



STATE OF NEW JERSEY

Single Audit Report

Year ended June 30, 2007

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, 2007

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KPMG LLP
Suite 402
301 Carnegie Center
Princeton, NJ 08540-6227

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, 2007. 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, 2007 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 18, 2008

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2007
(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	\$ 3,439	8
10.028	Wildlife Services	52	—
10.069	Conservation Reserve Program	401	346
10.153	Market News	23	—
10.156	Federal-State Marketing Improvement Program	27	—
10.162	Inspection Grading and Standardization	8	—
10.163	Market Protection and Promotion	43	—
10.304	Homeland Security - Agricultural	2	—
10.435	State Mediation Grants	19	—
10.450	Crop Insurance	261	—
10.475	Cooperative Agreements w/States for Intrastate Meat & Produce	27	—
10.500	Cooperative Extension Service	16	—
10.550	Food Donation (nonmonetary)	21,821	—
	<i>Food Stamp Cluster:</i>		
10.551	Food Stamps (nonmonetary)	483,728	—
10.561	State Administrative Matching Grants for Food Stamp Program	87,037	74,315
	Total Food Stamp Cluster	570,765	74,315
	<i>Child Nutrition Cluster:</i>		
10.553	School Breakfast Program	36,145	36,145
10.555	National School Lunch Program	155,243	155,199
10.556	Special Milk Program for Children	825	825
10.559	Summer Food Service Program for Children	6,271	6,010
10.559	Summer Food Service Program for Children (nonmonetary)	20	—
	Total Child Nutrition Cluster	198,504	198,179
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	91,330	17,047
10.558	Child and Adult Care Food Program	52,832	52,385
10.558	Child and Adult Care Food Program (nonmonetary)	191	—
10.560	State Administrative Expenses for Child Nutrition	3,377	—
	<i>Emergency Food Assistance Cluster:</i>		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,314	933
10.569	Emergency Food Assistance Program (Food Commodities)	9,058	—
	Total Emergency Food Assistance Cluster	10,372	933
10.570	Nutrition Services for the Elderly (Commodities)	1,943	1,943
10.572	WIC Farmer's Market Nutrition Program (FMNP)	937	58
10.574	Team Nutrition Grants	35	—
10.576	Senior Farmers' Market Nutrition Program	515	—
10.652	Forestry Research	92	—
10.664	Cooperative Forestry Assistance	2,889	210
10.675	Urban and Community Forestry Program	32	—
10.677	Forest Land Enhancement Program (FLEP)	90	—
10.680	Forest Health Protection	160	—
10.913	Farm and Ranch Lands Protection Program	2,732	2,732
10.914	Wildlife Habitat Incentive Program (WHIP)	32	—
	Total U.S. Department of Agriculture	962,967	348,156
	U.S. Department of Commerce:		
11.407	Interjurisdictional Fisheries Act of 1986	135	—
11.413	Fishery Products Inspection and Certification	147	—
11.419	Coastal Zone Management Administration Awards	3,721	121
11.441	Regional Fishery Management Councils	538	—
11.474	Atlantic Coastal Fisheries Cooperative Management Act	227	—
11.550	Public Telecommunications Facilities – Planning & Construction	712	—
11.UNA	Delaware Bay Oyster Revitalization	18	—
11.UNA	Mullica River Oyster Rest.	14	—
	Total U.S. Department of Commerce	5,512	121

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		Expenditures	Passed through to subrecipients
	U.S. Department of Defense:		
12.401	National Guard Military Operations and Maintenance (O&M) Projects	\$ 19,161	—
12.UNA	Troops to Teachers	126	—
12.UNA	Challenge Program	2,351	—
	Total U.S. Department of Defense	21,638	—
	U.S. Department of Housing and Urban Development:		
14.228	Community Development Block Grants/State's Programs	10,494	10,304
14.231	Emergency Shelter Grants Program	2,311	2,241
14.235	Supportive Housing Program	508	177
14.238	Shelter Plus Care	1,430	—
14.239	HOME Investment Partnerships Program	11,642	4,253
14.241	Housing Opportunities for Persons with AIDS	1,546	—
14.241	Housing Opportunities for Persons with AIDS Pass-Through – Woodbridge Township	590	542
14.241	Housing Opportunities for Persons with AIDS Pass-Through – Camden	617	581
14.241	Housing Opportunities for Persons with AIDS Pass-Through – City of Paterson	836	778
14.401	Fair Housing Assistance Program – State and Local	225	—
14.408	Fair Housing Initiatives Program (FHIP) Education & Outreach	4	—
	<i>Section 8 Project-Based Cluster:</i>		
14.856	Lower Income Housing Assistance Program: Section 8 Moderate Rehabilitation	10,842	135
14.871	Section 8 Housing Choice Vouchers	164,926	186
14.900	Lead-Based Paint Hazard Control in Privately Owned Housing	896	896
	Total U.S. Department of Housing and Urban Development	206,867	20,093
	U.S. Department of the Interior:		
15.308	Grants for Mining and Mineral Resources and Research Institute	9	—
	<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration	3,549	—
15.611	Wildlife Restoration	1,219	—
	Total Fish and Wildlife Cluster	4,768	—
15.615	Cooperative Endangered Species Conservation Fund	412	—
15.616	Clean Vessel Act	252	132
15.622	Sportfishing and Boating Safety Act	43	—
15.625	Wildlife Conservation and Restoration	147	—
15.633	Landowner Incentive	435	219
15.634	State Wildlife Grants	666	—
15.808	U.S. Geological Survey - Research and Data Collection	515	—
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	41	—
15.810	National Cooperative Geologic Mapping Program	125	—
15.904	Historic Preservation Fund Grants-in-aid	787	27
15.916	Outdoor Recreation - Acquisition, Development, and Planning	1,000	—
	Total U.S. Department of the Interior	9,200	378
	U.S. Department of Justice:		
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	490	127
16.320	Services for Trafficking Victims	139	—
16.523	Juvenile Accountability Incentive Block Grants	2,528	1,935
16.540	Juvenile Justice and Delinquency Prevention: Allocation to States	1,945	1,242
16.542	Part D – Research, Evaluation, Technical Assistance and Training	4	—
16.543	Missing Children's Assistance	149	2
16.548	Title V: Delinquency Prevention Program.	371	362
16.549	Part-E: State Challenge Activities (Challenge Grants)	45	14
16.550	State Justice Statistics Program for Statistical Analysis Centers	50	—
16.554	National Criminal History Improvement Program (NCHIP)	735	69
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	10	6

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		Expenditures	Passed through to subrecipients
16.564	Crime Lab Improvement Combined Offender DNA Index System Backlog Reduction	\$ 3,065	118
16.575	Crime Victim Assistance	12,749	10,796
16.576	Crime Victim Compensation	7,197	4,047
16.579	Edward Byrne Medical Formula Grant Program	4,298	3,326
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	329	—
16.585	Drug Court Discretionary Grant Program	165	—
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grant	774	474
16.588	Violence Against Women Formula Grants	3,291	2,217
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	66	—
16.592	Local Law Enforcement Block Grants Program	90	24
16.593	Residential Substance Abuse Treatment for State Prisoners (RSAT)	913	134
16.606	State Criminal Alien Assistance Program	27	—
16.607	Bulletproof Vest Partnership Program	143	—
16.609	Community Prosecution & Project Safe Neighborhoods	1,026	661
16.710	Public Safety Partnership and Community Policing Grants (COPS)	848	—
16.727	Enforcing Underage Drinking Laws Program	333	309
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program (Prison Rape Elimination)	135	—
16.738	Edward Byrne Memorial Justice Assistance Program	2,374	246
16.742	Paul Coverdell Forensic Sciences Improvements Grant Program	7	7
16.744	Anti-Gang Initiative	20	—
16.CON	Contractual Agreement – Domestic Marijuana Eradication	83	—
	Total U.S. Department of Justice	44,399	26,116
	U.S. Department of Labor:		
17.002	Labor Force Statistics	2,577	—
17.005	Compensation and Working Conditions	424	—
17.203	Labor Certification for Alien Workers	255	—
	<i>Employment Services Cluster:</i>		
17.207	Employment Service/Wagner-Peyser Funded Activities	22,970	223
17.801	Disabled Veterans' Outreach Program	2,460	—
17.804	Local Veterans' Employment Representative Program	1,123	—
	Total Employment Services Cluster	26,553	223
17.225	Unemployment Insurance – Federal	134,639	—
17.225	Unemployment Insurance – State	1,937,371	—
17.235	Senior Community Service Employment Program	2,299	—
17.245	Trade Adjustment Assistance: Workers	1,818	1,717
	<i>WIA Cluster:</i>		
17.258	Workforce Investment Act-Adult Program	57,691	38,689
17.259	Workforce Investment Act-Youth Program	6,404	6,404
17.260	Workforce Investment Act-Dislocated Workers	5,604	5,549
	Total WIA Cluster	69,699	50,642
	<i>Migrant and Seasonal Farmworkers Cluster:</i>		
17.264	National Farmworker Jobs Program	(14)	—
17.261	Workforce Investment Act-Pilots, Demonstrations, and Research Projects	91	—
17.266	Work Incentives Grant	236	110
17.273	Temporary Labor Certification for Foreign Workers	172	—
17.503	Occupational Safety & Health – State Program	3,155	—
17.504	Consultation Agreements	2,048	—
17.600	Mine Health and Safety Grants	44	—
	Total U.S. Department of Labor	2,181,367	52,692
	U.S. Department of State:		
19.UNA	Council of State Governments/USAEP	19	11
	Total U.S. Department of State	19	11

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		Expenditures	Passed through to subrecipients
	U.S. Department of Transportation:		
20.106	Airport Improvement Program	\$ 1,878	1,878
	<i>Highway Planning and Construction Cluster:</i>		
20.205	Highway Planning and Construction	897,752	183,187
20.218	National Motor Carrier Safety	5,637	—
20.219	Recreational Trails Program	551	394
20.232	Commercial Driver License State Programs	475	—
20.505	Federal Transit: Metropolitan Planning Grants	4,442	—
	<i>Highway Safety Cluster:</i>		
20.600	State and Community Highway Safety	6,059	3,056
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	683	288
20.602	Occupant Protection	1,047	1,037
20.604	Safety Incentive Grants For Use Of Seatbelts	40	40
20.605	Safety Incentive to Prevent Operation of MV by Intoxicated Persons	351	—
20.609	Safety Belt Performance Grants	488	238
20.610	State Traffic Safety Information System Improvement Grants	30	—
20.613	Child Safety and Child Booster Seats Incentive Grants	58	28
	Total Highway Safety Cluster	8,756	4,687
20.606	Child Passenger Protection	24	182
20.700	Pipeline Safety	386	—
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	360	75
20.CON	Contractual Agreements – Fatal Accident Reporting System	70	—
20.UNA	Section 157 Safety Innovative	104	23
	Total U.S. Department of Transportation	920,435	190,426
	Equal Employment Opportunity Commission:		
30.002	Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	455	—
	Total Equal Employment Opportunity Commission	455	—
	General Services Administration:		
39.011	Election Reform Payments	5,330	—
	Total General Services Administration	5,330	—
	National Foundation on the Arts and the Humanities:		
45.025	Promotion of the Arts: Partnership Agreements	902	449
45.301	Museums for America	1	—
	Total National Foundation on the Arts and the Humanities	903	449
	U.S. Department of Veterans Affairs:		
64.005	Grants to States for Construction of State Home Facilities	991	—
64.024	VA Homeless Providers Grant and Per Diem Program	18,581	—
64.101	Burial Expense Allowance for Veterans	501	—
64.125	Vocational and Educational Counseling for Servicemembers and Veterans	427	—
64.203	State Cemetery Grants	4,577	—
	Total U.S. Department of Veterans Affairs	25,077	—
	U.S. Environmental Protection Agency:		
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to Clean Air Act	1,028	—
66.202	Congressionally Mandated Projects	222	—
66.454	Water Quality Management Planning	475	256
66.458	Capitalization Grants for Clean Water State Revolving Funds	71,051	69,621
66.461	Regional Wetland Program Development Grants	184	—
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	36	—
66.468	Capitalization Grants for Drinking Water State Revolving Fund	11,730	8,729

STATE OF NEW JERSEY
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Year ended June 30, 2007
(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
66.471	State Grants to Reimburse Operators of Small Water Systems for Training & Certification Costs	\$ 2	—
66.472	Beach Monitoring & Notification Program Implementation Grant	283	232
66.474	Water Protection Grants to the States	294	—
66.479	Wetland Program Grants - State/Tribal Environmental Outcome Wetland Demonstration Program	—	—
66.480	Assessment and Watershed Protection Program Grants	—	—
66.500	Environmental Protection – Consolidated Research	127	—
66.511	Office of Research & Development Consolidated Research/Training	27	—
66.605	Performance Partnership Grants	16,027	2,344
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	256	—
66.609	Protection of Children & Older Adults (Elderly) From Environmental Health Risks	27	27
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	8	—
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	118	—
66.706	Enhancement Grants for State Asbestos Programs	10	—
66.707	TSCA Title IV State Lead Grants: Certification of Lead-Based Paint Professionals	379	—
66.708	Pollution Prevention Grants Program	7	—
66.709	Multi-Media Capacity Building Grants for States and Tribes	84	—
66.713	State and Tribunal Environmental Justice	42	—
66.801	Hazardous Waste Management State Program Support	124	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site: Specific Cooperative Agreements	2,718	—
66.805	Leaking Underground Storage Tank Trust Fund Program	1,005	17
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	441	—
66.817	State and Tribal Response Program Grants	721	—
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	4	—
66.951	Environmental Education Training	8	—
	Total U.S. Environmental Protection Agency	107,438	81,226
	Nuclear Regulatory Commission:		
77.003	Enhance Energy Transfer & Dissemination of Nuclear Energy Process & Safety Info	6	—
	Total Nuclear Regulatory Commission	6	—
	U.S. Department of Energy:		
81.041	State Energy Program	1,993	632
81.042	Weatherization Assistance for Low-Income Persons	7,026	6,513
81.079	Regional Biomass Energy Program	28	—
81.105	National Industrial Competitiveness Through Energy, Environment, and Economics	23	—
81.119	State Energy Program Special Projects	15	—
81.ADM	Administration Costs Consolidations	(74)	—
	Total U.S. Department of Energy	9,011	7,145
	U.S. Department of Education:		
84.002	Adult Education: State Grant Program	17,233	15,210
84.010	Title I Grants to Local Educational Agencies	327,767	324,104
84.011	Migrant Education: State Grant Program	2,271	2,203
84.013	Title I Program for Neglected and Delinquent Children	2,661	162
	<i>Special Education Cluster:</i>		
84.027	Special Education: Grants to States	341,400	323,012
84.173	Special Education – Preschool Grants	11,975	11,337
	Total Special Education Cluster	353,375	334,349
84.032	Federal Family Education Loans - Guaranty Program	960,636	—
84.048	Vocational Education: Basic Grants to States	23,096	19,905
84.069	Leveraging Educational Assistance Partnership	2,117	—
84.126	Rehabilitation Services: Vocational Rehabilitation Grants to States	60,842	18,401
84.169	Independent Living: State Grants	430	430

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(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
84.177	Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	\$ 952	952
84.181	Special Education: Grants for Infants and Families with Disabilities	10,159	7,484
84.184	Safe and Drug-Free Schools and Communities: National Programs	346	—
84.185	Byrd Honors Scholarships	1,126	(4)
84.186	Safe and Drug-Free Schools and Communities: State Grants	10,262	9,658
84.187	Supported Employment Services for Individuals with Severe Disabilities	823	823
84.196	Education for Homeless Children and Youth	1,250	937
84.213	Even Start: State Educational Agencies	4,222	4,039
84.215	Fund for the Improvement of Education	631	538
84.224	Assistive Technology	396	366
84.243	Tech-Prep Education	1,882	1,775
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit In-service Training	61	—
84.282	Charter Schools	3,071	3,017
84.287	Twenty-First Century Community Learning Centers	22,694	22,059
84.293	Foreign Language Assistance	111	40
84.298	State Grants for Innovative Programs	4,530	3,792
84.318	Education Technology State Grants	5,490	4,864
84.323	Special Education: State Personnel Development	1,661	344
84.326	Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	12	—
84.330	Advanced Placement Program	189	—
84.331	Grants to States for Incarcerated Youth Offenders	987	—
84.332	Comprehensive School Reform Demonstration	4,628	4,549
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	3,407	3,113
84.336	Teacher Quality Enhancement Grants	1,508	167
84.346	Vocational Education: Occupational and Employment Information State Grants	(5)	—
84.357	Reading First State Program	19,669	17,490
84.358	Rural Education (REAP)	21	20
84.365	English Language Acquisition Grants	20,682	19,794
84.366	Mathematics and Science Partnerships	3,056	2,544
84.367	Improving Teacher Quality State Grants	76,982	74,928
84.369	Grants for State Assessments and Related Activities	10,388	750
84.938	Hurricane Education Recovery	1,054	1,040
84.CON	Contractual Agreements – National Center Educational Statistics	144	—
	Total U.S. Department of Education	1,962,817	899,843
	National Archives and Records Administration:		
89.003	National Historical Publications and Records Grants	16	—
	Total National Archives and Records Administration	16	—
	Election Assistance Commission:		
90.401	Help America Vote Act Requirements Payments	7,372	659
	Total Election Assistance Commission	7,372	659
	U.S. Department of Health and Human Services:		
93.003	Public Health and Social Services Emergency Fund	3,845	660
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	128	—
93.041	Special Programs for the Aging: Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect, and Exploitation	222	53
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	395	104
93.043	Special Programs for the Aging: Title III, Part D: Disease Prevention and Health Promotion Services	573	573

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	<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers	\$ 8,877	8,877
93.045	Special Programs for the Aging: Title III, Part C: Nutrition Services	15,999	14,118
93.053	Nutrition Services Incentive Program	1,643	1,643
	Total Aging Cluster	26,519	24,638
93.048	Special Programs for the Aging: Title IV & Title II Discretionary	89	15
93.051	Alzheimer's Disease Demonstration Grants to States	49	—
93.052	National Family Caregiver Support, Title III, Part E	4,372	4,106
93.086	Healthy Marriage Promotion & Responsible Fatherhood Grants	1	—
93.103	Food and Drug Administration - Research	12	—
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	403	403
93.110	Maternal and Child Health Federal Consolidated Programs	239	13
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	4,781	3,215
93.116	Project Grants and Cooperative Agreements for Tuberculosis (nonmonetary)	241	—
93.127	Emergency Medical Services for Children	26	—
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	260	150
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,946	1,678
93.142	NIEHS Hazardous Waste Worker Health and Safety Training	106	—
93.150	Projects for Assistance in Transition from Homelessness	1,934	1,844
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	2,367	2,099
93.161	Health Program for Toxic Substances and Disease Registry	30	—
93.165	Grants to States for Loan Repayment Program	118	—
93.197	Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	933	491
93.204	Surveillance of Hazardous Substance Emergency Events	112	—
93.217	Family Planning Services	4,032	3,470
93.234	Traumatic Brain Injury: State Demonstration Grant Program	16	—
93.235	Abstinence Education	886	861
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	56	—
93.240	State Capacity Building	424	—
93.243	Substance Abuse and Mental Health Services: Projects of Regional and National Significance	116	—
93.251	Universal Newborn Hearing Screening	283	61
93.256	State Planning Grant-Healthcare Access for the Uninsured	177	—
93.262	Occupational Safety and Health Research Grants	387	—
93.262	Occupational Safety and Health Research Grants - Third Party - University of Iowa	19	—
93.268	Immunization Grants	6,140	2,198
93.268	Immunization Grants (nonmonetary)	56,518	—
93.275	Substance Abuse and Mental Health Services: Access to Recovery	7,534	7,264
93.283	Centers for Disease Control and Prevention: Investigations and Technical Assistance	31,655	12,896
93.283	Centers for Disease Control and Prevention: Investigations and Technical Assistance - Third Party - UMDNJ	203	—
93.393	Cancer Cause and Prevention Research - Third Party - The Mount Sinai School of Medicine	106	—
93.556	Promoting Safe and Stable Families	5,650	5,650
93.558	Temporary Assistance for Needy Families	306,007	315,664
93.558	Temporary Assistance for Needy Families - Third Party - Northrop Grumman	12	—
93.563	Child Support Enforcement	162,352	47,861
93.566	Refugee and Entrant Assistance: State Administered Programs	2,020	1,225
93.568	Low-Income Home Energy Assistance	111,363	22,731
93.569	Community Services Block Grant	18,104	17,211
93.571	Community Services Block Grant Formula and Discretionary Awards		
	Community Food and Nutrition Programs	21	21

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2007
(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	<i>Child Care Cluster:</i>		
93.575	Child Care and Development Block Grant	\$ 90,721	34,789
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	73,092	71,308
	Total Child Care Cluster	163,813	106,097
93.576	Refugee and Entrant Assistance: Discretionary Grants	478	426
93.585	Empowerment Zones Program	1,592	1,592
93.586	State Court Improvement Program	351	—
93.590	Community Based Child Abuse Prevention Grants	984	983
93.597	Grants to States for Access and Visitation Programs	256	—
93.599	Chafee Education and Training Vouchers Program (ETV)	1,182	1,182
93.600	Head Start	256	—
93.603	Adoption Incentive Payments	193	189
93.617	Voting Access for Individuals with Disabilities Grants to State	—	—
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,193	196
93.643	Children's Justice Grants to States	295	295
93.645	Child Welfare Services: State Grants	673	—
93.652	Adoption Opportunities	360	292
93.658	Foster Care - Title IV-E	44,559	(513)
93.659	Adoption Assistance	27,229	(2,027)
93.667	Social Services Block Grant	62,315	23,455
93.669	Child Abuse and Neglect State Grants	528	526
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters: Grants to States and Indian Tribes	2,063	2,063
93.674	Chafee Foster Care Independence Program	3,112	3,098
93.767	State Children's Insurance Program	272,694	246,100
93.768	Medicaid Infrastructure Grants – To Support the Competitive Employment of People With Disabilities	381	—
	<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	3,015	—
93.777	State Survey and Certification of Health Care Providers and Suppliers	9,391	—
93.778	Medical Assistance Program	4,900,378	3,614,501
	Total Medicaid Cluster	4,912,784	3,614,501
93.779	Centers For Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,721	460
93.786	State Pharmaceutical Assistance Programs	5,253	243
93.889	National Bioterrorism Hospital Preparedness Program	9,308	6,948
93.913	Grants to States for Operation of Offices of Rural Health	235	235
93.914	HIV Emergency Relief Project Grants – Third Party – Philadelphia City Aids	2,066	—
93.917	HIV Care Formula Grants	45,586	42,282
93.926	Healthy Start Initiative	273	171
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	254	—
93.940	HIV Prevention Activities: Health Department Based	12,981	7,999
93.942	Research, Treatment, and Education Programs on Lyme Disease in the United States	283	283
93.944	Human Immunodeficiency Virus (HIV) Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	3,994	85
93.958	Block Grants for Community Mental Health Services	18,009	17,560
93.959	Block Grants for Prevention and Treatment of Substance Abuse	52,822	45,937
93.977	Preventive Health Services: Sexually Transmitted Diseases Control Grants	3,161	306
93.977	Preventative Health Services Sexually Transmitted Diseases Control Grants (nonmonetary)	635	—
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	494	40
93.991	Preventive Health and Health Services Block Grant	3,143	1,392

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2007
(Amounts in thousands)

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
93.994	Maternal and Child Health Services Block Grant to the States	\$ 7,014	(231)
93.CON	Contractual Agreement – CLIA Contract	498	—
93.CON	Contractual Agreement – FDA Food Inspection	279	—
93.CON	Contractual Agreement – SEER	588	—
93.CON	Contractual Agreement – Vital Statistics Component	597	—
93.UNA	Federal Civil Monetary	94	—
	Total U.S. Department of Health and Human Services	6,430,361	4,599,320
	Corporation for National and Community Service:		
94.003	State Commissions	304	—
94.004	Learn and Serve America: School and Community Based Programs	633	458
94.006	AmeriCorps	2,686	2,257
94.007	Planning & Program Development Grants	37	—
94.009	Training & Technical Assistance	84	—
	<i>Foster Grandparents/Senior Companion Cluster:</i>		
94.011	Foster Grandparent Program	918	—
94.013	Volunteers in Service to America	7	—
	Total Corporation for National and Community Service	4,662	2,715
	Social Security Administration:		
	<i>Disability Insurance/SSI Cluster</i>		
96.001	Social Security - Disability Insurance	46,888	—
	Total Social Security Administration	46,888	—
	U.S. Department of Homeland Security:		
	<i>Homeland Security Cluster:</i>		
97.004	State Domestic Preparedness Equipment Support Program	16,353	10,366
97.067	Homeland Security Grant Program	21,870	13,629
	Total Homeland Security Grant Cluster	38,223	23,995
	<i>Urban Areas Security Cluster:</i>		
97.008	Urban Areas Security Initiative	15,618	4,720
97.012	Boating Safety Financial Assistance	1,690	—
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	1,222	1,221
97.023	Community Assistance Program – State Support Services Element	230	—
97.029	Flood Mitigation Assistance	586	565
97.032	Crisis Counseling	53	53
	<i>Public Assistance Grants:</i>		
97.036	Disaster Grants - Public Assistance (Residentially Declared Disasters)	8,551	8,551
97.041	National Dam Safety Program	(87)	—
97.042	Emergency Management Performance Grants	2,601	1,230
97.043	State Fire Training Systems Grant	13	—
97.044	Assistance to Firefighters Grants	35	—
97.047	Pre-Disaster Mitigation	(67)	—
97.056	Port Security Grant Program	1,748	—
97.070	Map Modernization Management Support	108	—
97.075	Rail and Transit Security Grant Program	1,004	—
97.091	Homeland Security Biowatch Program	168	—
	Total U.S. Department of Homeland Security	71,696	40,335
	Totals	\$ 13,024,443	6,269,685

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, 2007

(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, 2007. 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, 2007.

(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, 2007 new loans guaranteed amounted to approximately \$853,719,000, loans repurchased during the year amounted to approximately \$89,884,000, and administrative costs amounted to approximately \$17,033,000 and are included in the accompanying Schedule. The principal outstanding for guaranteed loans at June 30, 2007 was \$3,929,716,000. 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, 2007

(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.



KPMG LLP
Suite 402
301 Carnegie Center
Princeton, NJ 08540-6227

**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, 2007. 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 paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we 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.

Scope Limitations

As identified in the following table and described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the State, nor were we able to satisfy ourselves as to the State's compliance with the following compliance requirements by other auditing procedures.

Federal awarding agency	State administering agency	Federal program	Compliance requirement	Finding number
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	07-14
U.S. Department of Health and Human Services	Department of Health and Senior Services	Immunization Grants	Reporting	07-25
Election Assistance Commission	Department of Law and Public Safety	Help America Vote Act Requirements Payments	Matching	07-36

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	Medicaid Cluster	Special tests and provisions	07-1
U.S. Department of Education	Department of Human Services	Rehabilitation Services: Vocational Rehabilitation Grants to States	Eligibility	07-3
U.S. Department of Education	Department of Human Services	Rehabilitation Services: Vocational Rehabilitation Grants to States	Procurement	07-4
U.S. Department of Health and Human Services	Department of Human Services	Child Support Enforcement	Reporting	07-5
U.S. Department of Health and Human Services	Department of Human Services	Child Care Cluster	Subrecipient monitoring	07-7
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	07-9
U.S. Department of Health and Human Services	Department of Community Affairs	Community Services Block Grant	Eligibility	07-10
U.S. Department of Health and Human Services	Department of Community Affairs	Low-Income Home Energy Assistance/ Community Services Block Grant	Reporting	07-11
U.S. Department of Health and Human Services	Department of Community Affairs	Community Services Block Grant	Reporting	07-12
U.S. Department of Health and Human Services	Department of Community Affairs	Community Services Block Grant	Subrecipient monitoring	07-13
U.S. Department of Health and Human Services	Department of Community Affairs	Low-Income Home Energy Assistance	Subrecipient monitoring	07-16
U.S. Department of Health and Human Services	Department of Community Affairs	Low-Income Home Energy Assistance	Reporting	07-17

Federal awarding agency	State administering agency	Federal program	Compliance requirement	Finding number
U.S. Department of Health and Human Services	Department of Community Affairs	Low-Income Home Energy Assistance	Reporting	07-18
U.S. Department of Health and Human Services	Department of Health and Senior Services	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Activities allowed or unallowed/ Allowable costs/ cost principles	07-19
U.S. Department of Health and Human Services	Department of Health and Senior Services	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Period of availability	07-20
U.S. Department of Health and Human Services	Department of Health and Senior Services	HIV Care Formula Grants	Period of availability	07-21
U.S. Department of Health and Human Services	Department of Health and Senior Services	Immunization Grants	Period of availability	07-22
U.S. Department of Health and Human Services	Department of Health and Senior Services	Immunization Grants	Special tests and provisions	07-23
U.S. Department of Health and Human Services	Department of Health and Senior Services	Immunization Grants	Cash management	07-24
U.S. Department of Homeland Security	Department of Law and Public Safety	Public Assistance Grants - Disaster Grants - Public Assistance (Residentially Declared Disasters)	Reporting	07-26
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Subrecipient monitoring	07-29
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Special tests and provisions	07-30
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Equipment	07-31
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Activities allowed or unallowed/ Allowable costs/ cost principles	07-33
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Reporting	07-34
Election Assistance Commission	Department of Law and Public Safety	Help America Vote Act	Reporting	07-37
		Requirements Payments		
Election Assistance Commission	Department of Law and Public Safety	Help America Vote Act	Subrecipient monitoring	07-38
		Requirements Payments		

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 paragraph, 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, 2007. 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: 07-32, 07-35, 07-39 and 07-41.

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: 07-1, 07-2, 07-3, 07-4, 07-5, 07-6, 07-7, 07-8, 07-9, 07-10, 07-11, 07-12, 07-13, 07-14, 07-15, 07-16, 07-17, 07-18, 07-19, 07-20, 07-21, 07-22, 07-23, 07-24, 07-25, 07-26, 07-27, 07-28, 07-29, 07-30, 07-31, 07-32, 07-33, 07-34, 07-35, 07-36, 07-37, 07-38, 07-39, 07-40, 07-41, and 07-42 to be significant deficiencies.

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: 07-1, 07-3, 07-4, 07-5, 07-7, 07-8, 07-9, 07-10, 07-11, 07-12, 07-13, 07-14, 07-15, 07-16, 07-17, 07-18, 07-19, 07-20, 07-21, 07-22, 07-23, 07-24, 07-25, 07-26, 07-29, 07-30, 07-31, 07-33, 07-34, 07-36, 07-37, 07-38, and 07-40 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 18, 2008

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

(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, 2007.
- (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, 2007.
- (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, 2007.

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, 2007.
- (e) A qualified opinion was issued on the State of New Jersey's compliance with its major Federal programs for the year ended June 30, 2007, for Food Stamp Cluster, Rehabilitation Services: Vocational Rehabilitation Grants to States, Help America Vote Act Requirements Payments, Immunization Grants, Centers for Disease Control and Prevention – Investigations and Technical Assistance, Temporary Assistance for Needy Families, Child Support Enforcement, Low-Income Home Energy Assistance, Community Services Block Grant, Child Care Cluster, Medicaid Cluster, HIV Care Formula Grants, Homeland Security Cluster, and Public Assistance Grants – Disaster Grants – Public Assistance (Residentially Declared Disasters).
- (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, 2007.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

- (g) The major Federal programs of the State of New Jersey for the year ended June 30, 2007 were as follows:

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
U.S Department of Agriculture			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	1NJ700704	10/1/05 - 9/30/06
		1NJ700704	10/1/06 - 9/30/07
Child and Adult Care Food Program	10.558	1NJ300304	10/1/00 - 9/30/01
		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
Food Stamp Cluster	10.551	12-35-344106	10/1/05 - 9/30/06
		12-35-344107	10/1/06 - 9/30/07
	10.561	12-35-344103	10/1/02 - 9/30/03
		12-35-344104	10/1/03 - 9/30/04
		12-35-344105	10/1/04 - 9/30/05
		12-35-344106	10/1/05 - 9/30/06
		12-35-344107	10/1/06 - 9/30/07

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
U.S. Department of Housing and Urban Development			
Section 8 Housing Choice Vouchers	14.871	NJ912AF0003	8/1/05 - 7/31/06
		NJ912AFHV03	7/1/06 - 7/31/06
		NJ912AFHV04	7/1/06 - 7/31/06
		NJ912VO0458	8/1/05 - 7/31/06
		NJ912AFHV05	9/1/06 - 9/30/06
		NJ912AF0012	7/1/06 - 10/31/06
		NJ912AF0014	10/1/06 - 10/31/06
		NJ912VO0465	7/1/06 - 10/31/06
		NJ912VO0466	8/1/06 - 10/31/06
		NJ912AF0019	11/1/06 - 11/30/06
		NJ912AF0015	8/1/06 - 12/31/06
		NJ912AF0016	10/1/06 - 12/31/06
		NJ912AF0017	10/1/06 - 12/31/06
		NJ912AF0018	12/1/06 - 12/31/06
		NJ912AF0020	12/1/06 - 12/31/06
		NJ912AFHV06	12/1/06 - 12/31/06
		NJ912VO0468	8/1/06 - 12/31/06
		NJ912VO0469	10/1/06 - 12/31/06

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
		NJ912VO0470	10/1/06 - 12/31/06
		NJ912VO0471	12/1/06 - 12/31/06
		NJ912VO0472	11/1/06 - 12/31/06
		NJ912AF0021	1/1/07 - 1/31/07
		NJ912VO0473	1/1/07 - 1/31/07
		NJ912AF0022	2/1/07 - 2/28/07
		NJ912VO0474	2/1/07 - 2/28/07
		NJ912AF0023	3/1/07 - 3/31/07
		NJ912VO0475	3/1/07 - 3/31/07
		NJ912AF0024	4/1/07 - 4/30/07
		NJ912VO0478	4/1/07 - 4/30/07
		NJ912AF0008	6/1/06 - 5/31/07
		NJ912AF0010	6/1/06 - 5/31/07
		NJ912AF0025	5/1/07 - 5/31/07
		NJ912VO0463	6/1/06 - 5/31/07
		NJ912VO0464	6/1/06 - 5/31/07
		NJ912VO0477	5/1/07 - 5/31/07
		NJ912AF0026	6/1/07 - 6/30/07
		NJ912VO0478	6/1/07 - 6/30/07
		NJ912AF0013	10/1/06 - 9/30/07

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
		NJ912VO0467	10/1/06 - 9/30/07
		NJ912AF0029	5/1/07 - 12/31/07
		NJ912AF0030	4/1/07 - 12/31/07
		NJ912AF0031	6/1/07 - 12/31/07
		NJ912VO0482	5/1/07 - 5/31/07
		NJ912VO0483	4/1/07 - 12/31/07
		NJ912VO0484	6/1/07 - 12/31/07
U.S. Department of Labor			
Workforce Investment Act Cluster	17.258, 17.259, 17.260	AA-11266-01-50	7/1/01 - 6/30/04
		AA-12025-02-50	7/1/02 - 6/30/05
		AA-12940-03-50	7/1/03 - 6/30/06
		AA-13813-04-50	7/1/04 - 6/30/07
		AA-14690-05-55	7/1/05 - 6/30/08
		AA-15494-06-55	7/1/06 - 6/30/09
U.S. Department of Transportation			
Highway Planning and Construction Cluster	20.205	Various	Various

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
Highway Safety Cluster	20.600	06605NHTS402	10/1/04 - 9/30/05
		06606NHTS402	10/1/05 - 9/30/06
		06606NHTS402	10/1/06 - 9/30/07
	20.601	06607NHTS410	10/1/06 - 9/30/07
	20.602	06605NHTS405	10/1/04 - 9/30/05
		06606NHTS405	10/1/05 - 9/30/06
		06606NHTS405	10/1/06 - 9/30/07
	20.604	06605NHTS157	10/1/04 - 9/30/05
		06606NHTS157	10/1/05 - 9/30/06
		06606NHTS157	10/1/06 - 9/30/07
	20.605	06605FHWA163	10/1/04 - 9/30/05
		06606FHWA163	10/1/05 - 9/30/06
	20.609	06607NHTS406	10/1/06 - 9/30/07
	20.610	06607NHTS408	10/1/06 - 9/30/07
	20.613	06607NHT2011	10/1/06 - 9/30/07
U.S. Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A030030	7/1/03 - 9/30/04
		S010A040030	7/1/04 - 9/30/05
		S010A050030	7/1/05 - 9/30/06
		S010A060030	7/1/06 - 9/30/07

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Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
Federal Family Education Loans - Guaranty Program	84.032	N/A	7/1/04 - 6/30/05
		N/A	7/1/05 - 6/30/06
		N/A	7/1/06 - 6/30/07
Rehabilitation Services: Vocational Rehabilitation Grants to States	84.126	H126A050043	10/1/04 - 9/30/05
		H126A060043	10/1/05 - 9/30/06
		H126A070043	10/1/06 - 9/30/07
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			
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
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
		U 90/ CCU 217004	8/31/06 - 8/30/07

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Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
Temporary Assistance for Needy Families	93.558	G0001NJTANF	10/1/99 - 9/30/01
		G0101NJTANF	10/1/00 - 9/30/02
		G0201NJTANF	10/1/01 - 9/30/03
		G0301NJTANF	10/1/02 - 9/30/04
		G0401NJTANF	10/1/03 - 9/30/05
		G0501NJTANF	10/1/04 - 9/30/06
		G0601NJTANF	10/1/05 - 9/30/07
		G0701NJTANF	10/1/06 - 9/30/08
Child Support Enforcement	93.563	G0004NJ4004	10/1/99 - 9/30/01
		G0104NJ4004	10/1/00 - 9/30/02
		G0204NJ4004	10/1/01 - 9/30/03
		G0304NJ4004	10/1/02 - 9/30/04
		G0404NJ4004	10/1/03 - 9/30/05
		G0504NJ4004	10/1/04 - 9/30/06
		G0604NJ4004	10/1/05 - 9/30/07
		G0704NJ4004	10/1/06 - 9/30/08
Low-Income Home Energy Assistance	93.568	G02B1NJLIEA	10/1/01 - 9/30/03
		G04B1NJLIEA	10/1/03 - 9/30/05
		G05B1NJLIEA	10/1/04 - 9/30/06
		G06B1NJLIEA	10/1/05 - 9/30/07
		G0701NJLIEA	10/1/06 - 9/30/08

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Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
Community Services Block Grant	93.569	G-04B1NJCOSR	10/1/03 - 9/30/04
		G-05B1NJCOSR	10/1/04 - 9/30/05
		G-06B1NJCOSR	10/1/05 - 9/30/06
		G-07B1NJCOSR	10/1/06 - 9/30/08
Child Care Cluster	93.575	G0401NJCCD2	10/1/03 - 9/30/05
		G0501NJCCD2	10/1/04 - 9/30/06
		G0601NJCCD2	10/1/05 - 9/30/07
		G0701NJCCDF	10/1/06 - 9/30/08
	93.596	G0401NJCCDA	10/1/03 - 9/30/05
		G0501NJCCDA	10/1/04 - 9/30/06
		G0601NJCCDA	10/1/05 - 9/30/07
		G0701NJCCDA	10/1/06 - 9/30/08
Foster Care - Title IV-E	93.658	G0401NJ1401	10/1/03 - 9/30/05
		G0501NJ1401	10/1/04 - 9/30/06
		G0601NJ1401	10/1/05 - 9/30/07
		G0701NJ1401	10/1/06 - 9/30/08

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Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
Adoption Assistance	93.659	G0401NJ1407	10/1/03 - 9/30/05
		G0501NJ1407	10/1/04 - 9/30/06
		G0601NJ1407	10/1/05 - 9/30/07
		G0701NJ1407	10/1/06 - 9/30/08
Social Services Block Grant	93.667	G0201NJSOSR	10/1/01 - 9/30/03
		G0401NJSOSR	10/1/03 - 9/30/05
		G0501NJSOSR	10/1/04 - 9/30/06
		G0601NJSOSR	10/1/05 - 9/30/07
		G0701NJSOSR	10/1/06 - 9/30/08
State Children's Insurance Program	93.767	050405NJ5021	7/1/03 - 6/30/05
		050505NJ5021	7/1/04 - 6/30/06
		050605NJ5021	7/1/05 - 6/30/07
		0705NJ5021	7/1/06 - 6/30/08
Medicaid Cluster	93.775, 93.777, 93.778	050305NJ5028	7/1/02 - 6/30/04
		050305NJ5048	7/1/02 - 6/30/04
		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

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Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
		050605NJ5048	7/1/05 - 6/30/07
		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
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
		2 X 07HA00017	4/1/07 - 3/31/08
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
Social Security Administration			
Disability Insurance/SSI Cluster	96.001	04 - 0304NJDI00	10/1/02 - 9/30/03
		04 - 0404NJDI00	10/1/03 - 9/30/04
		04 - 0504NJDI00	10/1/04 - 9/30/05
		04 - 0604NJDI00	10/1/05 - 9/30/06
		04 - 0704NJDI00	10/1/06 - 9/30/07

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Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
U.S. Department of Homeland Security			
Homeland Security Cluster	97.004	2000-TE-CX-0192	3/24/00 - 3/23/04
		2000-TE-CX-0192	3/24/00 - 3/23/04
		2002-TE-CX-0060	3/28/02 - 9/30/05
		2002-TE-CX-0060	3/28/02 - 9/30/05
		2002-TE-CX-0105	10/1/02 - 6/30/05
		2003-TE-TX-0610	4/1/03 - 3/31/06
		2003-MU-T3-0006	5/1/03 - 4/30/06
	97.067	2004-GET-40043	12/1/03 - 5/31/07
		2005-GET-50047	10/1/04 - 3/31/08
		2006-GET-60048	7/1/06 - 6/30/08
Public Assistance Grants - Disaster Grants - Public Assistance (Residentially Declared Disasters)	97.036	DR 973	7/1/93 - 7/31/06
		DR 1145	11/19/96 - 6/30/06
		DR 1206	3/3/98 - 12/31/05
		DR 1295	9/19/99 - 12/31/07
		DR 1337	8/17/00 - 12/31/07
		EM 3169	9/11/01 - 12/31/07
		EM 3181	12/16/03 - 12/31/07
		EM 3188	8/14/03 - 12/31/07
		DR 1530	7/12/04 - 12/31/07
		DR 1653	7/7/06 - 7/7/07

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- (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, 2007.
- (i) The State of New Jersey did not qualify as a low risk auditee for the year ended June 30, 2007.

(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, 2007 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 07-1 to 07-42.

APPENDIX OF FINDINGS

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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: 07-1 Special Tests and Provisions

Criteria

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

The State Contract Manager reviews both the draft and final audit reports from the State's contracted auditing firm to perform the audits of inpatient hospital and long-term care facility audits, paying special attention to the findings. The State Contract Manager submits the letter closing the audit to the Nursing Unit (the Unit), who then recalculates the rate, determines overpayments and any interest. At the completion of the recalculation, a letter is sent to the facility informing them of any overpayments.

We tested a sample of fifteen audit reports reviewed and noted the following:

- Seven out of fifteen audit reports selected for testwork had no evidence of management review of their audit reports to determine if there were overpayment amounts due back to the Unit.

Nursing home cost reports are due to the Office of Nursing Facility Rate Setting and Reimbursement 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. During State fiscal year 2007, the facilities received an automatic extension of thirty days without incurring any late filing penalties. Copies of the cost reports are forwarded to the analyst who performs the desk review procedures.

We tested a sample of fifteen facility cost reports and desk reviews performed and noted the following:

- One facility cost report for the fiscal year ended December 31, 2006 was received on May 31, 2007, which was after the three month deadline and the thirty day extension period. However, there was no evidence of a financial penalty imposed. Management could not provide evidence of penalties imposed or any extensions granted to the facility after the extension deadline.

Cause

The Nursing Unit had significant turnover during State Fiscal Year 2007, limiting their resources to perform the desk reviews of the nursing home and long-term care facility audits and the desk reviews of the submitted cost reports.

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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 Department strengthen internal controls over the process for reviewing the audit reports for nursing and long-term care facilities, imposing the necessary penalties for late cost report submissions, and performing desk reviews of the cost reports on the timely basis.

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
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Block Grant 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: 07-2 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 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). Each program officer for the Division will visit each contracted prevention provider (subrecipient) for a minimum of one formal and up to two informal site visits per year. Quarterly expenditure reports are required to be reviewed and approved as evidenced by a signature of the respective reviewer. If there are adjustments required on the expenditure report, the reviewer contacts the agency to discuss the issue, request a new version and review and approve the final expenditure report.

For two of thirty subrecipients selected for testwork, we noted that there was no evidence of timely supervisory review performed on the final expenditure reports for the quarter ended June 30, 2007.

The total amount passed through to subrecipients for State fiscal year 2007 was \$45,937,139.

Cause

The Division did not ensure that the final revised expenditure reports submitted for the two subrecipients were timely reviewed and approved for the quarter ended June 30, 2007.

Effect

The settlement process with subrecipients may not be based on actual expenditures reported on the quarterly expenditure reports.

Recommendation

We recommend that the Division strengthen its procedures to ensure that all expenditure reports, including both preliminary and final reports, are timely reviewed and approved to ensure that payments to subrecipients are in accordance with the actual expenditures reported.

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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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Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Education

Finding: 07-3 Eligibility

Criteria

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

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

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

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

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

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

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

Condition

Of the thirty clients selected for testwork, three eligibility certification forms were not signed by both the caseworker and the supervisor for the Commission for the Blind and Visually Impaired. The amount expended for the three clients was \$2,236 and the total amount included in the sample was \$26,334. Total amounts passed through to eligible subrecipients were \$5,042,575.

A similar finding was included in the 2006 prior year single audit report as item 06-10.

Cause

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

Effect

Eligibility certifications may have been processed without proper authorization and review, and therefore, payments may have been made on behalf of ineligible clients for services received during State fiscal year 2007.

Recommendation

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

Related Noncompliance

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

Questioned Cost

\$2,236

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: 07-4 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 eight of the sixty procurements selected for testwork, the Department did not perform price competition procedures. The amount expended for the eight procurements was \$9,762 and the total amount included in the sample was \$67,546. The total other than personal service and pass through grant expenditures from which the sample was drawn were \$7,582,652.

A similar finding was included in the 2006, 2005, 2004, 2003, and 2002 prior year single audit reports as items 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 this requirement.

Questioned Costs

\$9,762

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: 07-5 Reporting

Criteria

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

Condition

The information used to compile the OCSE 34A Child Support Enforcement Program Quarterly Report of Collections is collected from the Automated Child Support Enforcement (ACSES) system. The Department of Human Services prepares monthly and quarterly reconciliations to compare the collections and distributions for the month and the quarter from the OCSE 34A report to the child support bank accounts. After preparation of reconciliations there are remaining unreconcilable differences, which vary on a monthly and quarterly basis from approximately \$751 thousand to \$9.5 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 2006, 2005, 2004, 2003, 2002, 2001, and 2000 prior year single audit reports as items 06-1, 05-7, 04-18, 03-7, 02-6, 01-6, and 00-30, respectively.

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$751 thousand to \$9.5 million (Represents the unreconciled differences range)

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View of Responsible Official

See management's corrective action plan.

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Food Stamps Cluster (10.551, 10.561)

Low-Income Home Energy Assistance (93.568)

State Agency: Department of Human Services
Department of Community Affairs

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

Finding: 07-6 Eligibility

Criteria

Eligibility for Individuals

Grantees may provide assistance to: (a) households in which one or more individuals are receiving Temporary Assistance for Needy families (TANF), Supplemental Security Income (SSI), Food Stamps, or certain need-tested veterans benefits; or (b) households with incomes which do not exceed the greater of 150 percent of the State's establish poverty level, or 60 percent of the State median income. Grantees may establish lower income eligibility criteria, but no household may e excluded solely on the basis of income if the household income is less than 110 percent of the State's poverty level. Grantee may give priority to those households with the highest home energy costs or needs in relation to income (42 USC 8621(b)(2)).

Split Eligibility Determination Functions

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

Of the thirty clients selected for testwork, three quality control review worksheets were not signed by the supervisor of the Quality Control Unit, as evidence of supervisory review for eligibility determination. The three clients were determined to be eligible recipients of both the Food Stamps cluster and Low-Income Energy Assistance Program (LIHEAP), and the payments to these recipients were allowable under the programs' requirements.

The amount of Food Stamps expended for the three clients was \$546 and the amount expended in the sample was \$6,394. Total Food Stamps (non-monetary) expended for State fiscal 2007 was \$483,727,862.

Cause

The Department did not follow their prescribed guidelines for the authorization and review of quality control review worksheets.

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Effect

Payments under the Food Stamps cluster and LIHEAP may be processed without proper authorization and review, and therefore, payments may be made on behalf of ineligible clients for services received in a given fiscal year.

Recommendation

We recommend that the Department ensure that the required eligibility quality control review worksheet documentation contains the proper signatures of the supervisor.

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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Child Care Cluster (93.575, 93.596)

State Agency: Department of Human Services

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

Finding: 07-7 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 of Human Services, Division of Family Development (the Division) conducts site visits over the various agencies 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 an agency's compliance with program requirements and issues a letter documenting whether or not an agency was in compliance. If there are issues that require a corrective action plan, the supervisor's letter documents the requirements and deadlines.

For five of thirty subrecipient monitoring files selected for testwork, the Division did not perform proper follow-up procedures regarding the required submission of the respective agency's corrective action plan. For one of thirty 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 2007.

The contract amount provided to this subrecipient was \$264,373 for State fiscal year 2007, of which a portion related to this program.

Total payments to subgrantees during State fiscal year 2007 were \$106,096,631.

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.

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.

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Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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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: 07-8 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

- Eight general database accounts are shared by system administrators and direct access to the database is not logged or monitored.

2. Migration of Changes to Production

- A generic user ID is used to migrate operating system changes to production.
- Two generic IDs are used for testing and migrating FAMIS application changes to production. Two additional IDs have the same rights and functions as one of the generic IDs, however these additional IDs are no longer in use.

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3. *Formal Testing and Sign-off Process for Operation System Changes*

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

Cause

OIT does not have a formalized policy for the use of unique and discrete database IDs, which currently are shared by various IT personnel to perform various database, operating system, job scheduling functions, and migrating changes to the production environment. Also, OIT currently does not have a process in place for logging or monitoring of database access or for formal testing and approval for operating system changes.

Effect

Shared user IDs, especially powerful system accounts, may cause a lack of accountability for activity on the system. Users with direct access to the database may have the ability to modify the data outside of the application. This may subsequently compromise the integrity of the database or increase the risk of unauthorized or inappropriate changes to the production environment.

Recommendation

We recommend that OIT strengthen and formalize its policy to ensure that all system administrators use unique user IDs and that access to the shared accounts is limited to ensure accountability by the respective system administrators. We also recommend OIT develop a policy to document and monitor direct access to the database and to document testing and approval for migration to production changes on the operating system.

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: 07-9 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.

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- *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.

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.

Cause

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

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Effect

The lack of monitoring information security policies and procedures for granting 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 this requirement.

Questioned Costs

None

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: 07-10 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 four of the seven 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. The agencies for which the Department was unable to provide documentation supporting their eligibility qualifications received Federal funds of \$2,284,505 during the State fiscal year 2007. Total payments to subgrantees during State fiscal year 2007 were \$17,211,090 and the total amount of payments to subgrantees included in the sample was \$4,451,403.

A similar finding was noted in the 2006 and 2005 prior year single audit reports as items 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 this requirement.

Questioned Costs

\$2,284,505

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: 07-11 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 (NJCFIS) 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 the FFSR's. The amounts reported on the SEFA was \$111,362,826 for Low-Income Home Energy Assistance and \$18,103,902 for Community Services Block Grant.

A similar finding was noted 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.

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.

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Recommendation

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

Related Noncompliance

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

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: 07-12 Reporting

Criteria

SF-269A, *Financial Status Report* (Short Form) - After the close of each statutory period for the expenditure of block grant funds, each grantee shall report to the Department total funds expended by the grantee during the statutory period, and the date of the last expenditure (45 CFR 96.30(b)(3)).

Condition

For one of the annual SF-269A reports selected for test work for the Federal fiscal year 2006, we noted that the report did not report the correct amount of the total outlays, Federal share of outlays, total unliquidated obligations, Federal share of unliquidated obligations, total Federal share, or unobligated balance of Federal funds. In addition, the required reporting period was October 1, 2005 through September 30, 2006 and the report submitted covered the period October 1, 2005 through December 31, 2006 which resulted with the report submitted approximately three months late. The report overstated its total outlays and Federal share of outlays by \$1,335,959, total unliquidated obligations and Federal share of unliquidated obligations by \$1,139,628, and the unobligated balance of Federal funds by \$196,331.

In addition, the second annual SF-269A report selected for test work for the Federal fiscal year 2007 was not prepared.

Cause

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

Effect

The Department did not claim accurate expenditures to the Federal Government for the interim Federal fiscal year 2006 funding period as of September 30, 2006. The Department did not claim any expenditures to the Federal Government for the interim Federal fiscal year 2007 funding period as of September 30, 2007.

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 this requirement.

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Questioned Costs

\$1,335,959 (Overstated Federal share of outlays)

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: 07-13 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 the Office of Community Services on that assistance, or explain why providing such assistance was not appropriate; (3) and receive an improvement plan from the subgrantee within 60 days, and approve (42 USC 9915). If the subgrantee fails to remedy the deficiency, the State may initiate proceedings to terminate the subgrantees eligibility or reduce its funding (42 USC 9908(b)(8) and 42 USC 9915(a)(5)).

Condition

The Department was unable to provide a full onsite review of eligible subgrantees within the last three fiscal years for all of the seven subgrantees selected for test work.

For one of the seven subgrantees selected for testwork a review of the performance goals was not performed and for five of the performance goal reports there was no evidence of review by a program supervisor.

For three of the subgrantees where performance reports were reviewed a deficiency was identified. For one of three subgrantees the Department did not notify the agency nor was a corrective action plan received or requested. Additionally, for two of three subgrantees the Department did not offer training and technical assistance and for two of the subgrantees an improvement plan was not obtained. For two of the three subgrantees no follow up reviews were performed and there was no remedy action by the Department to terminate eligibility of the subgrantee or reduce its funding.

Additionally, the Department does not have procedures in place to monitor eligibility determinations of individuals by the subgrantees.

The amount provided to the seven subgrantees was \$4,451,403 for the State fiscal year 2007. Total payments to subgrantees during State fiscal year 2007 were \$17,211,090 which is included as questioned costs.

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

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Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$17,211,090

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: 07-14 Activities Allowed or Unallowed and Allowable Costs/Cost 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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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 twenty-nine of thirty benefit payments made to individuals and utility companies selected for testwork, the Department was unable to provide detailed support for amounts requested on the payment vouchers. Additionally, for five of thirty payments made to individuals and utility companies, the Department was unable to provide evidence that the payment voucher was properly authorized. Expenditures for this program total \$111,362,826, of which \$86,138,416 was passed through to individuals and utility companies. The amount of unsupported payments for the twenty-nine sampled benefit payments made to individuals and utility companies was \$11,910,059 and the total payments to individuals and utility companies included in the sample was \$13,155,888.

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

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Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$11,910,059

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: 07-15 Suspension and Debarment

Criteria

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

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

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

Condition

For four of six subrecipients selected for test work, the Department did not obtain suspension and debarment certifications within the subrecipient files. Expenditures for this program total \$111,362,826, of which \$22,730,724 was passed through to subrecipients. Transactions for these four subrecipients totaled \$1,320,748. Total payments to subrecipients included in the sample were \$2,601,870. Based on our audit procedures, none of the subrecipients were listed on the Excluded Parties List System.

Cause

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

Effect

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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Recommendation

We recommend that the Department ensure that all suspension and debarment certifications are returned by the agencies.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Low-Income Home Energy Assistance (93.568)

State Agency: Department of Community Affairs

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

Finding: 07-16 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 \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass through entity shall take appropriate action using sanctions.
- *Pass Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass through entity's ability to comply with applicable Federal regulations.

Condition

We selected a sample of six subrecipients from both the Home Energy Assistance (HEA) and the Weatherization portion of the Low-Income Home Energy Assistance Program (LIHEAP) to determine if the Department is monitoring the subrecipient's use of Federal awards. From our sample, we noted there was no monitoring performed by the Department of the six selected HEA subrecipients.

For one of the six Weatherization subrecipients the Department could not provide a monitoring report. Additionally, there was no evidence of review performed by the monitoring supervisors for the five monitoring reports that were prepared and there were no follow-up procedures performed to ensure that the corrective action plans were implemented for identified deficiencies.

Additionally, the Department did not have procedures in place to monitor eligibility determinations of individuals for six of the six HEA subrecipients and four of the six Weatherization subrecipients.

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The amount provided to the six subrecipients in the sample was \$2,989,495 for the State fiscal year 2007. Total payments to subgrantees during State fiscal year 2007 were \$22,730,724 which is included as questioned costs.

A similar finding was included in the 2006 and 2005 prior year single audit reports as items 06-46 and 05-55, respectively.

Cause

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

Effect

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

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 this requirement.

Questioned Costs

\$22,730,724

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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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: 07-17 Reporting

Criteria

SF-269A, *Financial Status Report* (Short Form) – Applicable beginning with Federal fiscal years ending on or after September 30, 2000.

Condition

For the annual SF-269A report selected for test work for the Federal fiscal year 2007, we noted that the report did not report the correct amount of the total outlays, Federal share of outlays, total unliquidated obligations, Federal share of unliquidated obligations, total Federal share, or unobligated balance of Federal funds. The report overstated its total outlays and Federal share of outlays by \$22,181, total unliquidated obligations and Federal share of unliquidated obligations by \$1,213,049, and the unobligated balance of Federal funds by \$1,235,230.

Cause

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

Effect

The Department did not claim accurate expenditures to the Federal Government for the interim Federal fiscal year 2007 funding period as of September 30, 2007.

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 this requirement.

Questioned Costs

\$22,181 (Overstated Federal share of outlays)

View of Responsible Official:

See management's corrective action plan.

STATE OF NEW JERSEY
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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: 07-18 Reporting

Criteria

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

Condition

The State could not provide supporting documentation for all amounts reported on the LIHEAP Grantee Survey for Federal fiscal year 2007 of the LIHEAP Annual Report on Households Assisted by LIHEAP. The amount reported on the Schedule of Expenditures of Federal Awards for the LIHEAP program was \$111,362,826.

A similar finding was included in the 2006 and 2005 prior year single audits report as items 06-6 and 05-2, respectively.

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

Cannot be determined

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View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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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: 07-19 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

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. 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.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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Condition

For three of the six employees selected for testwork, the Department was unable to provide timesheets supporting the personal service expenditures charged to the program for one pay period. The amount expended for these personal service expenditures was \$9,517.

Total personal service expenditures for the program during State fiscal year 2007 were \$12,570,216 and the total amount of personal service expenditures included in the sample was \$73,138.

Cause

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

Effect

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

Recommendation

We recommend that the Department maintain records and supporting documentation for all personal service expenditures.

Related Noncompliance

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

Questioned Costs

\$9,517

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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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: 07-20 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 all obligations of \$11,714,967 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 2006 and 2005 prior year single audit reports as item 06-47 and 05-62, 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 enhance the procedures in place to liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. Additionally, we recommend that the Department implement a formal procedure to make a request for an extension of the deadline to liquidate all obligations incurred under the award, if necessary.

Related Noncompliance

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

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Questioned Costs

\$11,714,967

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

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: 07-21 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, un-obligated balances may be carried over and charged for obligations of the subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, §____.23; OMB Circular A-110, §____.28).

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

Condition

The Department did not liquidate all obligations of \$722,499 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 2006 and 2005 prior year single audit reports as item 06-47 and 05-61, respectively.

Cause

The Department did not liquidate all 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 enhance the procedures in place to liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.

Related Noncompliance

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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Questioned Costs

\$722,499

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Immunization Grants (93.268)

State Agency: Department of Health and Senior Services

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

Finding: 07-22 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 all obligations of \$1,511,214 incurred under the award within 90 days after the end of the funding period. Additionally, the Department did not make a request to extend this deadline.

Similar findings were included in the 2006 and 2005 prior year single audit reports as items 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 enhance the procedures in place to liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. Additionally, we recommend that the Department request a more accurate extension of the deadline to liquidate all obligations incurred under the award, if necessary.

Related Noncompliance

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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Questioned Costs

\$ 1,511,214

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Immunization Grants (93.268)

State Agency: Department of Health and Senior Services

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

Finding: 07-23 Special Tests and Provisions

Criteria

Control, Accountability, and Safeguarding of Vaccine – Effective control and accountability must be maintained for all vaccine. Vaccine must be adequately safeguarded and used solely for authorized purposes (A-102 Common Rule §____.20).

Condition

For three of the five weekly inventory reconciliations selected for testwork, the Department could not provide the supporting VACMAN system documentation. For two of the five weekly inventory reconciliations selected for testwork, no reconciliation could be provided by the Department.

In November 2006 the Department transferred its entire inventory from one third party warehouse to another third party warehouse. An inventory count was conducted on November 14, 2006 at the first warehouse and a subsequent count was held on November 16, 2006 at the second warehouse. There were several large variances noted between the counts on these two dates that could not be explained by the Department.

Cause

The Department did not dedicate the necessary resources to ensure that proper monitoring of the vaccines was performed throughout the year.

Effect

The Department did not perform proper or complete inventory reconciliations throughout the year and therefore the Department could not account for the vaccines to ensure they were not lost, stolen, or improperly used.

Recommendation

We recommend that the Department implement a stronger control environment to ensure proper recording of receipt, transfer, usage and safeguarding of the vaccine.

Related Noncompliance

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

Questioned Costs

Cannot be determined (See related finding at 07-25)

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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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: 07-24 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 five of twelve 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 five drawdowns totaled \$1,330,000. The total amount of drawdowns included in the sample was \$2,981,000.

Cause

The support for drawdowns is not maintained by the Department.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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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 this requirement.

Questioned Costs

\$1,330,000

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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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: 07-25 Reporting

Criteria

The value of vaccine received by the States and its subrecipients as well as grant funds shall be included in the total expenditures of CFDA 93.268 when determining Type A programs. The value of vaccine shall be included with grant funds on the Schedule of Expenditures of Federal Awards.

Condition

The Department did not include or report the value of vaccines received by the State of New Jersey and its subrecipients on the Schedule of Expenditures of Federal Awards (SEFA) prior to audit inquiry. Additionally, the Department could not provide supporting documentation for the value of vaccines that is reported as expenditures on the SEFA.

Cause

The Department did not have procedures in place to track the value of the vaccines received.

Effect

The value of vaccines reported as expenditures on the SEFA may not be accurate.

Recommendation

We recommend that the Department implement procedures to ensure the value of vaccines is tracked and reported on the SEFA and supporting documentation maintained.

Related Noncompliance

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

Questioned Costs

\$56,517,854

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

**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: 07-26 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.

Condition

We selected two quarterly Financial Status Reports (SF-269) for nine disasters during the fiscal year end June 30, 2007 to perform reporting testwork and noted the following:

- Disaster number 3257 - Two quarters (12/31/06 and 6/30/07) cumulative amounts reported as expensed on the SF-269 totaling \$471,032 did not agree to NJCFS of \$0;
- Disaster number 3181 - One quarters' (6/30/07) prior period data did not agree to the prior period report; and
- Disaster number 1653 – One quarter (12/31/06) was not mathematically accurate.

Cause

The review process does not include agreeing the amounts reported on the SF-269s to underlying detail and/or the amounts reported in the prior quarter.

Effect

Amounts reported to the Federal Government are not accurate or supported by underlying documentation.

Recommendation

We recommend that the Department implement procedures whereby the amounts reported are supported by underlying documentation and mathematical calculations are verified.

Related Noncompliance

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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Questioned Costs

\$471,032

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

**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: 07-27 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 one of five draw downs selected for testwork, the Department could not provide supporting documentation including the draw down checklist to verify approval or receipt of the drawdown of funds.

Cause

Drawdown support is not properly filed and/or maintained.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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Effect

Amounts drawn down for the Federal Government are not supported.

Recommendation

We recommend that the Department ensure supporting documentation for all drawdowns is maintained.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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Homeland Security Cluster (97.004 and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 07-28 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 formats.

Condition

This grant requires quarterly reporting. Personnel compile the data used for the report from the State's general ledger system, New Jersey Comprehensive Financial System (NJCFIS). For one (2005GET50047; quarter ending 6/30/07) of the seven reports selected for testwork, the activity reported as unliquidated obligations on lines "d" and "f" of \$4,222,610 on the Financial Status Reports (SF-269A) did not agree to NJCFIS detail of \$4,255,425.

A similar finding was included in the 2006 prior year single audit report as item 06-26.

Cause

The review process does not include agreeing the amounts reported on the SF-269A reports to underlying documentation.

Effect

The quarterly SF-269A reports may not be complete and accurate.

Recommendation

We recommend that the Department strengthen the review procedures to include comparing the information reported on the quarterly SF-269A reports to supporting documentation.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

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View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Homeland Security Cluster (97.004 and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 07-29 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 subrecipients' use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions for contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards as provided in OMB Circular A-33, as revised during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised Circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period., (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued or unwillingness of a subrecipient to have the required audits, the pass through entity shall take appropriate action using sanctions.
- *Pass Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass through entity's ability to comply with applicable Federal regulations.

Condition

For all thirty 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 name of Federal agency). For State fiscal year 2007, approximately \$23,996,041 in pass through payments were provided to subrecipients.

A similar finding was included in the 2006 prior year single audit report as item 06-27.

Cause

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

STATE OF NEW JERSEY
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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 implement procedures to communicate to subrecipients the Federal award information (e.g. CFDA title and number and Federal agency) in accordance with Federal requirements.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Homeland Security Cluster (97.004 and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 07-30 Special Tests and Provisions

Criteria

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

Condition

During the 2006 single audit we noted the State of New Jersey received notification of the 2006 Homeland Security Grant program funds on June 30, 2006. The funds were required to be obligated by August 31, 2006. We selected six counties for testwork and noted none of the awards were obligated within the required timeframe. The awards to subrecipients for the 2006 Homeland Security Grant program from October 2006 to January 2007 were \$4,925,026. To follow up on the prior year finding we noted the Department has not implemented corrective action. The State of New Jersey received notification of the 2007 Homeland Security Grant Program funds on August 13, 2007. These funds were required to be obligated by October 12, 2007. Of the six counties selected for testwork, none of the awards were obligated within the required timeframe. The awards to subrecipients were made October 17, 2007 and amounted to \$4,104,361.

A similar finding was included in the 2006 prior year single audit report as item 06-28.

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

STATE OF NEW JERSEY
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Questioned Costs

\$4,925,026 (Amount was previously reported in the 2006 prior year single audit report in finding 06-28)

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
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Homeland Security Cluster (97.004 and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 07-31 Equipment

Criteria

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

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

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

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

Condition

Sixteen of thirty transactions selected for testwork were purchased for local governmental units and were no longer in the State of New Jersey's possession. These transactions totaled \$3,220,879 and should have been included in the amount passed through to subrecipients on the Schedule of Expenditures of Federal Awards (SEFA).

Two of the fifteen transactions selected for testwork had no receipts signed by the receiving entity that they received and/or took ownership of the equipment. These transactions totaled \$271,202 and have been included below as questioned costs.

Two of the fifteen transactions selected for testwork had receipts signed by the receiving entity, however the receipt did not detail the actual equipment transferred to the entities. These transactions totaled \$298,003 and have been included below as questioned costs.

STATE OF NEW JERSEY
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For nineteen of thirty equipment purchases selected for testwork, we were unable to verify the equipment to the fixed asset system. Costs charged to the program for these transactions were \$506,719 and have been included below as questioned costs.

Total equipment expenditures charged to this program during State fiscal year 2007 were \$5,142,828 and the amount of equipment expenditures included in the sample was \$4,410,065.

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

Cause

The Department did not identify equipment purchased for local government units to subsequently include these expenditures as pass-through to subrecipients and do not have adequate controls in place to ensure that equipment is being tracked in the fixed asset system.

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$1,075,924

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Homeland Security Cluster (97.004 and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 07-32 Equipment

Criteria

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

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

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

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

Condition

For two of thirty equipment transactions selected for testwork, the supporting documentation detailed the purchase as GIS Services consulting support for spatial data-related tasks. These items should not have been classified as equipment. Costs charged to the program for these transactions were \$20,256 and have been included below as questioned costs.

Total equipment expenditures charged to this program during State fiscal year 2007 were \$5,142,828 and the amount of equipment expenditures included in the sample was \$4,410,065.

Cause

Review procedures do not include reviewing supporting documentation to ensure costs are accurately classified in the State accounting system.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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Effect

Purchases with Federal funds may not be properly classified.

Recommendation

We recommend that the Department implement procedures to ensure the proper classification of expenditures in the State accounting system.

Related Noncompliance

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

Questioned Costs

\$20,256

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Homeland Security Cluster (97.004 and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 07-33 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 nine of the thirty personal services transactions selected for testwork, the Department was unable to provide support (i.e timesheets) for the time charged to the program. Additionally, for thirty of the thirty personal services transactions selected for testwork, the employees did not have after the fact certifications prepared or signed by employees working on the grant as required by OMB Circular A-87 to support personnel costs charged to the program. The amount of payroll costs charged during 2007 was \$3,099,457.

A similar finding was included in the 2006, 2005, 2004, 2003, 2002, 2001, and 2000 prior year single audit reports as items 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.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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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 this requirement.

Questioned Costs

\$3,099,457

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Homeland Security Cluster (97.004 and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 07-34 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, New Jersey Comprehensive Financial System (NJCFS). The Department of Law and Public Safety prepares the Federal financial status reports (FFSR's) for the Homeland Security Grants programs from NJCFS. The Department of Law and Public Safety did not reconcile the amounts reported on the FFSR's to the amounts reported on the SEFA. The amount reported on the Schedule of Expenditures of Federal Awards for the programs were as follows: State Domestic Preparedness Equipment Support Program – \$16,352,727 and Homeland Security Grant Program – \$21,870,256.

A similar finding was included in the 2006 and 2005 prior year single audit report as item 06-25 and 05-33, respectively.

Cause

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

Effect

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

Recommendation

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Help America Vote Act Requirements Payments (90.401)

State Agency: Department of Law and Public Safety

Federal Agency: Election Assistance Commission

Finding: 07-35 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Activities Allowed or Unallowed

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

Allowable Costs/Cost Principles

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

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

STATE OF NEW JERSEY
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Condition

For two of thirty expenditures selected for testwork, the Department was unable to provide supporting documentation; therefore we were unable to verify the costs were allowable to the program. Costs charged to this program for these transactions were \$102,916. The total amount of other than personal services expenditures included in the sample was \$3,168,963 and the amount expensed during the State fiscal year was \$6,403,731.

A similar finding was included in the 2006 prior year single audit report as item 06-34.

Cause

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

Effect

Unallowable costs could be charged to the program.

Recommendation

We recommend that the Department ensure that the required activities allowed/allowable costs documentation is maintained.

Related Noncompliance

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

Questioned Costs

\$102,916

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Help America Vote Act Requirements Payments (90.401)

State Agency: Department of Law and Public Safety

Federal Agency: Election Assistance Commission

Finding: 07-36 Matching

Criteria

In General.--The Commission shall make a requirements payment each year in an amount determined under section 252 to each State which meets the conditions described in section 253 for the year.

The State has appropriated funds for carrying out the activities for which the requirements payment is made in an amount equal to 5 percent of the total amount to be spent for such activities (taking into account the requirements payment and the amount spent by the State) and, in the case of a State that uses a requirements payment as a reimbursement under section 251(c)(2), an additional amount equal to the amount of such reimbursement.

Condition

Based upon our inquiry, no supporting documentation for matching funds could be provided. Additionally, there does not appear to be a process in place to report or review the matching requirement of the program. Testwork over matching could not be performed for this program to determine compliance. The amount reported as cumulative federal share outlays for the reporting period October 1, 2005 through September 30, 2006 was \$34,949,250.

Cause

The Department does not have adequate controls or procedures in place to ensure that supporting documentation is maintained to substantiate the state matching amounts.

Effect

The Division is unable to support its compliance with the matching requirement.

Recommendation

We recommend that the Division implement procedures to ensure that funds spent for State match for Federal grants are met and the appropriate documentation is maintained.

Related Noncompliance

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

Questioned Costs

\$34,949,250

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Help America Vote Act Requirements Payments (90.401)

State Agency: Department of Law and Public Safety

Federal Agency: Election Assistance Commission

Finding: 07-37 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 (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 of Law and Public Safety prepares the Federal financial status reports (SF-269A) for the HAVA programs from NJCFS. The Department of Law and Public Safety did not reconcile the amounts reported on the SF-269A for the period ending September 30, 2006 to the amounts reported on the SEFA for the HAVA programs.

In addition, the SF-269A report for the period ending September 30, 2007 which was due on March 30, 2008 was not submitted. The amounts reported as cumulative federal share of outlays for the period October 1, 2005 through September 30, 2006 were \$34,949,250.

The initial amount reported in the SEFA of \$12,702,219 for the HAVA programs included \$5,330,242 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.

A similar finding was included in the 2006 prior year single audit report as item 06-35.

Cause

The Department does not have procedures in place to reconcile the expenditures reported on the SF-269A report to the amount reported on the SEFA, which is supported by underlying financial records or to ensure that reports are filed within the required timeframe. The Department did not report the SEFA adjustment to OMB.

STATE OF NEW JERSEY
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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 properly report expenditures for Title I and Title II funds to OMB under the correct CFDA number.

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Help America Vote Act Requirements Payments (90.401)

State Agency: Department of Law and Public Safety

Federal Agency: Election Assistance Commission

Finding: 07-38 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 subrecipients' use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions for contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards as provided in OMB Circular A-33, as revised during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised Circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period., (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued or unwillingness of a subrecipient to have the required audits, the pass through entity shall take appropriate action using sanctions.
- *Pass Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass through entity's ability to comply with applicable Federal regulations.

Condition

For five of the seven 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).

A similar finding was included in the 2006 prior year single audit report as item 06-36.

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.

STATE OF NEW JERSEY
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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 this requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
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Help America Vote Act Requirements Payments (90.401)

State Agency: Department of Law and Public Safety

Federal Agency: Election Assistance Commission

Finding: 07-39 Subrecipient Monitoring

Criteria

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.

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested.

Condition

For one of the five subrecipient payments selected for testwork, the Department was unable to locate supporting documentation from the subrecipient to verify that the programs costs were paid prior to requesting reimbursement. The subrecipient's payment totaled \$265,000. The total amount of payments to subrecipients included in the sample was \$419,460 and the payments passed through to subrecipients for State fiscal year 2007 was \$658,632.

Cause

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

Effect

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

Recommendation

We recommend that the Department ensure that documentation is maintained and reviewed to ensure that programs costs are paid by the subrecipient before reimbursement is requested.

Related Noncompliance

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

Questioned Costs

\$265,000

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
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Help America Vote Act Requirements Payments (90.401)

State Agency: Department of Law and Public Safety

Federal Agency: Election Assistance Commission

Finding: 07-40 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 all five subrecipient transactions selected for testwork there was no suspension and debarment certifications included in the files. Transactions for these five transactions amounted to \$419,460 for State fiscal year 2007 and have been included below as questioned costs. 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 passed through to subrecipients for the State fiscal year was \$658,632.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

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 procedures to ensure all subrecipients are not suspended or debarred as required by Federal regulations.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
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Adoption Assistance – (93.659)

State Agency: Department of Children and Families

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

Finding 07-41 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)).

STATE OF NEW JERSEY
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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 one of thirty cases selected for testwork the subsidy agreement renewal form was not included in the file. There are no questioned costs associated with this case as the renewal form is required to comply with Department policy and is not required on an annual basis according to Federal regulations.

Additionally, we noted for one of the thirty cases selected for testwork, the agreement for subsidy was signed after the finalized adoption date. The amount paid for this claim during the period sampled was \$6,007.

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 documentations are complete, accurate and timely for proper eligibility determination.

Related Noncompliance

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

Questioned Costs

\$3,003 (Total claim for the period sampled applied to the Federal match percentage of 50%)

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
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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: 07-42 Eligibility

Criteria

Medicaid Cluster (Medicaid)

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:
 - i. 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).
 - ii. 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 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).
 - iii. 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).

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

- iv. 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).
 - v. Document qualified alien status if the applicant or recipient is not a U.S. citizen (42 USC 1320b-7d).
 - vi. 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.
- d. *Medicaid Eligibility Quality Control System (MEQC)*
- i. 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).
 - ii. 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).

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Condition

The Department of Human Services, Division of Medical Assistance and Health Services (the Division) utilizes its Bureau of Quality Control (the Bureau) to perform MEQC reviews of eligibility determinations performed by the respective County Welfare Agencies (CWAs). As a part of this review, the Bureau utilizes a "Medicaid Quality Control Summary Report" (551-B Form) to report any eligibility, processing, or other technical errors noted during the MEQC review. The CWAs are then required to submit a response to the Bureau, noting agreement with the errors cited by the Bureau and corrective action to be implemented.

For two of thirty MEQC reviews selected for testwork, the Bureau had noted technical errors; however, a 551-B form was not prepared and communicated to the respective CWA. As such, the CWA never submitted a corrective action plan to address the errors noted. The participants subject to the two MEQC reviews were determined to be eligible recipients of the Medicaid program, and the payments to these recipients were allowable under the program's requirements.

Cause

The Bureau did not follow their prescribed guidelines for the preparation of the 551-B form to communicate technical errors to the CWAs noted during the MEQC review process and to obtain corrective action for the errors noted.

Effect

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

Recommendation

We recommend that the Bureau strengthen its internal control procedures to ensure that the 551-B form is prepared for any eligibility, processing, or other technical errors noted during the MEQC review process and is communicated to the respective CWAs and to ensure corrective action is implemented.

Related Noncompliance

Not applicable as this is an internal control finding.

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 2007



***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, 2007
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Medicaid Cluster (93.775, 93.777, 93.778) State Agency: Department of Human Services Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-1 No finding in prior years	<p>1. Due to severe staffing shortages this past calendar year 2007, audit recalculations had been suspended due to a lack of staffing. Over the past several months, the Unit has been allowed to hire new staff so that we now have five additional members and staffing is now at 17 out of an authorized 24 FTEs. Due to the staffing problem, a backlog of almost 215 audit recalculations developed of which approximately 20 have been reviewed and recalculated.</p> <p>Corrective actions to be taken include:</p> <ul style="list-style-type: none"> a. A comprehensive log of audit reports received for recalculation has been developed and will continue to be maintained. b. The existing backlog of approximately 195 audit reports will be reviewed and recalculated within six months (no later than 12/31/08). c. New audit reports received by this Unit will be reviewed and recalculated within 45 calendar days of receipt. <p>2. Although staff in the Unit and representatives from the facility concur that an extension was requested and granted, the Unit was unable to find a written copy of the approval. Since it appears that approval was granted, no penalties should have been imposed.</p> <p>Corrective actions to be taken include:</p> <ul style="list-style-type: none"> a. A comprehensive log of all extension requests, approvals, and penalties imposed has been developed and will continue to be maintained. b. Requests for extension by facilities are now required to be in writing with original signature. These requests are being maintained in three separate files: an extension request file, a correspondence file, and the specific cost report file. 	<p>All corrective actions have been implemented; backlog to be resolved by December 2008</p> <p>Devon L. Graf (609) 588-2691</p>
Block Grant 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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-2 No finding in prior years	<p>Interim and final reports of expenditures will be reviewed by the Contract Administrator within 30 days of receipt by the Division of Addiction Services. If reports are not reviewed and returned to the agency within this time period, a written explanation will be provided and maintained in the contract file. If necessary, the agency will also be notified in writing. Contract files will be checked periodically for compliance.</p>	<p>July 2008</p> <p>Thomas Woske (609) 984-0892</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
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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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-3 06-10	On 6/12/08, a memo was sent from the Coordinator of Vocational Rehabilitation to all NJ Commission for the Blind Managers and Supervisors that the Certification of Eligibility Form must be signed at the time eligibility is determined by both the caseworker and supervisor.	June 2008 Greg Patty (973) 648-4796
Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126) State Agency: Department of Human Services Federal Agency: U.S. Department of Education		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-4 06-11 05-65 04-2 03-1 02-1	On 6/9/08, a memo was sent from the Manager of Fiscal Resources to all NJ Commission for the Blind staff that price competition procedures and sole source justification must be used when purchasing goods and services for consumers. Treasury Circular Letter 06-16-DPP and the Sole Source Justification Form have been made available to all staff.	June 2008 Frank Scheick (973) 648-3126
Child Support Enforcement (93.563) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-5 06-1 05-7 04-18 03-7 02-6 01-6 00-30	The differences are a result of the limited ability of the existing ACSES program to provide the necessary detail of the financial information in order to reconcile the child support bank accounts and OCSE 34A report. Currently, the Division is in the process of replacing the ACSES data system and included in the redesign is the system's requirement to maintain all information within the NJKIDS system in order to identify all collections and disbursements. The Division anticipates pilot implementation of the system beginning October 2008. Until NJKIDS becomes fully operational during SFY 2010, the Division will continue to work towards manually identifying the differences between the child support accounts and the OCSE 34A Report.	Ongoing implementation; pilot – October 2008; full system implementation – Fiscal Year 2010 Nick Butkewicz (609) 588-2045

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
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Food Stamps Cluster (10.551, 10.561) Low-Income Home Energy Assistance (93.568) State Agency: Department of Human Services Department of Community Affairs Federal Agency: U.S. Department of Agriculture U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-6 No finding in prior years	<p>Department of Community Affairs' (DCA) response: A Memorandum of Agreement currently exists with the NJ Department of Human Services (DHS) to manage the activities of the County Welfare Agencies in determining the eligibility of welfare and food stamp clients for LIHEAP benefits. DCA will contact DHS to discuss and work with them to implement a corrective action plan to correct the existing internal control deficiency identified. Approximately six months will be required to establish a corrective action plan in conjunction with the DHS.</p> <p>Department of Human Services' (DHS) response: The Administrative Supervisor of the Quality Control units responsible for this condition has met with all of the unit supervisors and has discussed their responsibility to sign all worksheets to document that they have reviewed the case and have agreed to the determination of the findings. This directive will be monitored on a regular basis and this process will be monitored for compliance during our peer review process, wherein supervisors review Quality Control cases of their peers.</p>	<p>DCA: Fiscal Year 2009 Brian Phillips (609) 984-2698</p> <p>DHS: July 2008 Nick Butkewicz (609) 588-2045</p>
Child Care Cluster (93.575, 93.596) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-7 No finding in prior years	<p>Procedures utilized to log and track all monitoring reports have been revised effective 6/16/08 to ensure more timely and accurate tracking of final reports and the submission of corrective action plans (CAPs) when required. The Division will prepare cover letters for signature and log receipt of all monitoring reports that are completed by staff specialists and approved by their supervisors. The log will document the following information:</p> <ul style="list-style-type: none"> ➤ Child Care Specialist name; ➤ Child Care Resource and Referral (CCR&R) or Center Based Care (CBC) name and county; ➤ Outcome of the monitoring visit and the type of letter to be sent e.g.: good, bad or however; ➤ Date that a CAP must be received and ➤ The contract component that was monitored. <p>Supervisors shall review logs once a month to determine if any CAPs remain outstanding and notify the Child Care Specialists in writing that the follow up letter(s) must be sent immediately. When the CAP is returned, the Specialist must review the plan, determine if the plan addresses and resolves the non-compliant issues, follow-up with the agency to request clarification an/or provide additional technical assistance if required. A letter indicating either acceptance or rejection must be sent to the agency within 30 days of receipt of</p>	<p>June 2008 Nick Butkewicz (609) 588-2045</p>

¹ Current and prior year finding number(s)

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	the CAP and documented in the file. Supervisors are responsible for ensuring that all contracts are monitored within each contract period and if necessary, will conduct monitoring visits.	
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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-8 No finding in prior years	<p>1. Database Access/Monitoring of Database Access: These database accounts are shared by a strictly limited group of database administrators and are not accessed by systems administrators. Database administrators will develop a logging function to monitor direct access by database personnel.</p> <p>2. Migration of Changes to Production: For internal control purposes, the BULL System cannot accommodate more than one Master ID, although OIT does limit access to four trusted and qualified individuals. Each individual is responsible for discrete functions. Additionally, cross training allows for alternative coverage (only within this group of four people) when necessary. Adjustment will be made so that individuals will have their own unique user ID, where applicable. In cases where these IDs may be limited by the security constraints enforced by the BULL operating system, alternative internal controls will be instituted.</p> <p>3. Formal Testing and Sign-off Process for Operation System Changes: An ad hoc procedure is in place and all pertinent documentation is informally maintained. However, we agree that a formal policy should be promulgated. OIT will develop a policy to document and monitor direct access to the database and to document testing and approval for migration to production changes on the operating system. This formal policy will be completed with the assistance of the OIT Office of Policy and Planning.</p>	<p>1. Logging function to be implemented September 2008 Frank Jones (609) 777-3737</p> <p>2. Unique user IDs to be implemented August 2008 Tom Roosa (609) 633-8795</p> <p>3. Policy to be developed December 2008 Frank Jones (609) 777-3737</p>
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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-9 No finding in prior year	A user access policy and procedure document has been developed and will be distributed to the sub-recipients. The Division will be developing monitoring procedures to ensure the policies and procedures are followed.	<p>Policy/procedure document – July 2008</p> <p>Monitoring procedures – October 2008 Nick Butkewicz (609) 588-2045</p>

¹ Current and prior year finding number(s)

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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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-10 06-44 05-57	<p>The following steps have been, or will be taken by the Office of Community Action (OCA) to address the non-compliance noted for various public and limited purpose agencies with regard to their tripartite board requirements:</p> <ol style="list-style-type: none"> 1. The Fiscal Year 2009 Request for Proposal includes a Tripartite Board Compliance Certification that requires each agency to describe the selection process used for new Board Members. Agencies must also describe how they are meeting the requirements outlined in Section 676(B) of the CSBG Act. The Fiscal Year 2009 application has also been modified within SAGE that now requires agencies to identify which sector of the tripartite board each listed member represents. Applications received that do not initially fulfill the tripartite requirements may be conditionally approved, but an official notification will be sent to these agencies that states they have a specified time period (60 to 90 days) to comply with the tripartite requirements. If non-compliance still exists after this first notification deadline, sanctions against the agency may be imposed and a second notice will be sent to the agency that requires them to attend mandatory training and instruction from the OCA on the Tripartite Board requirements. 2. Language will also be developed and included within all Fiscal Year 2009 grant agreements that describe the tripartite requirements that recipient agencies must comply with. 3. Current monitoring of CSBG recipients includes the review of agency board minutes and the tripartite designation of all board members. Tripartite board non-compliance noted during monitoring visits will be communicated in writing to the agency and will state that they have a specified time period (60 to 90 days) to initiate corrective action to comply with the tripartite requirements or face sanctions available to the program. 4. Research is also currently being conducted to determine how other States deal with the tripartite requirements for their public and limited purpose agencies. This research began in June 2008 and will be ongoing through the summer. <p>The office will be working with the NJ Community Action Association to develop a comprehensive board training program that will be mandatory for all board members that is targeted to begin in the fall or winter of 2008. Tripartite requirements and responsibilities will specifically be addressed as part of this initiative.</p>	<p>October 2008 Brian Phillips (609) 984-2698</p>

¹ Current and prior year finding number(s)

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Community Services Block Grant (93.569) Low-Income Home Energy Assistance (93.568) State Agency: Department of Community Affairs Federal Agencies: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-11 CSBG: 06-42 05-52 04-44 03-24 LIHEAP: No finding in prior years	The Department is in the process of realigning the Division of Housing and the Division of Community Resources. Account management responsibilities will fall under the new Division's Fiscal Office who will ensure that accounts are reconciled timely and that proper reporting requirements are consistently met. Policies and procedures will be developed to manage this function and the submission of all SF-269 forms, including reconciliation to the GN12 report.	December 2008 Brian Phillips (609) 984-2698
Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-12 No finding in prior years	The Division has implemented a policy for preparation of the Federal Financial Status Report Form SF-269 and reconciliation to the NJ Comprehensive Financial System (NJCFS). Procedures for the proper preparation of the report were developed to assure the accuracy and timely preparation of the report. The Division's new Fiscal Office will ensure that accounts are reconciled and proper reporting requirements are met.	Recommendation implemented in Fiscal Year 2008 Brian Phillips (609) 984-2698
Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-13 06-43 05-51 04-47	The Division contracted with Mercadien, P.C. in October 2007 to provide programmatic/fiscal monitoring of 25 CSBG Grantees and to train in-house staff in the proper conduct and documentation of full on-site monitoring visits. Mercadien staff held a series of meetings with Community Resources management and staff from October 2007 through the beginning of calendar year 2008 to review and revise every programs monitoring tool. Full, on-site monitoring of CSBG recipients began in February 2008. As of June 2008, 19 of 25 CSBG recipients have had a full, on-site monitoring visit conducted and the monitoring of the remaining 6 agencies has been scheduled and will be completed by the end of July 2008.	August 2008 Brian Phillips (609) 984-2698

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
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	This process was broken down into two phases. Phase I consisted of Mercadien working with Community Resources to review and modify each program's monitoring tool to ensure that all areas required for review were included in the documents developed. Phase II consists of the actual on-site monitoring of grant recipient agencies from both the programmatic and financial perspectives. Mercadien staff and OCA staff jointly visit these agencies when conducting a review and OCA staff is being trained by Mercadien in the proper planning, conduct, recording, and follow-up activities necessary for the effective and efficient conduct of a full, on-site monitoring review.	
Low-Income Home Energy Assistance (93.568) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-14 06-45 05-53	<p>A project request was developed by DCA and sent to OIT for the USFHEA Issued Credit Detail reports in July 2006. These reports were needed to support the payments made to individuals and utility companies. After the request was made, DCA then worked with OIT on the design and testing of the reports over the course of many months until they finally became available to DCA in December 2007. During the 18 months in between the original request date and the date the report became available, other projects and priorities took precedence over this request as a result of issues that arose which directly impacted client benefits.</p> <p>The report OIT now provides includes detailed information about every individual receiving a benefit and supports the amounts requested on the payment vouchers. The report is designed to run 3 weeks out of each month to coincide with the program's production schedule and the generation of the report is currently a manual process at OIT.</p> <p>The Division of Community Resources also instituted a policy and procedures that require the signature of a Program Representative and a Program Supervisor for approval of a Fiscal Status Report/Payment Voucher. Back-up persons were assigned and designated in the event that the primary program representative or supervisor was not available for review and approval. Procedures developed also indicate that only one signature is required for an Advance Payment Voucher that is authorized by the Grant Agreement terms and this is consistent with the Department's SAGE protocols. These review and approval procedures went into effect as of July 2007 for the LIHEAP program.</p>	Recommendation implemented in Fiscal Year 2008 Brian Phillips (609) 984-2698
Low-Income Home Energy Assistance (93.568) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-15 No finding in prior years	The Division's Contract Processing Unit has implemented procedures requiring every grantee to submit a completed suspension and debarment certification to the Department. The Unit also performs a Debarment Query Search of State and Federal debarment lists before a Grant Agreement is executed and maintains screen prints of search results produced for each entity examined.	Recommendation implemented in Fiscal Year 2008 Brian Phillips (609) 984-2698

¹ Current and prior year finding number(s)

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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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-16 06-46 05-55	<p>The Division contracted with Mercadien, P.C. in October 2007 to provide programmatic/fiscal monitoring of 20 LIHEAP grantees and to train in-house staff in the proper conduct and documentation of full on-site monitoring visits. Mercadien staff held a series of meetings with Community Resources management and staff from October 2007 through the beginning of calendar year 2008 to review and revise every programs monitoring tool. Full, on-site monitoring of LIHEAP recipients began in February 2008. As of June 2008, 14 of the 20 LIHEAP recipients have had a full, on-site monitoring visit conducted and the monitoring of the remaining 6 agencies has been scheduled and will be completed by the end of July 2008.</p> <p>This process was broken down into two phases. Phase I consisted of Mercadien working with Community Resources to review and modify each program's monitoring tool to ensure that all areas required for review were included in the documents developed. Phase II consists of the actual on-site monitoring of grant recipient agencies from both the programmatic and financial perspectives. Mercadien staff and OCA staff jointly visit these agencies when conducting a review and OCA staff is being trained by Mercadien in the proper planning, conduct, recording, and follow-up activities necessary for the effective and efficient conduct of a full, on-site monitoring review.</p>	August 2008 Brian Phillips (609) 984-2698
Low-Income Home Energy Assistance (93.568) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-17 No finding in prior years	The Division has implemented a policy for preparation of the Federal Financial Status Report Form SF-269 and reconciliation to the NJ Comprehensive Financial System (NJCFS). Procedures for the proper preparation of the report were developed to assure the accuracy of the report. The Division's new Fiscal Office will ensure that accounts are reconciled and proper reporting requirements are met.	Recommendation implemented in Fiscal Year 2008 Brian Phillips (609) 984-2698
Low-Income Home Energy Assistance (93.568) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-18 06-6 05-2	The Department of Treasury's Office of Information Technology has created a detailed household report during 2007 that provides supporting documentation for the Annual Household Report that is submitted to the US Department of Health and Human Services. The report provides detailed information about every household receiving a LIHEAP benefit. The report is available on the USF/HEA System.	Recommendation implemented in Fiscal Year 2008 Brian Phillips (609) 984-2698

¹ Current and prior year finding number(s)

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Centers for Disease Control & 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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-19 No finding in prior years	<p>During State Fiscal Year 2007, the employee responsible for the Time and Activity (T & A) System was on extended sick leave until she retired in July 2007. Early in the State Fiscal Year, the data entry person who entered FS-111 forms to the T & A System transferred to another Division. As a result of both conditions, a backlog of the entry of timesheet data occurred. Employees were temporarily reassigned to meet this backlog and as a result, timesheets may not have been filed properly.</p> <p>Corrective Action: In May 2008, the Department of Health and Senior Services changed its time and activity reporting process from the old T&A system to 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.</p>	May 2008 Walter C. Valora (609) 588-7403
Centers for Disease Control & 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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-20 06-47 05-62	<p>The Department instituted a procedure in State Fiscal Year 2007 to formally request a 60-day extension for the submission of a final expenditure report reflecting zero obligations. At the 6/26/07 Fiscal Year 2006 single audit exit conference, it was decided to revise the 60-day extension letter procedure effective 6/28/07, to also include a narrative qualifier as follows: "Please understand that a non response 30 days from the request date will be considered as an approval of this extension." This plan continues to be in effect.</p> <p>This CDC Emergency Preparedness for Bioterrorism grant budget period ended 8/30/06, which was prior to the initial implementation of the 60-day extension letter as well as the 6/28/07 revision with the 30-day response qualifier.</p>	June 2007 Walter C. Valora (609) 588-7403
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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-21 06-47 05-61	<p>The Department instituted a procedure in State Fiscal Year 2007 to formally request a 60-day extension for the submission of a final expenditure report reflecting zero obligations. At the 6/26/07 Fiscal Year 2006 single audit exit conference, it was decided to revise the 60-day extension letter procedure effective 6/28/07, to also include a narrative qualifier as follows: "Please understand that a non response 30 days from the request date will be considered as an approval of this extension." This plan continues to be in effect.</p>	Immediate Walter C. Valora (609) 588-7403

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	<p>The extension letter to liquidate open obligations was requested on 4/18/07 with an effective time line to liquidate the remaining open obligations of 8/30/07 instead of the normal 60-day date of 5/31/07.</p> <p>The next grant period (4/1/07 – 3/31/08) will be reflective of the 60-day extension letter with the 30-day non-response qualifier, which went into effect on 6/28/07.</p>	
Immunization Grants (93.268) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-22 06-47 05-58	<p>The Department instituted a procedure in State Fiscal Year 2007 to formally request a 60-day extension for the submission of a final expenditure report reflecting zero obligations. At the 6/26/07 Fiscal Year 2006 single audit exit conference, it was decided to revise the 60-day extension letter procedure effective 6/28/07, to also include a narrative qualifier as follows: "Please understand that a non response 30 days from the request date will be considered as an approval of this extension." This plan continues to be in effect.</p> <p>The Immunization Grant major program budget period ended 12/31/06, which was prior to the initial implementation of the 60-day liquidation open obligation extension letter procedure.</p>	<p>June 2007 Walter C. Valora (609) 588-7403</p>
Immunization Grants (93.268) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-23 No finding in prior years	<p>The Department cooperated and provided the auditor with the reports requested. Two of the five dates were not regular reconciliation dates and thus no reconciliation could be provided because it did not exist. Instead, the Department provided the closest date (within two to three days) to what KPMG requested. The Department also explained why no reconciliation was available for those dates. The NJ Vaccines for Children (VFC) staff who completed the reconciliation either worked on the reports Friday afternoons or on Monday mornings depending upon when the Department received the inventory data from Belco and/or GIV. This was in line with the program's process at the time for reconciling the inventory held by its' contracted distribution vendor.</p> <p>As of August 2007, the NJ Vaccine Preventable Disease Program (VPDP) became a part of the CDC Centralized Distribution Process (a.k.a. VMBIP). Records and other documentation that were formerly held on VacMan were disabled in lieu of an upgraded version that is not compatible with the old version. Therefore, vaccine inventory reconciliations were difficult to obtain. CDC is painfully aware of this problem and is working to improve the process so that better inventory reconciliations can be conducted.</p> <p>Vaccine inventory reconciliations are based upon the shipping reports sent to the VPDP by McKesson Specialty, Inc., the national vaccine distributor who is contracted with the CDC to distribute vaccines nationally to all Immunization Program medical providers that are enrolled in the state/local VFC Program. The VacMan electronic system is being phased out by CDC because a new vaccine tracking application is being developed by CDC to replace it. Because the entire CDC Centralized Distribution Process is in flux as it grows and changes to accommodate vaccine inventory, distribution, monitoring, tracking, and wastage for 64 Immunization Programs,</p>	<p>Implemented during Fiscal Year 2008 Walter C. Valora (609) 588-7403</p>

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	<p>it is not possible to perform weekly inventory reconciliations with the degree of accuracy that could be obtained when the State (s) held their own contracts for vaccine distribution and inventory.</p> <p>Therefore, the corrective action plan will entail utilizing the shipping reports, backorder reports and other inventory documentation that McKesson Specialty, Inc. and CDC send to the VPD Program. The responsibility for maintaining and monitoring the bulk inventory for all of the Immunization Programs lies with McKesson and is followed up with them by CDC. Each Immunization Program receives a report from CDC reporting what McKesson indicates is the inventory in the warehouse for the program to use in filling its medical providers' vaccine order requests. The reports are not accurate but only provide a reasonable figure of vaccine availability for programmatic use.</p> <p>The Department's corrective action plan is its mandatory participation in CDC's Centralized Distribution Process (a.k.a. VMBIP). All vaccine inventory is maintained for NJ at the Memphis, Tenn. location per CDC's arrangement for the State's federally and/or state purchased vaccine. The inventory is monitored and maintained by McKesson Specialty, Inc. who is under contract to CDC. Therefore, the Department will accept the inventory figures that are provided by CDC and McKesson. The Department will also monitor its actual orders of vaccine that are placed by the VFC Program providers and will provide monthly Spend Plans to CDC for their review. Those plans determine how much vaccine the State will be allowed to order in the upcoming months.</p>	
Immunization Grants (93.268) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-24 No finding in prior years	Effective 7/1/07 a new procedure was initiated by the Federal Funds Management Program in that all the applicable Letter of Credit drawdown of funds were to be set up to include supporting back-up documentation as an attachment to the draw down documents. This documentation is the NJCFS generated FOCUS and Business Objects report of cash disbursements for the applicable drawdown period.	July 2007 Walter C. Valora (609) 588-7403
Immunization Grants (93.268) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-25 No finding in prior years	Beginning September 2005, the National Immunization Program, newly renamed NCIRD, began forecasting and obligating VFC and 317 funds to manufacturer contracts rather than through the Direct Assistance grant process. The funds are no longer sent to the grantee but are held at CDC and placed in single accounts against which the Immunization Program (grantee) may place vaccine orders. CDC monitors those funds against proposed Spend Plans that are prepared by the grantees. CDC processes the distributor requests to fill Immunization Program orders and then CDC obligates funds to the manufacturer contracts executing all invoices. The Immunization Program receives a dollar figure via a Notice of Award from CDC of how much is being awarded to the program for vaccine purchases. However, if the program does not utilize the funds in the amounts proposed in its Spend Plan, CDC adjusts those dollars to more accurately reflect the grantees actual vaccine usage. Therefore, the Schedule of Expenditure of Federal Awards and the actual amount used and approved by CDC for the program for vaccine purchases may not match up.	Implemented during Fiscal Year 2008 Walter C. Valora (609) 588-7403

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	<p>The corrective action plan is that the Department will continue to prepare monthly vaccine Spend Plans, and will retain all documentation provided by CDC regarding modifications it in its vaccine awards until such time as CDC completes the development of its electronic vaccine funding and tracking application. Upon the development of this application, CDC will be able to provide more accurate numbers that demonstrate the Immunization Programs' true vaccine usage in dollars.</p> <p>According to the March 2008 OMB A-133 Compliance Supplement, "After the end of each month and after the end of each Federal fiscal year, CDC advises each grantee of the value of all federally funded vaccine that was distributed, in lieu of cash, directly to the grantee and/or on behalf of the grantee to vaccinating providers located in the grantee's geographical area. The annual dollar value of federally funded vaccine should be treated by the grantee as a grant expenditure for purposes of determining audit coverage and reporting on the Schedule of Expenditures of Federal Awards." The Department will provide this value to the Office of Management Budget to be included on the Schedule of Expenditures of Federal Awards for future audits.</p>	
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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-26 No finding in prior years	<p>A similar finding from the Fiscal Year 2006 audit noted for the SF-272 reports resulted in the following corrective action, which was implemented for all Federal financial reports immediately after the corrective actions were filed. It stated, "Effective immediately, the Division of State Police will ensure that all quarterly reports are reviewed first by the preparing accountant, then by the Grants Accounting Unit Head, and finally by the Grants Administration Bureau Chief, who will sign same authorizing that it is true and correct."</p> <p>This corrective action, now in place, should mitigate any future findings.</p>	Implemented in Fiscal Year 2008 Ronald W. Kraemer, Sr. (609) 984-4983
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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-27 No finding in prior years	<p>The original documents for the supporting documentation of one of the five drawdowns selected for test work was not with the other drawdown documents for that fiscal year. Attempts were made to locate the set of paperwork in question but the documents were not found. The support was reconstructed as best as could be and resulted in showing that the drawdown was accurate.</p> <p>The Division will ensure that all supporting documents are filed appropriately to avoid any future misplacement or misfiling of documents.</p>	June 2008 Ronald W. Kraemer, Sr. (609) 984-4983

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Homeland Security Cluster (97.004 and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-28 06-26	The supporting documentation will be reviewed by comparing to current fiscal numbers and prior quarter reports, and mathematical calculations will be verified. After this review, approval of financial reports will be given by the signing off on the submitted Financial Status Reports (FSR SF-269A) by the Grants Bureau Chief.	June 2008 Ronald W. Kraemer, Sr. (609) 984-4983
Homeland Security Cluster (97.004 and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-29 06-27	As noted in the Fiscal Year 2006 Homeland Security Cluster response to Finding 06-27, this matter has been addressed by the OHSP who now requires the CFDA and federal agency name to appear on all HSGP subgrant award documents so that recipients are fully aware of this information.	Recommendation implemented during Fiscal Year 2008 Ronald W. Kraemer, Sr. (609) 984-4983
Homeland Security Cluster (97.004 and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-30 06-28	Although items referenced in this finding fall outside of the audit period 7/1/06-6/30/07, it should be noted that the OHSP makes every effort and implements steps to ensure compliance with the 60-day pass through requirement of FEMA. Official written notification of the Fiscal Year 2007 HSGP grant award to New Jersey was made by FEMA on 8/13/07. Formal subgrant award letters to the 21 counties were issued on 10/17/07. Although technically just outside of the 60-day window by 5 days (subgrant award letters to the counties should have been issued on 10/12/07), the spirit and intent of FEMA's guidance was met by OHSP. In addition, and more importantly, it should be noted that for purposes of complying with the 60-day window, FEMA officially relies on states to electronically submit their Interim Strategy Implementation Plan (ISIP). The submission of the ISIP is what FEMA utilizes to ensure states comply with the 60-day pass through requirement. The State of New Jersey, via the former State Administrative Agency (Office of the Attorney General) as well as the current SAA (Office of Homeland Security and Preparedness) has always met the 60-day requirement by filing the ISIP on time for each federal funding cycle.	Ongoing Ronald W. Kraemer, Sr. (609) 984-4983

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Homeland Security Cluster (97.004 and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-31 06-21 & 06-22 05-30 04-27 03-39 02-36	<p>For better tracking, when equipment is purchased by the state but shipped directly from the vendor to the local agency, it should be the state's responsibility to obtain a signed, Equipment Receiving Slip. The signed receipt should be maintained along with a copy of the Receipt entry in the Grants Tracking System. Without a copy of the signed Receiving Slip, an invoice should not be processed for payment to the vendor.</p> <p>When equipment is received at one location and installed at several locations, an Equipment Transfer Slip must be completed, signed, and maintained with the corresponding purchase order.</p> <p>In the future, equipment purchased for local government units will be included in the amount passed through to subrecipients on the SEFA.</p>	Recommendation implemented during Fiscal Year 2008 Ronald W. Kraemer, Sr. (609) 984-4983
Homeland Security Cluster (97.004 and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-32 No finding in prior years	A more thorough review of supporting documentation will be initiated prior to being submitted for processing. This will be done to ensure all future equipment purchases with Federal funds will be correctly classified. This corrective action, now in place, should mitigate any future findings.	June 2008 Ronald W. Kraemer, Sr. (609) 984-4983
Homeland Security Cluster (97.004 and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-33 06-18 05-31 04-26 03-38 02-34 01-27 00-09	<p>The corrective action for the same finding under the Fiscal Year 2006 audit directed the Division of State Police personnel assigned to grant programs to complete a Bi-weekly Activity and a quarterly certification of time. This process was implemented with the quarter beginning on 10/1/07 and ending on 12/31/07.</p> <p>After the completion of the quarter, all units submitted the certifications for personnel either paid directly from a grant program or where the personnel served as the match to the grant. The process is proceeding according to previous year's audit corrective action.</p> <p>The personnel paid from grants and who were selected for the test work for the Fiscal Year 2007 audit did not complete the</p>	Recommendation implemented during Fiscal Year 2008 Ronald W. Kraemer, Sr. (609) 984-4983

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	<p>certifications since the process was not implemented until 10/1/07. The process now in place should mitigate future findings of noncompliance with certification of time.</p> <p>The Department will continue to ensure that documentation and reporting of salaries and wages charged are in accordance with OMB Circular A-87.</p>	
Homeland Security Cluster (97.004 and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-34 06-25 05-33	The Department will implement procedures to routinely reconcile the expenditures reported in all the FFSR's to the State's underlying financial records maintained on the State's central accounting system. This reconciliation should begin immediately.	Immediate Ronald W. Kraemer, Sr. (609) 984-4983
Help America Vote Act Requirements Payments (90.401) State Agency: Department of Law and Public Safety Federal Agency: Election Assistance Commission		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-35 06-34	These transactions were internal State reimbursements to the Department of the Treasury. Treasury only provides a summary level of detail for the Department. The Department of Law & Public Safety will now ensure that all supporting documentation is filed appropriately.	Immediate Ronald W. Kraemer, Sr. (609) 984-4983
Help America Vote Act Requirements Payments (90.401) State Agency: Department of Law and Public Safety Federal Agency: Election Assistance Commission		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-36 No finding in prior years	The Department will complete the state match requirement by the end of the calendar year. The HAVA Program was transferred to the Secretary of State's Office effective 4/1/08. Department of Law & Public Safety will develop a procedure and share with the Secretary of State's Office.	December 2008 Ronald W. Kraemer, Sr. (609) 984-4983

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Help America Vote Act Requirements Payments (90.401) State Agency: Department of Law and Public Safety Federal Agency: Election Assistance Commission		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-37 06-35	This program has been transferred to the Secretary of State's Office. The Department will make the Secretary of State's Office aware of this finding and advise them of the recommendations to establish procedures to reconcile the federal financial expenditure reports to the SEFA, to submit the federal financial reports, and to properly report expenditures to OMB under the correct CFDA number.	June 2009 Ronald W. Kraemer, Sr. (609) 984-4983
Help America Vote Act Requirements Payments (90.401) State Agency: Department of Law and Public Safety Federal Agency: Election Assistance Commission		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-38 06-36	The Department will ensure that the CFDA and federal agency name appears on all future HAVA sub grant/award documents so that recipients are aware of this information. Please note that no new awards have been given during the current period. This information will be shared with the Secretary of State's Office.	June 2008 Ronald W. Kraemer, Sr. (609) 984-4983
Help America Vote Act Requirements Payments (90.401) State Agency: Department of Law and Public Safety Federal Agency: Election Assistance Commission		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-39 No finding in prior years	In the future, the Department will ensure appropriate documentation is requested and obtained prior to reimbursement. This information will be shared with the Secretary of State's Office.	June 2009 Ronald W. Kraemer, Sr. (609) 984-4983
Help America Vote Act Requirements Payments (90.401) State Agency: Department of Law and Public Safety Federal Agency: Election Assistance Commission		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-40 No finding in prior years	The Department will include debarment and suspension certification in future sub-grant applications. It should be mentioned that the sub-recipients of this program are government entities.	December 2008 Ronald W. Kraemer, Sr. (609) 984-4983

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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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-41 No finding in prior years	<p>First Condition-Lack of Adoption Assistance Agreement Renewal in One Case: As noted, this is not a federal requirement but it is an internal policy requirement. In the case noted, the agreement had been mailed to the family but had not yet been returned. The Department shall provide a directive that a second request letter shall be mailed within 45 days if the signed agreement is not returned.</p> <p>Second Condition- Adoption Assistance Agreement Signed After Finalized Adoption Date in One Case: The eligibility determination with respect to adoption assistance will be changed to “not eligible.” In addition, an adjustment will be made to the claim specified so that the money claimed in error is returned on this case. The adoption program has changed some procedures in respect to the signing of the Adoption Assistance Agreement. The agreements are now reviewed and signed by a Central Office representative instead of the Local Office Manager. The agreements are then signed by the parents and the Local Office Manager must review the completed agreement signed by both parties prior to giving the agency’s formal consent to the adoption. Adoption policies are being updated and will include the directive that subsidy agreements must be signed prior to the finalization of the adoption. The Title IV-E reviewers must review and determine that the subsidy agreement was signed prior to the finalization of the adoption in order to determine that an adoption subsidy case is eligible for Title IV-E Adoption Assistance. Title IV-E supervisors will perform a quality assurance review for 100% of all Adoption Assistance determinations completed by their staff.</p>	December 2008 Alfonso Nicholas (609) 633-6904
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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
07-42 No finding in prior years	<p>The 551-B form is an effective means to communicate findings to local count boards of social services and a key component of the QC dispute resolution process. The form captures a wide range of information; from minor issues concerning the CBOSS’ physical case record contents to major issues concerning the recipient’s eligibility status. Any issue considered noteworthy warrants notification via the 551-B form and a response via the 551-D form.</p> <p>Our old procedure allowed for the 551-B form to be prepared after the case disposition was approved and the QC record filed. Reviewers were responsible for preparing, mailing, and distributing the 551-B forms and for tracking their respective 551-D responses. Near the end of the QC cycle, reconciliation of the forms was done by QC supervisors as part of the corrective action process. Sometimes, reviewers failed to prepare the form timely or failed to insert a copy into the QC record.</p> <p>Corrective Action: 551-B and 551-D Notification Process</p> <ol style="list-style-type: none"> Currently, it is the supervisor’s responsibility to inspect and insert a copy of any applicable 551-B form into the QC record—before giving final approval. Completed QC case folders will be retained by the reviewer’s supervisor until the 551-B form is received. 	Immediate David Lowenthal (609) 588-7930

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	<ol style="list-style-type: none">3. Copies of all 551-B and 551-D forms are maintained in a separated binder maintained by a management assistant. The 551-D form is preprinted, time sensitive and addressed to the QC manager for internal control purposes.4. The management assistant has responsibility for monitoring the process and bringing concerns to the attention of the QC manager.	
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