. During the review process and throughout the year county staff provide onsite technical assistance to selected grantees where application/report issues are identified.</p> <p>The OSEP will expand its current process for oversight and monitoring of subgrantees' compliance with federal regulations. Policies and procedures will be developed to establish a monitoring system that will include criteria for selection of districts, monitoring processes (including but not limited to application review, desk review, telephone interview, on-site monitoring) and the issuance of a</p>	November 1, 2009 Roberta Wohle (609) 633-6430 Patricia Holcomb-Gray (609) 984-4953

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	report of findings. Based on the criteria for selection of districts, the OSEP will develop a monitoring schedule of subgrantees.	
<b>Career and Technical Education—Basic Grants to States (84.048)</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>
08-42 No finding in prior years	<p>All award letters to the subrecipients will be redesigned to include the federal award information, specifically the CFDA title and number, award name, and name of federal agency.</p> <p>The first page of the on-line Fiscal Year (FY) 2011 EWEG application will include the federal award information, specifically the CFDA title and number, award name, and name of Federal agency.</p> <p>The Office of Career and Technical Education (OCTE) will establish and implement monitoring activities. Monitoring activities are hampered by the inability of the office to replace staff members who have left for other employment or retirement. Staff will consult with the Office of Grants Management and other offices to establish the monitoring selection criteria. A monitoring schedule will be created and all monitoring visits will be conducted, including reviewing reports, site visits, and regular contact via telephone, e-mail and other methods of correspondence. Written reports will be filed for each monitoring visit.</p> <p>During the award year, the OCTE staff members are in regular contact with Perkins grant subrecipients, through phone calls and e-mails, to assess progress and answer questions concerning grant activities and expenditures. In addition, the staff members employ a rigorous process during the review and approval of the grant applications to help correct errors and prevent inappropriate activities and expenditures prior to approval of the application. The subrecipient's proposed activities and proposed budget are examined for appropriateness based upon the amount of funding available and the subrecipient's performance on federally mandated measurements for academic achievement, skills proficiency, graduation rates, achievement of industry credentials, post graduation placement rates, and non-traditional (for gender) participation and completion. Grant program officers also conduct site visits for technical assistance during the grant award year to review programs, assess progress, and assist with grant implementation.</p>	<p>August 1, 2009</p> <p>April 1, 2010</p> <p>Selection criteria completion date: December 31, 2009 Monitoring visits completion date: June 1, 2010</p> <p>Randy Trivette (609) 984-5900</p>
<b>Career and Technical Education—Basic Grants to States (84.048)</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>
08-43 No finding in prior years	The FY 2010 Perkins grant for subrecipients was released in May 2009. The FY 2010 grant applications have the following language in the Statement of Assurances to which each subrecipient must agree: "The applicant, as well as its principals (Board of Education, Superintendent, Business Administrator) and subcontractors, for all contracts in excess of \$25,000, is not presently debarred, proposed for debarment, declared ineligible, suspended or voluntarily excluded by a federal agency from receiving federal funds in accordance with Executive Orders 12549 and 12686." This language will be added to all future grant applications.	<p>Implemented June 15, 2009</p> <p>Randy Trivette (609) 984-5900</p>
<b>Food Stamps Cluster (10.551 and 10.561)</b>		

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<b>Temporary Assistance for Needy Families (93.558)</b> <b>State Agency: Office of Information Technology</b> <b>Federal Agency: U.S. Department of Agriculture</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>
08-44 07-8	<p><i>1. Database Access/Monitoring of Database Access:</i></p> <ul style="list-style-type: none"> <li>Modifications will be made to isolate each user into discrete/unique ID's. Direct access is not logged is a true statement; however, this functionality is not permitted in our environment and has not occurred in over 15 years. The last occurrence of this was a small correction authorized by the client, performed by DB and monitored by applications staff. A manual log will be created should this action be required in the future. Additionally, DB access is recorded via the "Audit all" on the FAMIS database, which was installed in July 2008.</li> <li>The BULL operating system command, structure, and related functionality may be a constraint for remediation.</li> <li>OIT does not find a problem with accountability using a generic user account as scheduling of staff and assigned work is known for the various FAMIS jobs run. Modifications to remediate this finding may fall under the same constraints as the previous finding. OIT will investigate and assess whether options exist.</li> </ul> <p><i>2. Formal Testing and Sign-off Process for Operation System Changes:</i></p> <ul style="list-style-type: none"> <li>OIT agrees there is no formal documentation evidencing approval for patches maintained. OIT will assess usage of system change request documentation for patches.</li> </ul>	<p>August 2009</p> <p>Bull and generic account assessments: October 2009</p> <p>System change request assessment: September 2009</p> <p>Ken Herbst (609) 633-9194</p>
<b>Food Stamps Cluster (10.551 and 10.561)</b> <b>Temporary Assistance for Needy Families (93.558)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Agriculture</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>
08-45 07-9	<p>A user access policy and procedure document has been developed and distributed to the sub-recipients. The Division will be developing monitoring procedures to ensure the policies and procedures are followed.</p> <ul style="list-style-type: none"> <li>New policy and procedures were developed and distributed to the counties as of 1/20/09. This will be repeated on an annual basis.</li> <li>Received acknowledgement of compliance with new policy/procedures from all 21 CWAs as of 2/24/09.</li> </ul> <p>Monitoring procedures will be implemented during State Fiscal Year (SFY) 2010 and will be conducted by the Division's Audit Liaison. These audits will occur on a 3-year rotational basis with approximately seven counties being monitored annually. During the audit, the Audit Liaison will:</p> <ul style="list-style-type: none"> <li>Obtain a list of add and delete requests from the county security officer and pull an appropriate sample for review;</li> </ul>	<p>September 1, 2009 Robert Grzyb (609) 984-4460</p>

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	<ul style="list-style-type: none"> <li>▪ Verify that the individuals identified in the sample delete requests are no longer on the FAMIS system;</li> <li>▪ Verify that the individuals identified in the sample add requests: <ul style="list-style-type: none"> <li>○ were actual, current employees at the time they were added to the system;</li> <li>○ only have access to the systems they require in accordance with their job function.</li> </ul> </li> </ul>	
<b>Special Education Cluster (84.027 and 84.173)</b> <b>Career and Technical Services—Basic Grants to States (84.048)</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>
08-46 No finding in prior years	<p><b>Views of Responsible Officials:</b> The finding indicates, in part, “During the State fiscal year 2008, 333 subrecipients were required to submit OMB Circular A-133 audit reports to the Office. Of the 333 audit reports, the Office completed six desk reviews.” As a point of clarification, the Office of Fiscal Accountability and Compliance (OFAC) has performed desk reviews of approximately one-third of Comprehensive Annual Financial Reports (CAFRs) from 1993 through 2008 in accordance with a program determination letter (PDL) dated May 7, 1992 from the United States Department of Education (USDE). The OFAC contends that of the 333 subrecipient audit reports, we were required to perform 98 desk reviews using the modified system. Also in 2008, the individual who was responsible to perform desk reviews of CAFRs for the fiscal year ended June 30, 2007 transferred to the newly created Office of State Comptroller. Interviews were conducted and an employee within the Department was recommended to fill the vacant position. However, the position remains vacant as of the present date because of a hiring and promotion freeze.</p> <p>Due to the circumstances above, the OFAC was unable to fulfill its obligation to conduct desk reviews and to update the GSA for the receipt of audit reports in a timely manner. In a letter dated February 11, 2009, the OFAC notified USDE of our inability to perform the reviews and requested a waiver from the desk review requirements. The USDE denied the waiver request through correspondence dated April 6, 2009 and stated that the Department assumed that the PDL approved the use of the modified desk review procedures.</p> <p>The OFAC submitted a letter dated May 8, 2009 asking for reconsideration concerning use of the modified desk review system for Fiscal Year (FY) 2007 and FY 2008 CAFRs given the fact that department did not receive any correspondence from USDE in follow-up to the PDL or our subrecipient monitoring procedures. It is our contention that the department has justifiably relied on the PDL from April 1992 through March 2009, absent notification to the contrary from USDE.</p> <p><b>Corrective Action Plan:</b> In March 2009, an individual who formerly conducted desk reviews trained another OFAC staff member to complete desk reviews of CAFRs. Both employees are currently performing desk reviews of FY 2007 CAFRs and will then complete FY 2008 reviews. The total number of desk reviews that will ultimately be completed is contingent upon resolution of our use of the modified system with USDE.</p> <p>In regards to supervision, the employees performing the desk reviews hold the position of Planning Associate 2 (PA2) and will conduct peer reviews to ensure that desk review checklists were completed in their entirety (the job duties and responsibilities of a PA2 require supervision). The employees will initial the checklists as verification the peer reviews were completed.</p>	<p>Appeal with USDOE in progress; unable to specify dates at this time.</p> <p>Peer reviews: September 2009</p>

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	<p>In addition, the manager compiles and distributes a weekly report of all desk reviews performed to the director. The manager will also ensure that letters regarding the results of all desk reviews are distributed to the subrecipients.</p> <p>Finally, the GSA system was updated in June 2009 to reflect the dates when FY 2007 subrecipient audit reports were received. In the future, the system will be updated on a monthly basis to reflect the receipt of audit reports and the completion of desk reviews, including those from FY 2008.</p>	<p>Desk review report implemented in June 2009</p> <p>Fiscal year 2010</p> <p>Lisa D. McCormick (609) 292-7742</p>
<b>Child Nutrition Cluster (10.553, 10.555, 10.556 and 10.559)</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>
08-47 No finding in prior years	Effective July 1, 2009, the Division of Food and Nutrition (Division) has instituted policies and procedures that will track and follow-up on submission of subrecipient OMB Circular A-133 audit reports utilizing the services of the two temporary employees referenced above in the corrective action plan for finding 08-24. The Division Director will coordinate with the fiscal coordinators in both bureaus within the Division to ensure compliance on an annual basis.	<p>July 2009</p> <p>Emma Davis-Kovacs (609) 984-0692</p> <p>Robert G. Gibson (609) 633-8587</p>
<b>Public Assistance Grants—Disaster Grants—Public Assistance (Residentially Declared Disasters) (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>
08-48 No finding in prior years	The Public Assistance Grants (Residentially Declared Disasters) are awarded to the approved entity by FEMA. Once FEMA approves the application, the Division of State Police (DSP) Public Assistance Unit (PAU) is notified of the amount (or up-to-amount) that the entity may receive through a reimbursement program. As a result of this audit, the DSP will require each entity applying to FEMA to submit a Lower-Tier Suspension and Debarment Form at the time of application. In regard to federal award information, the PAU will communicate the CFDA number and the granting agency when the procedures for reimbursement are sent. In addition, the CFDA number will be included on each letter remitting payment.	<p>December 2009</p> <p>Ronald W. Kraemer Sr. (609) 984-4983</p>

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