



STATE OF NEW JERSEY

Single Audit Report

Year ended June 30, 2004

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, 2004

Table of Contents

	Page
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of Federal Awards	2-10
Notes to the Schedule of Expenditures of Federal Awards	11-12
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	13-15
Schedule of Findings and Questioned Costs	16-116
Management's Corrective Action Plan	117-136



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Independent Auditors' Report on Schedule of Expenditures of Federal Awards

The Governor
State of New Jersey:

We have audited the accompanying Schedule of Expenditures of Federal Awards of the State of New Jersey (the Schedule) for the year ended June 30, 2004. This Schedule is the responsibility of the State of New Jersey's management. Our responsibility is to express an opinion on this Schedule based on our audit.

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

As described in note 1 to the Schedule 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 are required to have their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

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

In our opinion, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of New Jersey, as described above, for the year ended June 30, 2004 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

October 28, 2005

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004
(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
U.S. Department of Agriculture			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 802	—
10.153	Market News	3	13
10.156	Federal-State Marketing Improvement Program	4	—
10.162	Inspection Grading and Standardization	3	—
10.163	Market Protection and Promotion	25	—
10.450	Crop Insurance	312	137
10.550	Food Donation (nonmonetary)	2,901	—
Food Stamp Cluster:			
10.551	Food Stamps (nonmonetary)	376,137	—
10.561	State Administrative Matching Grants for Food Stamp Program	80,052	68,232
Total Food Stamp Cluster		456,189	68,232
Child Nutrition Cluster:			
10.553	School Breakfast Program	22,954	22,954
10.555	National School Lunch Program	136,444	136,444
10.556	Special Milk Program for Children	811	811
10.559	Summer Food Service Program for Children	6,207	5,925
10.559	Summer Food Service Program for Children (nonmonetary)	142	—
Total Child Nutrition Cluster		166,558	166,134
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	88,437	16,516
10.558	Child and Adult Care Food Program	42,391	41,884
10.558	Child and Adult Care Food Program (nonmonetary)	379	—
10.560	State Administrative Expenses for Child Nutrition	2,614	—
Emergency Food Assistance Cluster:			
10.568	Emergency Food Assistance Program (Administrative Costs)	1,084	768
10.569	Emergency Food Assistance Program (Commodities)	4,676	—
Total Emergency Food Assistance Cluster		5,760	768
10.570	Nutrition Services for the Elderly (Commodities)	3,347	3,347
10.572	WIC Farmer's Market Nutrition Program (FMNP)	945	33
10.574	Team Nutrition Grants	123	102
10.576	Senior Farmers' Market Nutrition Program	437	—
10.652	Forestry Research	16	—
10.664	Cooperative Forestry Assistance	5,477	314
10.672	Rural Development Forestry and Communities	20	—
10.677	Forest Land Enhancement Program (FLEP)	47	—
10.772	Empowerment Zones Program	1,711	1,711
10.913	Farm and Ranch Lands Protection Program	25	25
10.914	Wildlife Habitat Incentive Program (WHIP)	11	—
10.UNA	Specialty Crops Grant	499	200
Total U.S. Department of Agriculture		779,036	299,416
U.S. Department of Commerce			
11.407	Interjurisdictional Fisheries Act of 1986	162	—
11.413	Fishery Products Inspection and Certification	254	—
11.419	Coastal Zone Management Administration Awards	2,878	116
11.420	Coastal Zone Management Estuarine Research Reserves	450	—
11.441	Regional Fishery Management Councils	369	—
11.452	Unallied Industry Projects	8	—
11.474	Atlantic Coastal Fisheries Cooperative Management Act	398	—
Total U.S. Department of Commerce		4,519	116
U.S. Department of Defense			
12.401	National Guard Military Operations and Maintenance (O&M) Projects	14,161	—
12.UNA	NJ Coastal Heritage Program	1,355	—
Total U.S. Department of Defense		15,516	—

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004
(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
U.S. Department of Housing and Urban Development			
14.185	Homeownership and Opportunity for People Everywhere	\$ 57	57
14.228	Community Development Block Grants/State’s Programs	10,353	9,967
14.231	Emergency Shelter Grants Program	994	994
14.235	Supportive Housing Program	896	183
14.238	Shelter Plus Care	287	—
14.239	HOME Investment Partnerships Program	7,994	3,426
14.241	Housing Opportunities for Persons with AIDS	602	—
14.241	Housing Opportunities for Persons with AIDS Pass-Through – Woodbridge Township	975	939
14.241	Housing Opportunities for Persons with AIDS Pass-Through – City of Paterson	83	77
14.408	Fair Housing Initiatives Program (FHIP)	53	—
Section 8 Project-Based Cluster:			
14.856	Lower Income Housing Assistance Program: Section 8 Moderate Rehabilitation	11,162	152
	Total Section 8 Project-Based Cluster	11,162	152
Section 8 Cluster:			
14.871	Section 8 Housing Choice Vouchers	161,828	168
	Total Section 8 Cluster	161,828	168
14.900	Lead-Based Paint Hazard Control in Privately Owned Housing	121	—
	Total U.S. Department of Housing and Urban Development	195,405	15,963
U.S. Department of the Interior			
15.308	Grants for Mining and Mineral Resources and Research Institute	50	—
Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration	3,706	—
15.611	Wildlife Restoration	1,068	—
	Fish and Wildlife Cluster	4,774	—
15.612	Endangered Species Conservation	1	—
15.614	Coastal Wetlands Planning, Protection and Restoration Act	107	—
15.615	Cooperative Endangered Species Conservation Fund	85	—
15.616	Clean Vessel Act	199	147
15.622	Sportfishing and Boating Safety Act	54	—
15.625	Wildlife Conservation and Restoration	169	—
15.633	Landowner Incentive	9	—
15.634	State Wildlife Grants	1,012	—
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	7	—
15.810	National Cooperative Geologic Mapping Program	46	—
15.904	Historic Preservation Fund Grants-in-aid	531	113
15.922	Native Americans Graves Protection & Repatriation Act	37	—
15.UNA	Conservation Red Knots, Chile	11	—
	Total U.S. Department of the Interior	7,092	260
U.S. Department of Justice			
16.202	Offender Reentry Program	138	—
16.203	Sex Offender Management Discretionary Grant	120	39
16.523	Juvenile Accountability Incentive Block Grants	4,768	3,747
16.540	Juvenile Justice and Delinquency Prevention: Allocation to States	2,476	1,945
16.542	Part D - Research, Evaluation, Technical Assistance and Training	3	1
16.543	Missing Children’s Assistance	27	—
16.548	Title V: Delinquency Prevention Program.	902	863
16.549	Part-E: State Challenge Activities (Challenge Grants)	298	183
16.554	National Criminal History Improvement Program (NCHIP)	1,236	—
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	96	—
16.563	Corrections and Law Enforcement Family Support	75	—
16.564	Crime Lab Improvement Combined Offender DNA Index System	174	—
16.575	Crime Victim Assistance	13,284	12,410
16.576	Crime Victim Compensation	3,250	1,000
16.579	Byrne Formula Grant Program	12,670	7,639
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance		
	Discretionary Grants Program	8,906	—

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Year ended June 30, 2004
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Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
16.585	Drug Court Discretionary Grant Program	\$ 447	—
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grant	17,525	16,699
16.588	Violence Against Women Formula Grants	3,740	2,745
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	6	—
16.592	Local Law Enforcement Block Grants Program	1,491	509
16.593	Residential Substance Abuse Treatment for State Prisoners (RSAT)	1,333	27
16.606	State Criminal Alien Assistance Program	2,660	—
16.607	Bulletproof Vest Partnership Program	464	—
16.710	Public Safety Partnership and Community Policing Grants (COPS)	1,253	128
16.727	Enforcing Underage Drinking Laws Program	236	227
16.CON	Contractual Agreement-Domestic Marijuana Eradication	169	—
16.UNA	Prompt and Affordable Justice	300	—
	Total U.S. Department of Justice	78,047	48,162
	U.S. Department of Labor		
17.002	Labor Force Statistics	2,593	—
17.005	Compensation and Working Conditions	233	—
17.203	Labor Certification for Alien Workers	2,139	—
	<i>Employment Services Cluster:</i>		
17.207	Employment Service	23,198	191
17.801	Disabled Veterans' Outreach Program	2,017	—
17.804	Local Veterans' Employment Representative Program	1,336	—
	Total Employment Services Cluster	26,551	191
17.225	Unemployment Insurance - Federal	113,211	—
17.225	Unemployment Insurance - State	2,472,708	—
17.235	Senior Community Service Employment Program	2,426	—
17.245	Trade Adjustment Assistance: Workers	4,756	4,625
	<i>WIA Cluster:</i>		
17.258	Workforce Investment Act-Adult Program	79,090	16,433
17.260	Workforce Investment Act-Dislocated Workers	1,474	675
	Total WIA Cluster	80,564	17,108
17.253	Welfare-to-Work Grants to States and Localities	2,211	—
17.261	Employment & Training Administration Pilots, Demonstrations & Research Project	149	15
	<i>Migrant and Seasonal Farmworkers Cluster</i>		
17.264	Migrant and Seasonal Farmworkers	73	—
17.266	Work Incentives Grant	36	26
17.503	Occupational Safety & Health - State Program	2,044	—
17.504	Consultation Agreements (Occupational Safety and Health)	1,803	—
17.600	Mine Health and Safety Grants	42	—
	Total U.S. Department of Labor	2,711,539	21,965
	U.S. Department of Transportation		
20.106	Airport Improvement Program	7,360	6,733
	<i>Highway Planning and Construction Cluster:</i>		
20.205	Highway Planning and Construction	762,558	—
	Total Highway Planning and Construction Cluster	762,558	—
20.218	National Motor Carrier Safety	2,369	—
20.219	Recreational Trails Program	479	403
20.505	Federal Transit: Metropolitan Planning Grants	7,465	—
	<i>Highway Traffic Safety Cluster:</i>		
20.600	State and Community Highway Safety	6,049	2,298
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	21	21
20.604	Safety Incentive Grants For Use Of Seatbelts	399	331
	Total Highway Traffic Safety Cluster	6,469	2,650

STATE OF NEW JERSEY
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Year ended June 30, 2004
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		Expenditures	Passed through to subrecipients
20.700	Pipeline Safety	\$ 140	—
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	353	191
20.CON	Contractual Agreements-Fatal Accidents Reporting System	117	—
20.UNA	Child Passenger Protection	1	—
	Total U.S. Department of Transportation	787,311	9,977
	U.S. Department of Treasury		
21.UNA	Jobs & Growth Tax Relief Act	37,066	37,066
	Total U.S. Department of Treasury	37,066	37,066
	Equal Employment Opportunity Commission		
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	592	—
	Total Equal Employment Opportunity Commission	592	—
	U.S. Department of Defense		
39.011	Election Reform Payments	91	—
	Total U.S. Department of Defense	91	—
	National Foundation on the Arts and the Humanities		
45.025	Promotion of the Arts: Partnership Agreements	756	529
45.301	Institute of Museum and Library Service	1	—
	Total National Foundation on the Arts and the Humanities	757	529
	National Science Foundation		
47.076	Education and Human Resources	59	—
	Total National Science Foundation	59	—
	U.S. Department of Veterans Affairs		
64.005	Grants to States for Construction of State Home Facilities	15,885	—
64.024	VA Homeless Providers Grant and Per Diem Program	15,275	—
64.101	Burial Expense Allowance for Veterans	596	—
64.125	Vocational and Educational Counseling for Servicemembers and Veterans	537	—
64.203	State Cemetery Grants	1,149	—
	Total U.S. Department of Veterans Affairs	33,442	—
	U.S. Environmental Protection Agency		
66.001	Air Pollution Control Program Support	6	—
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to Clean Air Act	22	—
66.419	Water Pollution Control: State and Interstate Program Support	77	—
66.454	Water Quality Management Planning	193	193
66.456	National Estuary Program	29	—
66.458	Capitalization Grants for Clean Water State Revolving Funds	60,086	57,657
66.460	Nonpoint Source Implementation Grants	3	—
66.461	Regional Wetland Program Development Grants	67	1
66.463	Water Quality Cooperative Agreements	151	—
66.463	Third Party – New England Water Pollution Commission	71	—
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	12	—
66.468	Capitalization Grants for Drinking Water State Revolving Fund	23,313	19,131
66.471	State Grants to Reimburse Operators of Small Water Systems for Training & Certification Costs	83	—
66.472	Beach Monitoring & Notification Program Implementation Grant	285	261
66.474	Water Protection Grants to the States	19	—
66.500	Environmental Protection - Consolidated Research	20	—
66.502	Pesticides Control Research	70	—
66.605	Performance Partnership Grants	12,331	1,957
66.606	Surveys, Studies, Investigations, and Special Purpose Grants	1,382	34
66.607	Training & Fellowship for Environmental Protection Agency	142	122
66.608	Environmental Information Exchange Network Grant Program	194	77

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004
(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	\$ 97	—
66.707	TSCA Title IV State Lead Grants: Certification of Lead-Based Paint Professionals	315	30
66.708	Pollution Prevention Grants Program	26	—
66.709	Multi-Media Capacity Building Grants for States and Tribes	106	—
66.714	Pesticides Environmental Stewardship - Regional Grants	10	10
66.801	Hazardous Waste Management State Program Support	241	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site: Specific Cooperative Agreements	26,349	—
66.805	Leaking Underground Storage Tank Trust Fund Program	653	25
66.808	Solid Waste Management Assistance	5	—
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	8	—
66.817	State and Tribal Response Program Grants	45	—
	Total Environmental Protection Agency	126,411	79,498
	U.S. Department of Energy		
81.041	State Energy Program	2,064	729
81.042	Weatherization Assistance for Low-Income Persons	3,881	3,349
81.086	Conservation Research and Development	248	248
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance	2	2
81.119	State Energy Program Special Projects	66	66
81.ADM	Administration Costs Consolidations	(551)	—
81.PRF	Petroleum Overcharge Reimbursement Funds	1,504	1,500
	Total U.S. Department of Energy	7,214	5,894
	U.S. Department of Education		
84.002	Adult Education: State Grant Program	18,259	15,218
84.010	Title I Grants to Local Educational Agencies	283,922	280,875
84.011	Migrant Education: State Grant Program	2,168	2,059
84.013	Title I Program for Neglected and Delinquent Children	2,208	314
	<i>Special Education Cluster:</i>		
84.027	Special Education: Grants to States	268,393	251,042
84.173	Special Education – Preschool Grants	10,933	10,102
	Total Special Education Cluster	279,326	261,144
	<i>Student Financial Assistance Cluster</i>		
84.032	Federal Family Education Loans	1,136,399	—
84.048	Vocational Education: Basic Grants to States	23,909	20,499
84.069	Leveraging Educational Assistance Partnership	3,650	—
84.126	Rehabilitation Services: Vocational Rehabilitation Grants to States	47,897	18,546
84.169	Independent Living: State Grants	310	310
84.177	Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	714	714
84.181	Special Education: Grants for Infants and Families with Disabilities	11,709	10,545
84.184	Safe and Drug-Free Schools and Communities: National Programs	333	—
84.185	Byrd Honors Scholarships	1,097	—
84.186	Safe and Drug-Free Schools and Communities: State Grants	11,168	9,524
84.187	Supported Employment Services for Individuals with Severe Disabilities	1,024	1,024
84.194	Bilingual Education Support Services	4	—
84.196	Education for Homeless Children and Youth	1,298	1,107
84.213	Even Start: State Educational Agencies	4,488	4,188
84.215	Fund for the Improvement of Education	448	—
84.224	Assistive Technology	317	313
84.243	Tech-Prep Education	3,228	3,109
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit In-service Training	91	—
84.281	Eisenhower Professional Development State Grants	1,846	944
84.282	Charter Schools	1,447	1,308
84.287	Twenty-First Century Community Learning Centers	7,329	6,758
84.298	State Grants for Innovative Programs	11,033	9,577
84.318	Education Technology State Grants	13,645	13,112
84.323	Special Education: State Program Improvement Grants for Children with Disabilities	892	284

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004
(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
84.326	Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	\$ 259	—
84.330	Advanced Placement Program	158	—
84.331	Grants to States for Incarcerated Youth Offenders	474	—
84.332	Comprehensive School Reform Demonstration	7,612	7,191
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	2,009	1,777
84.336	Teacher Quality Enhancement Grants	701	426
84.340	Class Size Reduction	473	473
84.346	Vocational Education: Occupational and Employment Information State Grants	163	—
84.348	Title I Accountability Grant	206	206
84.352	School Renovation Grants	10,035	9,905
84.357	Reading First State Program	13,572	12,441
84.358	Rural Education (REAP)	46	44
84.365	English Language Acquisition Grants	13,472	12,917
84.366	Mathematics and Science Partnerships	3	—
84.367	Improving Teacher Quality State Grants	66,303	64,878
84.369	Grants for State Assessments and Related Activities	9,177	750
84.ADM	Adjustments Made on Adult Schedule	—	1,792
84.CON	Contractual Agreements-National Assess Education Program	132	—
84.UNA	DVRS Enhancement Program	—	13
	Total U.S. Department of Education	1,994,954	774,285
	U.S. Department of Health and Human Services		
93.003	Public Health and Social Services Emergency Fund	2,804	2,615
93.006	State & Territorial & Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	68	—
93.041	Special Programs for the Aging: Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect, and Exploitation	84	—
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	449	83
93.043	Special Programs for the Aging: Title III, Part D: Disease Prevention and Health Promotion Services	680	680
	<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers	10,013	10,013
93.045	Special Programs for the Aging: Title III, Part C: Nutrition Services	16,399	15,052
	Total Aging Cluster	26,412	25,065
93.052	Nation Caregiver Support Program	4,788	4,366
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	1,400	1,363
93.110	Maternal and Child Health Federal Consolidated Programs	162	—
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	4,994	3,662
93.116	Project Grants and Cooperative Agreements for Tuberculosis (nonmonetary)	150	—
93.127	Emergency Medical Services for Children	59	—
93.130	Primary Care Services: Resource Coordination and Development-Primary Care Offices	220	87
93.136	Injury Prevention and Control Research and State and Community Based Programs	2,252	1,846
93.142	NIEHS Hazardous Waste Worker Health and Safety Training	80	—
93.150	Projects for Assistance in Transition from Homelessness	1,476	1,417
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	2,666	2,476
93.161	Health Program for Toxic Substances and Disease Registry	285	—
93.165	Grants for State Loan Repayment	178	—
93.184	Disabilities Prevention	124	123
93.197	Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	731	481
93.206	Human Health Studies-Applied Research & Development	119	—
93.217	Family Planning Services	3,290	2,934
93.230	Consolidated Knowledge Development & Application Program	381	—
93.234	Traumatic Brain Injury: State Demonstration Grant Program	87	85
93.235	Abstinence Education	944	846
93.240	State Capacity Building	393	—
93.242	Mental Health Research Grants	79	—

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Year ended June 30, 2004
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		Expenditures	Passed through to subrecipients
93.243	Substance Abuse and Mental Health Services: Projects of Regional and National Significance	\$ 54	—
93.251	Universal Newborn Hearing Screening	121	77
93.256	State Planning Grant-Healthcare Access for the Uninsured	675	—
93.262	Occupational Safety and Health Research Grants	187	—
93.262	Occupational Safety and Health Research Grants - University of Iowa Agreement	48	—
93.268	Immunization Grants	6,743	1,962
93.268	Immunization Grants (nonmonetary)	22,786	—
93.283	Centers for Disease Control and Prevention: Investigations and Technical Assistance	26,460	10,584
93.283	Emergency Preparedness for Bioterrorism (nonmonetary)	460	—
93.399	Cancer Control	67	—
93.399	Third Party – Sloan Kettering Cancer Center	27	—
93.551	Abandoned Infants	474	473
93.556	Promoting Safe and Stable Families	10,025	10,023
93.558	Temporary Assistance for Needy Families	446,223	349,169
93.563	Child Support Enforcement	125,976	48,002
93.566	Refugee and Entrant Assistance: State Administered Programs	2,839	2,605
93.568	Low-Income Home Energy Assistance	85,569	44,134
93.569	Community Services Block Grant	16,714	15,625
93.571	Community Services Block Grant Formula and Discretionary Awards Community Food and Nutrition Programs	25	25
	<i>Child Care Cluster:</i>		
93.575	Child Care and Development Block Grant	49,039	47,056
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	62,568	60,659
	Total Child Care Cluster	111,607	107,715
93.576	Refugee and Entrant Assistance: Discretionary Grants	2,129	1,950
93.584	Refugee and Entrant Assistance: Targeted Assistance Program	36	36
93.586	State Court Improvement Program	444	—
93.590	Community-Based Family Resource & Support Grants	531	509
93.597	Grants to States for Access and Visitation Programs	173	—
93.599	Chafee Education and Training Vouchers Program (ETV)	630	630
93.600	Head Start	135	—
93.603	Adoption Incentive Payments	2,459	2,417
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,620	513
93.631	Developmental Disabilities Projects of National Significance	89	89
93.643	Children's Justice Grants to States	208	208
93.645	Child Welfare Services: State Grants	7,496	—
93.652	Adoption Opportunities	363	351
93.658	Foster Care: Title IV-E	53,917	—
93.659	Adoption Assistance	26,025	—
93.667	Social Services Block Grant	74,419	29,732
93.669	Child Abuse and Neglect State Grants	800	800
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters: Grants to States and Indian Tribes	2,591	2,591
93.674	Chafee Foster Care Independent Living	3,133	3,121
93.767	State Children's Insurance Program	214,082	204,343
93.768	Medicaid Infrastructure Grants – To Support the Competitive Employment of People With Disabilities	325	62
	<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	1,815	—
93.777	State Survey and Certification of Health Care Providers and Suppliers	7,899	—
93.778	Medical Assistance Program	4,303,956	3,399,446
	Total Medicaid Cluster	4,313,670	3,399,446
93.779	Centers For Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	923	625
93.865	Child Health and Human Development Extramural Research	77	—
93.913	Grants to States for Operation of Offices of Rural Health	150	150

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004
(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
	<i>HIV Cluster</i>		
93.914	HIV Emergency Relief Project Grants - Third Party - Philadelphia City Aids	\$ 2,381	—
93.917	HIV Care Formula Grants	43,471	40,359
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	2	—
93.926	Healthy Start Initiative	500	492
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	235	—
93.940	HIV Prevention Activities: Health Department Based	15,466	9,700
93.941	HIV Demonstration, Research, Public, and Professional Education Projects	973	761
93.942	Research, Treatment, and Education Programs on Lyme Disease in the United States	309	210
93.944	Human Immunodeficiency Virus Acquired Immunodeficiency Virus Syndrome Surveillance	4,760	624
93.958	Block Grants for Community Mental Health Services	10,871	10,437
93.959	Block Grants for Prevention and Treatment of Substance Abuse	55,699	46,506
93.977	Preventive Health Services: Sexually Transmitted Diseases Control Grants	2,950	329
93.977	Preventative Health Services Sexually Transmitted Diseases Control Grants (nonmonetary)	369	—
93.982	Mental Health Disaster Assistance & Emergency Mental Health	1,732	1,365
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	268	—
93.991	Preventive Health and Health Services Block Grant	3,811	1,418
93.994	Maternal and Child Health Services Block Grant to the States	13,302	7,062
93.CON	Contractual Agreement-Vital Statistics Grant	1,807	—
93.UNA	Federal Civil Monetary Penalties	15	—
	Total U.S. Department of Health and Human Services	5,777,781	4,405,359
	Corporation for National and Community Service		
94.003	State Commissions	305	—
94.004	Learn and Serve America: School and Community Based Programs	374	243
94.006	AmeriCorps	1,228	883
94.007	Planning & Program Development Grants	75	—
94.009	Training & Technical Assistance	110	—
	<i>Foster Grandparents/Senior Companion Cluster:</i>		
94.011	Foster Grandparent Program	402	—
	Total Corporation for National and Community Service	2,494	1,126
	Social Security Administration		
	<i>Disability Insurance/SSI Cluster:</i>		
96.001	Social Security: Disability Insurance	43,599	645
96.UNA	Unassigned Catalog Number	27	—
	Total Social Security Administration	43,626	645
	U.S. Department of Homeland Security		
	<i>Preparedness Equipment Support Cluster</i>		
97.004	State Domestic Preparedness Equipment Support Program	13,163	6,379
	<i>Urban Areas Security Cluster</i>		
97.008	Urban Areas Security Initiative	14	14
	<i>Boating Safety Financial Cluster</i>		
97.012	Boating Safety Financial Assistance	907	—
	<i>Flood Mitigation Cluster</i>		
97.029	Flood Mitigation Assistance	56	39
	<i>Public Assistance Grants Cluster</i>		
97.036	Public Assistance Grants	26,700	—
	<i>First Responder Cluster</i>		
97.038	First Responder Counter-Terrorism Training Assistance	34	—
	<i>National Dam Safety Cluster</i>		
97.041	National Dam Safety Program	93	—

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004
(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
	<i>Emergency Management Performance Cluster</i>		
97.042	Emergency Management Performance Grants	\$ 3,661	1,569
	<i>Pre-Disaster Mitigation Cluster</i>		
97.047	Pre-Disaster Mitigation	5	—
	<i>All Hazards Emergency Cluster</i>		
97.051	State and Local All Hazards Emergency Operations Planning	2,158	—
	<i>Emergency Operations Centers Cluster</i>		
97.052	Emergency Operations Centers	50	—
	<i>Citizen Corps Cluster</i>		
97.053	Citizen Corps	508	396
	<i>CERT Cluster</i>		
97.054	Community Emergency Response Teams	206	—
97.056	Port Security Grant Program	752	—
	Total U.S. Department of Homeland Security	48,307	8,397
	Totals	\$ 12,651,259	5,708,658

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

STATE OF NEW JERSEY

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(1) Basis of Presentation

(a) *Reporting Entity*

The Schedule of Expenditures of Federal Awards includes all federal award programs administered by the State of New Jersey except for component units for the fiscal year ended June 30, 2004. The State of New Jersey financial reporting entity is described in note 1B of the State's basic financial statements. Accordingly, the accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal awards programs administered by the State of New Jersey (the State), as defined above, for the year ended June 30, 2004.

(b) *Federal Family Education Loan Program*

The State of New Jersey administers the Federal Family Education Loan Program (FFELP). During the fiscal year ended June 30, 2004 new loans guaranteed amounted to approximately \$1,081,899,000, loans repurchased during the year amounted to approximately \$38,406,000, and administrative costs amounted to approximately \$16,094,000 and are included in the accompanying schedule. The principal outstanding for guaranteed loans at June 30, 2004 was \$3,559,010,000. The loans guaranteed under the FFELP in previous years are not included in the accompanying Schedule.

(c) *Federal Awards Programs Numbers*

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

(2) Basis of Accounting

(a) *General*

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

(b) *Highway Planning and Construction Program*

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

(c) *Nonmonetary Federal Awards*

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

(3) Matching Costs

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

STATE OF NEW JERSEY

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(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 adverse effect on the Schedule of Expenditures of Federal Awards.

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 of Expenditures of Federal Awards.



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

The Governor
State of New Jersey:

Compliance

We have audited the compliance of the State of New Jersey (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended June 30, 2004, except those requirements discussed later in this paragraph. We did not audit the State's compliance with the eligibility compliance requirements applicable to CFDA 93.568, Low Income Home Energy Assistance Program and CFDA 93.775, 93.777 and 93.778, Medicaid Cluster as described in the accompanying schedule of findings and questioned costs as items 04-19 and 04-20. The State's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The Schedule of Expenditures of Federal Awards and our audit described below 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 are required to have their own independent audits in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

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

Qualifications

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

State Administering Agency	Federal program	Compliance requirement	Finding number
Department of Human Services	Foster Care – Title-IV-E/ Adoption Assistance	Reporting	04-3
Department of Human Services	Foster Care – Title-IV-E	Eligibility	04-5
Department of Human Services	Adoption Assistance	Allowability and Eligibility	04-6
Department of Human Services	Foster Care – Title-IV-E	Equipment	04-8
Department of Human Services	Foster Care – Title-IV-E/ Adoption Assistance/ Social Services Block Grant	Allowable costs	04-9
Department of Human Services	Social Services Block Grant	Allowability and Reporting	04-11
Department of Human Services	Rehabilitation Services: Vocational Rehabilitation Grants to States/ Temporary Assistance for Needy Families/ Child Support Enforcement/ Low Income Home Energy Assistance Program/ Foster Care – Title-IV-E/ Adoption Assistance/ Social Services Block Grant/ State Children's Insurance Program/ State Medicaid Fraud Control Units/ State Survey and Certification of Health Providers and Suppliers/ Medical Assistance Program	Allowable costs	04-14
Department of Human Services	Child Support Enforcement	Reporting	04-18
Department of Community Affairs Public Safety/ Department	Community Services Block Grant	Subrecipient Monitoring	04-21
Department of Human Services	State Children's Insurance Program	Eligibility	04-22
Department of Law and Public Safety	Highway Traffic Safety Cluster	Allowability	04-32
Department of Health and Senior Services	Immunization Grants	Special Tests and Provisions	04-39
Department of Health and Senior Services	Immunization Grants	Special Tests and Provisions and Subrecipient Monitoring	04-40
Department of Community Affairs	Community Services Block Grant	Reporting	04-44, 04-45

In our opinion, except for the noncompliance described in the preceding table, and except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the State's compliance with the requirements discussed in the first paragraph, the State of New Jersey complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items: 04-1, 04-2, 04-4, 04-7, 04-10, 04-16, 04-17, 04-24, 04-25, 04-26, 04-27, 04-28, 04-29, 04-30, 04-31, 04-33, 04-34, 04-35, 04-36, 04-37, 04-38, 04-41, 04-42, 04-46, 04-47, and 04-48.

Internal Control over Compliance

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

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major Federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items: 04-1, 04-2, 04-3, 04-5, 04-6, 04-7, 04-8, 04-9, 04-10, 04-11, 04-12, 04-13, 04-14, 04-15, 04-18, 04-21, 04-22, 04-23, 04-24, 04-25, 04-26, 04-27, 04-28, 04-29, 04-30, 04-31, 04-32, 04-33, 04-34, 04-35, 04-36, 04-37, 04-38, 04-39, 04-40, 04-42, 04-43, 04-44, 04-45, 04-46, 04-47, and 04-48.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items: 04-3, 04-5, 04-6, 04-8, 04-9, 04-11, 04-14, 04-18, 04-21, 04-22, 04-32, 04-39, 04-40, 04-44, and 04-45 to be material weaknesses.

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

KPMG LLP

October 28, 2005

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

(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, 2004.
- (b) The audit by the State Auditor, State of New Jersey disclosed no material weaknesses and no reportable conditions were reported in connection with the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2004.
- (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, 2004.

Single Audit

- (d) This audit of Federal financial assistance disclosed material weaknesses and reportable conditions which were reported in connection with major Federal programs of the State of New Jersey for the year ended June 30, 2004.
- (e) A disclaimer of opinion was issued on the State of New Jersey's compliance with the eligibility requirements applicable to Low Income Home Energy Assistance Program and Medicaid Cluster. A qualified opinion was issued on the State of New Jersey's compliance with its major Federal programs for the year ended June 30, 2004, for Rehabilitation Services: Vocational Rehabilitation Grants to States, Temporary Assistance for Needy Families, Child Support Enforcement, Low Income Home Energy Assistance Program, Foster Care – Title IV-E, Adoption Assistance, Social Services Block Grant, State Children's Insurance Program, State Medicaid Fraud Control Units, State Survey and Certification of Health Care Providers and Suppliers, Medical Assistance Program, Highway Traffic Safety Cluster, Immunization Grants, and Community Services Block Grant.
- (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, 2004.
- (g) The major Federal programs of the State of New Jersey for the year ended June 30, 2004 were as follows:

U.S. Department of Agriculture:

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

U.S. Department of Housing and Urban Development:

- Section 8 Cluster (14.871)

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

U.S. Department of Labor:

- Employment Services Cluster (17.207, 17.801, 17.804)
- Workforce Investment Act Cluster (17.258, 17.260)

U.S. Department of Energy:

- Weatherization Assistance for Low-Income Persons (81.042)

U.S. Department of Education:

- Federal Family Education Loans (84.032)
- Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)

U.S. Department of Health and Human Services:

- Immunization Grants (93.268)
- Temporary Assistance for Needy Families (93.558)
- Child Support Enforcement (93.563)
- Low-Income Home Energy Assistance (93.568)
- Community Services Block Grant (93.569)
- Foster Care-Title IV-E (93.658)
- Adoption Assistance (93.659)
- Social Services Block Grant (93.667)
- State Children's Insurance Program (93.767)
- Aging Cluster (93.044, 93.045)
- Medicaid Cluster (93.775, 93.777, 93.778)
- Block Grants for Prevention and Treatment of Substance Abuse (93.959)

U.S. Department of Transportation:

- Highway Planning and Construction Cluster (20.205)
- Highway Traffic Safety Cluster (20.600, 20.601, 20.604)

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Social Security Administration:

- Disability Insurance/SSI Cluster (96.001)

U.S. Department of Homeland Security:

- Preparedness Equipment Support Cluster (97.004)
- Public Assistance Grants (97.036)
- Emergency Management Performance Grants (97.042)

(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, 2004.

(i) The State of New Jersey did not qualify as a low risk auditee for the year ended June 30, 2004.

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

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

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

See appendix of findings items 04-1 to 04-48.

APPENDIX OF FINDINGS

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Education

Finding: 04-1

Criteria

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

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

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

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

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

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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, the Commission for the Blind and Visually Impaired (CBVI) was unable to provide documentation verifying the eligibility of two clients.

A similar finding was noted in the 2003 prior year single audit report as item 03-2.

Cause

The Department misplaced some files.

Effect

Payments may have been made on behalf of ineligible clients for services received during State fiscal year 2004.

Recommendation

We recommend that the Department ensure that the required eligibility documentation is maintained.

Related Noncompliance

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

Questioned Costs

The amount expended for the two clients was \$2,768.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Education

Finding: 04-2

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.

Condition

For five of the thirty procurements, the Department did not perform price competition procedures.

A similar finding was noted in the 2003 and 2002 prior year single audit reports as items 03-1 and 02-1, respectively.

Cause

Case workers procured items without following proper procurement procedures.

Effect

The purchases made may not have been priced competitively.

Recommendation

We recommend that the Department perform price competition procedures, as described in Procurement Circular 00-13-DPP, on all procurements

Related Noncompliance

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

Questioned Costs

The amount expended for the five procurements was \$20,982.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Foster Care – Title IV-E (93.658)

Adoption Assistance (93.659)

State Agency: Department of Human Services

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

Finding: 04-3

Criteria

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

Condition

The Office of Management and Budget, NJ Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system. The Department of Human Services prepares the Federal financial status reports (FFSR's) for the various programs from various sources, which include the Division Cost Allocation Plan, and others. The Department of Human Services does not routinely reconcile the amounts reported on the FFSR's to the underlying financial records of the State.

During our testwork, the FFSR's were used to test the accuracy of the Federal share of expenses. In comparing the amounts reported on the SEFA with amounts shown on FFSR's for the programs listed above, we noted that amounts per the SEFA did not agree to amounts shown on the FFSR's and could not be reconciled by the Department. These differences are as follows:

CFDA number		SEFA	FFSR's	Difference
93.658	\$	53,917,375	59,001,774	5,084,399
93.659		26,024,794	27,036,729	1,011,935

A similar finding was noted in the 2003, 2002, 2001, and 2000 prior year single audit reports as items 03-20, 02-15, 01-17, and 00-2, respectively.

Cause

The expenditures charged to the programs by the Department on the FFSR's are not routinely reconciled to the amounts reported on the SEFA, which are supported by the underlying financial records.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Effect

The expenditures reported on the FFSR's may not be supported by the State's underlying financial records.

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.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Foster Care – Title IV-E (93.658)

Adoption Assistance (93.659)

State Agency: Department of Human Services

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

Finding: 04-4

Criteria

ACF-IV-E-1, *Foster Care and Adoption Assistance Financial Report (OMB No. 0970-0205)* – States report current expenditures for the previous quarter. States may also report adjustments to prior quarter costs for the prior two years.

Condition

The ACF-IV-E-1 report for the quarter ended March 31, 2004 was submitted 79 days late.

A similar finding was noted in the 2003 and 2002 prior year single audit reports as items 03-12 and 02-10, respectively.

Cause

Late submission of the reports was due to personnel changes at the Division level and to ensure the report was accurate prior to its submission.

Effect

Report not submitted within the required timeframes.

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, 2004

Foster Care – Title IV-E (93.658)

State Agency: Department of Human Services

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

Finding: 04-5

Criteria

Foster Care benefits may be paid on behalf of a child only if all of the following requirements are met:

- a. Foster Care maintenance payments are allowable only if the foster child was removed from his or her home by means of a judicial determination or pursuant to a voluntary placement agreement, as defined in 42 USC 672(f) (42 USC 672(a) and 45 CFR 1356.21).
- (1) Judicial Determination
 - (a) Contrary to the welfare determination – If the removal was by judicial determination, the first court ruling that sanctions (even temporarily) the removal of a child from the home of a specified relative must contain language to the effect that remaining at home would be contrary to the child's welfare. If the determination regarding contrary to the welfare is not made in the first court ruling pertaining to the removal from the home, the child is not eligible for Foster Care maintenance payments for the duration of that stay in Foster Care (45 CFR Section 1356.21(c)).
 - (b) Removal from home of a specified relative – Within 60 days from the date of the removal from home pursuant to 45 CFR 1356.21(k)(ii), there must be a judicial determination as to whether reasonable efforts were made, or were not required to prevent the removal (e.g., child subjected to aggravated circumstances such as abandonment, torture, chronic abuse, sexual abuse, parent convicted of murder or voluntary manslaughter or aiding or abetting in such activities). If the determination regarding reasonable efforts to prevent removal is not made, the child is not eligible for Foster Care maintenance payments for the duration of that stay in Foster Care (45 CFR 1356.21(b)(1) and (k)).
 - (c) Permanency plan – A judicial determination regarding reasonable efforts to finalize the permanency plan must be made within 12 months of the date on which the child is considered to have entered Foster Care and at least once every 12 months thereafter while the child is in Foster Care. If a judicial determination regarding reasonable efforts to finalize a permanency plan is not made within this timeframe, the child is ineligible at the end of the 12th month from the date the child was considered to have entered Foster Care or at the end of the month in which the subsequent judicial determination of reasonable efforts was due, and the child remains ineligible until such a judicial determination is made (45 CFR 1356.21(b)(2)).
 - (i) Prior to March 27, 2000 – For a child who entered Foster Care on or before March 27, 2000, the judicial determination of reasonable efforts to finalize the permanency plan must be made no later than March 27, 2001, because such child will have been in care for 12 months or longer (January 25, 2000, Federal Register (65 FR 4020)).

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- (ii) After March 27, 2000 – For a child who enters care after March 27, 2000, the judicial determination of reasonable efforts to finalize the permanency plan must be made no later than 12 months from the date the child is considered to have entered Foster Care (January 25, 2000, Federal Register (65 FR 4020)).
- (2) If the removal was by a voluntary placement agreement, it must be followed within 180 days by a judicial determination to the effect that such placement is in the best interests of the child (42 USC 672(e); and 45 CFR Section 1356.30(b)).
 - b. The child's placement and care are the responsibility of either the State agency administering the approved Title IV-E plan or any other public agency under a valid agreement with the cognizant State agency (42 USC 672(a)(2)).
 - c. A child must meet the eligibility requirements of the former Aid to Families with Dependent Children (AFDC) program (i.e., meet the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act).

Condition

Of the thirty children (fifteen voluntary and fifteen involuntary) selected for testwork, we found the following exceptions in twenty-seven cases:

- five cases, per the SIS printout, indicated the child's placement was voluntary, but review of the child's case file indicated involuntary placement;
- one case, per the SIS printout, indicated the child's placement was involuntary, but review of the child's case file indicated voluntary placement;
- sixteen case files did not contain a IV-E eligibility determination/redetermination form for State fiscal year 2004;
- one case file did not contain the Permanency Plan;
- five cases had Permanency Plans which were not finalized within the 12 month requirement period;
- three Permanency Plans were not signed by a judge;
- six cases did not have CPR information in the Title IV-E folder;
- one case did not have any evidence of CPR review;
- twelve cases did not have Title IV-E folders;
- five cases were not at the respective county's Foster Care unit, instead the cases were at the Adoption Assistance North Arc location;
- two cases had Court Orders removing the child from the home that were not signed by a judge;
- two cases did not have Court Orders removing the child from the home;
- two voluntary cases did not have the fifteen day consent form;

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- two cases did not have the Notice of Placement;
- one case did not have the Foster Care Identification letter;
- two cases did not have the Foster Care Identification letter signed;
- two cases did not have the Court Order to Show Cause signed;
- one case had the Final Court Determination order in the family case file instead of in the Title IV-E case file;
- one case had Permanency Plan which did not use the language “reasonable efforts”;
- four cases could not be provided or located by the respective DYFS local office;
- five cases had no documentation in the file to support the foster home/child care institution was licensed by the DYFS Bureau of Licensing;
- one case the Foster Care Identification Letter that did not match the SIS printout in regards to child's care provider;
- seventeen cases did not contain the appropriate documentation/forms in the Title IV-E case file. As such, we had to obtain the child's family case file to get the required documentations /forms to access whether the child met the eligibility requirements.

The total payments made in connection with the cases referred to above for the year ended June 30, 2004 was \$84,821.

A similar finding was noted in the 2003, 2002, 2001, and 2000 prior year single audit reports as items 03-10, 02-9, 01-12, and 00-21, respectively.

Cause

Case files lacked the necessary documentation, i.e., voluntary agreement, judicial determination, IV-E eligibility form, due to improper filing.

Effect

Payments were made to foster parents and foster care provider facilities for ineligible children.

Recommendation

The Department should ensure that the Title IV-E case files are complete and accurate for proper eligibility determination.

Related Noncompliance

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

Questioned Costs

\$84,821

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Adoption Assistance (93.659)

State Agency: Department of Human Services

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

Finding: 04-6

Criteria

Eligibility

Adoption assistance subsidy payments may be paid on behalf of a child only if all of the following requirements are met:

- The child is Title IV-E foster care eligible; is eligible for the former Aid to Families with Dependent Children (AFDC) program (i.e., meet the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act); or is eligible for SSI (42 USC 673(a)(2)(A)).
- The child was determined by the State to be a child with special needs (42 USC 673(c)).
- The State has made reasonable efforts to place the child for adoption without a subsidy (42 USC 673(c)).
- 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)).

Activities Allowed / Unallowed

- Adoption Assistance Subsidies – Funds may be expended for adoption assistance agreement subsidy payments, in accordance with the State's foster care maintenance payment rate schedule; administrative payments for expenses associated with placing children in adoption; and training of professional staff and parents involved in adoptions. Subsidy payments are made to adoptive parents based on the need of the child and the circumstances of the adopting parents (42 USC 673(a)(2)). Adoption assistance subsidy payments cannot exceed the foster care maintenance payment the child would have received in a foster family home; however, the amount of the subsidy payments may be up to 100 percent of the foster care maintenance payment rate (42 USC 673(a)(3)).
- Administrative Costs
 - a. Program Administration – Funds may be expended for costs directly related to the administration of the program. State cost allocation plans will identify which costs are allocated and claimed under this program (45 CFR Section 1356.60(c)).
 - b. Nonrecurring Costs – Funds may be expended by a State under an adoption assistance agreement for nonrecurring expenses (45 CFR Section 1356.41). Nonrecurring adoption expenses are defined as reasonable and necessary adoption fees, court costs, attorney fees and other expenses that are directly related to the legal adoption of a child with special needs. Other expenses may include those costs of adoption incurred by or on behalf of the adoptive parents, such as, the adoption study, health

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

and psychological examination, supervision of the placement prior to adoption, transportation and the reasonable costs of lodging and food for the child and/or the adoptive parents when necessary to complete the placement or adoptions process (45 CFR Section 1356.41).

- Training
 - a. Funds may be expended for short-term training of current or prospective adoptive parents and members of staff of State-licensed or State-approved child care institutions (including travel and per diem) at the initiation of or during their provision of care (42 USC 674(a)(3)(B) and 45 CFR Section 1356.60(c)(4)).
 - b. Funds may be expended for training (including both short- and long-term training at educational institutions through grants to such institutions or by direct financial assistance to students enrolled in such institutions) of personnel employed or preparing for employment by the agency administering the plan (42 USC 674(a)(3)(A)).

Condition

Of the thirty cases selected for testwork, we found the following exceptions in the thirty cases:

- three cases did not have the Determination of Eligibility for Subsidy;
- three cases did not have Determination of Eligibility for Subsidy and Initial Agreement for Subsidy;
- twelve cases did not have IV-E determination;
- fifteen cases had the IV-E determinations completed after the finalized adoption date;
- one case had the IV-E determination but the determination of eligibility in accordance with Federal standards was not determined;
- two cases had IV-E determinations that stated the child was not eligible for non-recurring or full adoption assistance;
- one case had the Adoption Subsidy Agreements finalized after the adoption date;
- four cases did not have the current fiscal year ended or consecutive proceeding fiscal year Subsidy Agreement Renewals;
- one case did not have documentation indicating the child's special needs;
- four cases that did not have the Initial Agreement for Subsidy;
- three cases that did not contain the Determination of Eligibility for Subsidy; and
- two case files could not be provided.

The total payments made in connection with the cases referred to above for the year ended June 30, 2004 was \$92,370.

A similar finding was noted in the 2003, 2002, 2001 and 2000 prior year single audit reports as items 03-13, 02-11, 01-13 and 00-22, respectively.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Cause

There is a lack of controls at the Adoption Resource Centers' requiring signed documentation and proper filing of documents.

Effect

Claims are made to the Federal Government for children that are not Title IV-E eligible or whom Adoption Subsidy Agreements may not have been completed and signed prior to the finalization of the adoption decree.

Recommendation

We recommend that the Department ensure the required documentation is maintained and strengthen internal controls over the system for entering eligibility.

Related Noncompliance

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

Questioned Costs

\$92,370

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Foster Care – Title IV-E (93.658)

State Agency: Department of Human Services

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

Finding: 04-7

Criteria

Activities Allowed

- a. Funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the State's Foster Care maintenance payment rate schedule, to individuals serving as foster family homes, to child-care institutions, or to public or non-profit child-placement or child-care agencies. Such payments may include the cost of (and the cost of providing, including the associated administrative and operating costs of an institution) food, clothing, shelter, daily supervision, school supplies, personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation (42 USC 672(b)(1) and (2), (c)(2), and 675(4)).
- b. Funds may be expended for training (including both short and long-term training at educational institutions through grants to such institutions or by direct financial assistance to students enrolled in such institutions) of personnel employed or preparing for employment by the agency administering the plan (42 USC 674(a)(3)(A)).
- c. Funds may be expended for short-term training, including associated travel and per diem, of foster parents and staff of licensed or approved child-care institutions at the initiation of or during their period of care (45 CFR Section 1356.60(c)(4)).
- d. Funds may be expended for costs directly related to the administration of the program, including those associated with eligibility determination and redetermination; referral to services; placement; preparation for and participation in hearings and appeals; rate setting; recruitment and licensing of foster homes and institutions; and a proportionate share of related agency overhead (45 CFR Section 1356.60(c)).
- e. With any required ACF approval, funds may be expended for costs related to design, implementation and operation of a State-wide data collection system (45 CFR sections 1356.60(d) and 95.611)).

Condition

One of three manual K-100 payment forms was not supported by a related invoice. For the three K-100 payments, all three children had closed cases and were therefore not IV-E eligible.

Cause

Payment form lacked the necessary documentation, i.e., supporting invoice for therapy services. Case files were all closed before fiscal year 2004.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Effect

Payment was made to foster care provider without a related invoice. Payments were made on behalf of foster children with closed cases.

Recommendation

The Department should ensure that the manual K-100 payments are supported by related documentation. Additionally, the Department should ensure payments are made on behalf of eligible children.

Related Noncompliance

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

Questioned Costs

\$1,287

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Foster Care – Title IV-E (93.658)

State Agency: Department of Human Services

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

Finding: 04-8

Criteria

Equipment that is capitalized and depreciated or is claimed in the period acquired and charged to more than one program is subject to 45 CDFR Section 95.707 (b) in lieu of the requirements of the A-102 Common Rule.

Condition

The Department of Human Services, Division of Youth and Family Services could not provide supporting documentation for equipment expenditures of \$3,252,325 for the fiscal year ended June 30, 2004.

Cause

Supporting documentation was not provided by the Department.

Effect

The equipment expenditures may not be appropriately reported and claimed.

Recommendation

We recommend that the Division maintain records and supporting documentation for the equipment expenditures.

Related Noncompliance

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

Questioned Costs

\$3,252,325

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Foster Care – Title IV-E (93.658)

Adoption Assistance (93.659)

Social Services Block Grant (93.667)

State Agency: Department of Human Services

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

Finding: 04-9

Criteria

The general criteria affecting allowability of costs under Federal awards are:

- *Reasonable and Necessary* – Costs must be reasonable and necessary for the performance and administration of Federal awards.
- *Allocable* – Costs must be allocable to the Federal awards under the provisions of the cost principles or CASB Standards, as applicable. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such cost objective in accordance with relative benefits received.
- *Consistency* – Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances. 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 was allocated to the Federal award as an indirect cost.
- *Conformity to Laws, Regulations and Sponsored Agreements* – Costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements, or other governing regulations as to types or amounts of cost items.
- *Transactions that Reduce or Offset Direct or Indirect Costs* – Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. Examples of such transactions include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments for overpayments or erroneous charges.
- *Costs Documentation* – Costs must be documented in accordance with OMB Circular A-110 for non-profit organizations and institutions of higher education or the A-102 Common Rule for State, local and Indian tribal governments.

Condition

- Two of the nine payment vouchers samples were processed for approval by the payee, receiving agency and an approving officer after the payment date.
- One out of fifteen timesheet samples had evidence of signature and authorization by the employee and timekeeper but did not have the appropriate supervisor signature.
- Supporting documentation for three out of fifteen timesheets indicated employees were not working in the cost center indicated on the cost allocation plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- One was assigned to cost center #406, function 02 per supporting documentation, and reported in cost center #471, function 06 per the cost allocation plan.
- One was assigned to cost center #780, Vineland Residential Center, function 24 per supporting documentation, and reported in cost center #705, function 17 per the cost allocation plan.
- One assigned to cost center #562 Newark Local Office, function 05 per supporting documentation, and reported in cost center #505, function 17 per the cost allocation plan.

Cause

There is a lack of controls requiring signed documentation and proper filing of documents.

Effect

Personal service expenditures were not accurately allocated in the cost allocation plan and did not contain proper approvals. Other than personal service expenditures did not contain proper approvals prior to payment.

Recommendation

The Department should ensure supporting expenditure schedules are properly entered into the cost allocation plan. We further recommend that the Department ensure the required documentation is maintained and strengthen internal controls over obtaining proper authorization of personal services and other than personal services expenditures prior to payment.

Related Noncompliance

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

Questioned Costs

\$72,929

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Social Services Block Grant (93.667)

State Agency: Department of Human Services

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

Finding: 04-10

Criteria

SSBG funds must be expended by the State in the fiscal year allotted or in the succeeding fiscal year (42 USC1397a(c)).

Condition

The State did not comply with the period of availability requirement as other agencies with in the State of New Jersey expended funds related to the program during State fiscal year 2004, which were appropriated in fiscal year 2001, without the knowledge of the Central Office within the Department of Human Services. The expenditures made outside of the period of availability totaled \$3,882.

A similar finding was noted in the 2003 prior year single audit report as item 03-18.

Cause

Various agencies within the State of New Jersey expend funds for this program while the reporting requirements and monitoring of compliance is performed by Central Office within the Department of Human Services. The Department of Human Services was not aware of the payments made by the other agencies.

Effect

The expenditures were not made within the period of availability.

Recommendation

We recommend that the Department of Human Services implement channels of communication with other agencies that are expending Social Services Block Grant Funds to ensure all costs incurred are within the period of availability of the funding source prior to their expenditure.

Related Noncompliance

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

Questioned Costs

\$3,882

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Social Services Block Grant (93.667)

State Agency: Department of Human Services

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

Finding: 04-11

Criteria

Activities Allowed or Unallowed

1. Services provided with SSBG funds may include, but are not limited to, child care services, protective services for children and adults, services for children and adults in foster care, services related to the management and maintenance of the home, day care services for adults, transportation services, family planning services, training and related services, employment services, information, referral, counseling services, the preparation and delivery of meals, health support services, and appropriate combinations of services designed to meet the special needs of children, the aged, the mentally retarded, the blind, the emotionally disturbed, the physically handicapped, and alcoholics and drug addicts (42 USC 1397a(a)). Uniform definitions for these services are included in Appendix A to 45 CFR part 96 - Uniform Definitions of Services.

Expenditures for these services may include expenditures for administration, including planning and evaluation, personnel training and retraining directly related to the provision of those services (including both short- and long-term training at educational institutions), and conferences and workshops, and assistance to individuals participating in such activities (42 USC 1397a(a)).

2. A State may purchase technical assistance from public or private entities if the State determines that such assistance is required in developing, implementing, or administering the SSBG program (42 USC 1397a(e)).
3. A State may transfer up to 10 percent of its annual allotment to the following block grants for support of health services, health promotion and disease prevention activities, low-income home energy assistance, or any combination of these activities: Preventive Health and Health Services Block Grant (CFDA 93.991); Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959); Maternal and Child Health Services Block Grant to the States (CFDA 93.994); Low-Income Home Energy Assistance (CFDA 93.568); Temporary Assistance for Needy Families (CFDA 93.558); Child Care and Development Fund (CFDA 93.575 and 93.596); and Community Services Block Grant (93.569) (42 USC 1397a(d); 45 CFR section 96.72).
4. Funds may not be used for:
 - a. Purchase or improvement of land, or the purchase, construction, or permanent improvement (other than minor remodeling) of any facility (unless the restriction is waived by ACF) (42 USC 1397(d)(a)(1)).
 - b. Cash payments for costs of subsistence or for the provision of room and board (other than costs of subsistence during rehabilitation, room and board provided for a short term as an integral but

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- subordinate part of a social service, or temporary shelter provided as a protective service) (42 USC 1397(d)(a)(2)).
- c. Wages of any individual as a social service (other than payment of wages of Temporary Assistance for Needy Families (TANF) ([CFDA 93.558](#)) recipients employed in the provision of child day care services) (42 USC 1397(d)(a)(3)).
 - d. Medical care (other than family planning services, rehabilitation services, or initial detoxification of an alcoholic or drug-dependent individual) unless it is an integral but subordinate part of an allowable social service under SSBG (unless the restriction is waived by ACF) (42 USC 1397(d)(a)(4)).
 - e. Social services (except services to an alcoholic or drug-dependent individual or rehabilitation services) provided in and by employees of any hospital, skilled nursing facility, intermediate care facility, or prison, to any individual living in such institution (42 USC 1397(d)(a)(5)).
 - f. The provision of any educational service that the State makes generally available to its residents without cost and without regard to their income (42 USC 1397(d)(a)(6)).
 - g. Any child day care services unless such services meet applicable standards of State and local law (42 USC 1397(d)(a)(7)).
 - h. The provision of cash payments as a service (this limitation does not apply to payments to individuals with respect to training or attendance at conferences or workshops) (42 USC 1397(d)(a)(8)).
 - i. Any item or service (other than an emergency item of service) furnished by an entity, physician, or other individual during the period of exclusion from reimbursement by various provisions of Federal regulations (42 USC 1397(d)(a)(9)).

Reporting

Per 45 CFR Section 96.3, a Post-Expenditure report is required to be submitted to the federal government within 90 days after the close of the applicable statutory grant period. This report is required to contain information about the sources of funding for the Social Services Block Grant (SSBG) program and the specific programs that utilized SSBG funds during the applicable statutory grant period.

Condition

The Department reported expenditures for administrative costs of \$12,547,131 in the post-expenditure report submitted for the reporting period July 1, 2003 to June 30, 2004. However, support provided indicated the amount expended per the New Jersey Comprehensive Financial System was \$11,476,131. The remaining amount of \$1,071,000 was uncommitted as of the reporting date.

Cause

The various Departments and State of New Jersey agencies that spend funds under the program reported uncommitted funds as expended for the post-expenditure report.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Effect

Unspent funds were reported as expended in the post-expenditure report.

Recommendation

We recommend that the Department strengthen its procedures to ensure that the amounts reported for the post-expenditure report are adequately supported.

Related Noncompliance

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

Questioned Costs

\$1,071,000

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Social Services Block Grant (93.667)

State Agency: Department of Human Services

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

Finding: 04-12

Criteria

Services provided with SSBG funds may include, but are not limited to, child care services, protective services for children and adults, services for children and adults in foster care, services related to the management and maintenance of the home, day care services for adults, transportation services, family planning services, training and related services, employment services, information, referral, counseling services, the preparation and delivery of meals, health support services and appropriate combinations of services designed to meet the special needs of children, the aged, the mentally retarded, the blind, the emotionally disturbed, the physically handicapped, and alcoholics and drug addicts (42 USC 1397a(a)). Uniform definitions for these services are included in Appendix A to 45 CFR part 96 – Uniform Definitions of Services.

Expenditures for these services may include expenditures for administration, including planning and evaluation, personnel training and retraining directly related to the provision of those services (including both short- and long-term training at educational institutions), and conferences and workshops and assistance to individuals participating in such activities (42 USC 1397a(a)).

Condition

For one of twelve timesheets selected the cost center charged in the cost allocation plan did not agree to the cost center indicated on the employee's timesheet.

Cause

The cost allocation plan did not have the proper cost center where an employee actually worked.

Effect

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

Recommendation

The Department should ensure that employee time is being allocated and charged to the proper cost center in the cost allocation plan.

Related Noncompliance

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

Questioned Costs

\$16,687

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Social Services Block Grant (93.667)

State Agency: Department of Human Services

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

Finding: 04-13

Criteria

A pass-through entity is responsible for:

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

During-the-Award Monitoring

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

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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

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

Agreed-upon procedures engagements

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

Condition

The Department of Human Services is the State cognizant Department that has the responsibility to ensure the timely receipt of quality single audit reports from certain grant recipients to which they provide a majority of funding. Additional responsibilities include performance of desk reviews of single audit reports, ensuring that the audit exceptions are resolved, confirmation of independent audit organization external quality control reviews (QCRs), and communication of the results of the desk reviews and QCRs to the Office of Management and Budget, NJ Department of Treasury.

Our testwork indicated that there was no evidence of a desk review performed for one subrecipient selected for testwork. It was also noted that the Department did not perform adequate follow-up procedures for the late submission for one subrecipient's audit report that was submitted past the required due date.

Cause

The desk review performed was not contained in the appropriate subrecipient's file and therefore no evidence of such review could be determined. In regards to the non performance of follow-up procedures, a letter is generated on an annual basis to subrecipients who have not submitted their audit report. Due to timing of the subrecipient's year end, the date the report utilized to identify the reports not submitted is run and an internal 60 day grace period allowed by the Department, this subrecipient was not sent a letter.

Effect

Monitoring of subrecipients was not completed in a timely manner.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Recommendation

We recommend that the Department ensure that all necessary documentation is included in the subrecipient files. We further recommend that the Department ensure all subrecipients with late reports are listed in the quarterly reports for late submissions.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)

Temporary Assistance for Needy Families (93.558)

Child Support Enforcement (93.563)

Low-Income Home Energy Assistance (93.568)

Foster Care – Title IV-E (93.658)

Adoption Assistance (93.659)

Social Services Block Grant (93.667)

State Children's Insurance Program (93.767)

State Medicaid Fraud Control Units (93.775)

State Survey and Certification of Health Providers and Suppliers (93.777)

Medical Assistance Program (93.778)

State Agency: Department of Human Services

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

Finding: 04-14

Criteria

The general criteria affecting allowability of costs under Federal awards are:

- *Reasonable and Necessary* – Costs must be reasonable and necessary for the performance and administration of Federal awards.
- *Allocable* – Costs must be allocable to the Federal awards under the provisions of the cost principles or CASB Standards, as applicable. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such cost objective in accordance with relative benefits received.
- *Consistency* – Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances. 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 was allocated to the Federal award as an indirect cost.
- *Conformity to Laws, Regulations and Sponsored Agreements* – Costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements, or other governing regulations as to types or amounts of cost items.
- *Transactions that Reduce or Offset Direct or Indirect Costs* – Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. Examples of such transactions include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments for overpayments or erroneous charges.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- *Costs Documentation* – Costs must be documented in accordance with OMB Circular A-110 for non-profit organizations and institutions of higher education or the A-102 Common Rule for State, local and Indian tribal governments.

Condition

Control related findings:

- One out of fifteen payment vouchers (vendor invoice) had no evidence of the payee's signature and receiving agency's signature, however there was evidence of the approval officers' signature prior to the disbursement date.
- One out of fifteen payment vouchers (vendor invoice) had no evidence of the receiving agencies signature or date of approval. However, there was evidence of the payees signature and approval officer signature.
- One out of fifteen payment vouchers (vendor invoice) had evidence of the payees signature and receiving agencies signature, however there was no evidence of the approval officers' signature.
- Eight out of fifteen time sheets had evidence of the employees and supervisors' signature, however there was no evidence of the payroll clerks' approval.
- Two out of fifteen time sheets had evidence of only the employees signature and did not contain evidence of the payroll clerks' and supervisor signatures.

Compliance related findings:

- One out of fifteen payment vouchers (vendor invoice) had total charges of \$412 which did not agree to the Non-Salary expenditure report of \$499, which resulted in an overstatement of expenditures of \$87.
- One out of fifteen timesheets was not provided. The timesheet amounted to \$20,802.

Cause

There is a lack of controls requiring signed documentation and proper filing of documents.

Effect

Personal service expenditures and other than personal service expenditures are not appropriately approved and may not be appropriately allocated.

Recommendation

We recommend that the Department ensure the required documentation is maintained and strengthen internal controls over the system for proper authorization of personal services and other than personal services expenditures.

Related Noncompliance

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Questioned Costs

\$20,889

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Temporary Assistance for Needy Families (93.558)

State Agency: Department of Human Services

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

Finding 04-15

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 site visits 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* – Ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and 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 example factors which may affect the nature, timing, and extent of during-the-award monitoring:

- *Program complexity* – Programs with complex compliance requirements have a higher risk of noncompliance.
- *Percentage passed through* – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- *Amount of awards* – Larger dollar awards are of greater risk.
- *Subrecipient risk* – Subrecipients may be evaluated as higher risk or lower risk, using techniques such as site visits and closer monitoring for new subrecipients and subrecipients that are otherwise considered higher risk (e.g., based on past history of noncompliance, new personnel, new or substantially changed systems).

Monitoring activities normally occur through-out the year and may take various forms, such as:

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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

Agreed-upon procedures engagements

A pass-through entity may arrange for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations. Since the pass-through entity determines the procedures to be used and compliance areas to be tested, these agreed-upon procedures engagements enable the pass-through entity to target the coverage to areas of greatest risk. The costs of agreed-upon procedures engagements is an allowable cost to the pass-through entity if the agreed-upon procedures are performed for subrecipients below the A-133 threshold for audit (currently at \$300,000) 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)).

The requirements for subrecipient monitoring are contained in the 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), OMB Circular A-133 ('____.225 and '____.400(d)), A-102 Common Rule ('____.37 and '____.40(a)), and OMB Circular A-110 ('____.51(a)), Federal awarding agency program regulations, and the terms and conditions of the award.

Eligibility:

The State or Tribal Plan provides the specifics on how eligibility is determined in each State or tribal service area. Plan and eligibility requirements must comply with the following Federal requirements:

a. *Federal Only, Commingled Federal/State, Segregated State, and Separate State Program*

To be eligible for TANF “assistance” as defined in 45 CFR Section 260.31 or any MOE-funded benefits, services, or “assistance,” a family must include a minor child who lives with a parent or other adult caretaker relative. The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old. (With respect to segregated or separate State MOE funds, the State could use the definition for minor child given in Section 419(2) of the Act or some other definition applicable in State law provided the State can articulate a rationale basis for the age they choose.) A family must also be “needy,” i.e., financially eligible according to the State’s applicable income and resource criteria (42 USC 602, 602(a)(1)(B)(iii), 42 USC 609(a)(7)(B)(IV), 608(a)(1), 619(2) and 45 CFR Section 263.2(b)(2)).

b. *Federal Only and Commingled Federal/State*

- (1) Any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by Federal TANF funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. However, the State may extend assistance to a family on the basis of hardship, as defined by the State, or if a family member has been battered or subjected to extreme cruelty. In determining the number of months for which the head of household or the spouse of the head of household has received assistance, the State must not count any month during which the adult received the

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

assistance while living in Indian country or in an Alaskan Native Village and the most reliable data available with respect to that month (or a period including that month) indicate at least 50 percent of the adults living in Indian country or in the village were not employed (42 USC 608(a)(7); 45 CFR Sections 264.1(a), (b), and (c)).

- (2) A State may not provide assistance to an individual who is under age 18, is unmarried, has a minor child at least 12 weeks old, and has not successfully completed high school or its equivalent unless the individual either participates in education activities directed toward attainment of a high school diploma or its equivalent, or participates in an alternative education or training program approved by the State (42 USC 608(a)(4); 45 CFR Section 263.11(b)).
- (3) A State may not provide assistance to an unmarried individual under 18 caring for a child, if the minor parent and child are not residing with a parent, legal guardian, or other adult relative, unless one of the statutory exceptions applies (42 USC 608(a)(5)).
- (4) A State may not provide assistance for a minor child who has been or is expected to be absent from the home for a period of 45 consecutive days or, at the option of the State, such period of not less than 30 and not more than 180 consecutive days unless the State grants a good cause exception, as provided in its State Plan (42 USC 608(a)(10)).
- (5) A State may not provide assistance for an individual who is a parent (or other caretaker relative) of a minor child who fails to notify the State agency of the absence of the minor child from the home, as in paragraph e. immediately above, within five days of the date that it becomes clear to that individual that the child will be absent for the specified period of time (42 USC 608(a)(10)(C)).
- (6) A State may not use funds to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to place of residence in order to simultaneously receive assistance from two or more States under TANF, Title XIX, or the Food Stamp Act of 1977, or benefits in two or more States under the Supplemental Security Income program under Title XVI of the Social Security Act. If the President of the United States grants a pardon with respect to the conduct that was the subject of the conviction, this prohibition will not apply for any month beginning after the date of the pardon (42 USC 608(a)(8)).
- (7) A State may not provide assistance to any individual who is fleeing to avoid prosecution, or custody or confinement after conviction, for a felony or attempt to commit a felony (or in the State of New Jersey, a high misdemeanor), or who is violating a condition of probation or parole imposed under Federal or State law (42 USC 608(a)(9)(A)).
- (8) Qualified aliens, as defined at 8 USC 1641b, entering the United States on or after August 22, 1996, are not eligible for Federal public benefits, as defined in 8 USC 1611(c), for a period of five years beginning on the date of the alien's entry into the United States, unless they meet an exception at 8 USC 1612(b)(2) or 1613. (If the Federal public benefit meets the specifications in the Attorney General's Order (Order No. 2049-96 published August 30, 1996 at 61 FR 45985; Order No. 2353-2001 published January 16, 2001 at 66 FR 3613), then the State may provide the benefit regardless of immigration status (8 USC 1611 (b)(1)(D)). A State may, at its option, provide Federal public benefits to qualified aliens who entered the United States before August 22, 1996, and, for

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

aliens entering the United States on or after August 22, 1996, after the expiration of the five-year time bar. Nonqualified aliens may not receive Federal public benefits unless one of the exceptions at 8 USC 1612(b)(2) applies (8 USC 1612 and 1613).

c. *Federal Only, Commingled Federal/State, Segregated State*

- (1) A State shall require, as a condition of providing assistance, that a member of the family assign to the State the rights the family member may have for support from any other person. This assignment does not exceed the amount of assistance provided (42 USC 608(a)(3)).
- (2) An individual convicted under Federal or State law of any offense which is classified as a felony and which involves the possession, use, or distribution of a controlled substance (as defined the Controlled Substances Act (21 USC 802(6)) is ineligible for assistance if the conviction was based on conduct occurring after August 22, 1996. A State shall require each individual applying for assistance under TANF to state in writing whether the individual or any member of their household has been convicted of such a felony involving a controlled substance. However, a State may by law exempt individuals or limit the time period of this prohibition (21 USC 862a).
- (3) If an individual refuses to engage in required work, a State must reduce assistance to the family, at least pro rata, with respect to any period during the month in which the individual so refuses, or may terminate assistance. Any reduction or termination is subject to good cause or other exceptions as the State may establish (42 USC 607(e)(1); 45 CFR Sections 261.13 and 261.14(a) and (b)). However, a State may not reduce or terminate assistance based on a refusal to work if the individual is a single custodial parent caring for a child who is less than 6 years of age if the individual can demonstrate the inability (as determined by the State) to obtain child care for one or more of the following reasons: (a) the unavailability of appropriate care within a reasonable distance of the individual's work or home; (b) unavailability or unsuitability of informal child care; or (c) unavailability of appropriate and affordable formal child care (42 USC 607(e)(2); 45 CFR Sections 261.15(a), 261.56, and 261.57).

Child Support Non-Cooperation:

If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. HHS may penalize a State for up to five percent of the SFAG for failure to substantially comply with this required State child support program (42 USC 608(a)(2) and 609(a)(8); 45 CFR Sections 264.30 and 264.31).

Penalty for Refusal to Work:

State agency must reduce or terminate the assistance payable to the family for refusal to work subject to any good cause or other exemptions established by the State. HHS may penalize the State by an amount not less than one percent and not more than five percent of the SFAG for violation of this provision (42 USC 609(a)(14); 45 CFR Sections 261.14, 261.16, and 261.54).

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Adult Custodial Parent of Child under Six When Child Care Not Available:

If an individual is an adult single custodial parent caring for a child under the age of six, the State may not reduce or terminate assistance for the individual's refusal to engage in required work if the individual demonstrates to the State an inability to obtain needed child care based upon the following reasons: (a) unavailability of appropriate child care within a reasonable distance from the individual's home or work site; (b) unavailability or unsuitability of informal child care by a relative or under other arrangements; and (c) unavailability of appropriate and affordable formal child care arrangements. The determination of inability to find child care is made by the State. HHS may penalize a State for up to five percent of the SFAG for violation of this provision (42 USC 607(e)(2) and 609(a)(11); 45 CFR Sections 261.15, 261.56, and 261.57).

Condition

The Department of Human Services has established the Quality Control Unit (QCU) to monitor compliance for the TANF program. Historically, the QCU performed reviews of individual cases, on a sample basis, for each of the 21 County Welfare Agencies (CWAs) to determine if the CWAs are following federal requirements to determine eligibility for individuals receiving TANF funds and adjusting TANF payments to individuals for child support noncooperation, penalty for refusal to work, or adult custodial parent of child under six when child care is not available. During fiscal year 2004, the QCU performed reviews of the cases in determining eligibility for individuals receiving TANF funds or adjusting TANF payments to individuals for child support noncooperation, penalty for refusal to work, or adult custodial parent of child under six when child care is not available. Upon completion of the QCU review a supervisor signs the QCU form indicating his review and approval. However, there was no evidence of review by a supervisor on fifteen of thirty sampled Quality Control Unit reviews performed.

A similar finding was noted in the 2003, 2002, 2001 and 2000 prior year single audit reports as items 03-4, 02-2, 01-3 and 00-12, respectively.

Cause

The supervisor did not sign after completing the review.

Effect

Payments to ineligible individuals or overpayments or underpayment to eligible individuals receiving TANF funds.

Recommendation

We recommend that the Quality Control Administrative Supervisors indicate evidence of review in the Quality Control review file.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Temporary Assistance for Needy Families (93.558)

State Agency: Department of Human Services

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

Finding 04-16

Criteria

TANF Financial Report (OMB Control No. 0970-0199) – States are required to submit this report quarterly in lieu of the SF-269, *Financial Status Report*. This report replaces the ACF-196 (OMB Control No. 0970-0165). Each State files quarterly expenditure data on the State's use of Federal TANF funds, State TANF expenditures, and State expenditures of MOE funds in separate State programs. If a State is expending Federal TANF funds received in prior fiscal years, it must file a separate quarterly TANF Financial Report for each fiscal year that provides information on the expenditures of that year's TANF funds. Territories report their expenditures and other fiscal data on the *Territorial Financial Report* (45 CFR Section 265.3(c) and Appendix D).

Condition

The TANF Financial Report for federal fiscal year 2003, submitted for the quarter ending September 30, 2003, was submitted to the Administration for Children and Families 46 days past due. The TANF Financial Report for federal fiscal 2003, submitted for the quarter ending December 31, 2003, was submitted to the Administration for Children and Families 45 days past the due date. The TANF Financial Report for federal fiscal year 2003, submitted for the quarter ending March 31, 2004, was submitted to the Administration for Children and Families 46 days past the due date.

A similar finding was noted in the 2003 and 2002 prior year single audit report as items 03-3 and 02-4, respectively.

Cause

Late submission of the reports is due to the late submission of expenditure reports from various State agencies and counties to the Division of Family Development, which requires the expenditures of other agencies in order to accurately report TANF activity.

Effect

The reports were not submitted to the federal government within the required timeframe.

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, 2004

Child Support Enforcement (93.563)

State Agency: Department of Human Services

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

Finding: 04-17

Criteria

The State is required to submit the OCSE 396A Child Support Enforcement Program Quarterly Report of Expenditures and Estimates (OMB N0.0970-0181).

Condition

Of the four quarterly OCSE 396A reports (Parts 1 and 2), due during fiscal year 2004, all four reports were submitted fifty-three to sixty days late.

A similar finding was noted in the 2003 and 2002 prior year single audit reports as items 03-6 and 02-7, respectively.

Cause

These reports were not submitted within the required time frames due to late submission of the supporting documentation required in preparing the reports.

Effect

Reports not submitted within the required timeframes.

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, 2004

Child Support Enforcement (93.563)

State Agency: Department of Human Services

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

Finding: 04-18

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. The child support bank accounts and the ACSES system process activity for IV-D, non IV-D, and alimony, of which, certain of this activity is not reported on the OCSE 34A report. After preparation of reconciliations there are remaining unreconcilable differences, which vary on a monthly and quarterly basis from approximately \$300 thousand to \$9.7 million. The Department of Human Services identified possible general reasons for the differences which could not be substantiated.

Additionally, we noted several manual errors in the reconciliation process for the months of May and June and quarter end June 30, 2004 in which the supporting documentation did not agree to the reconciliations. These differences ranged from approximately \$30 thousand to \$4.4 million.

A similar finding was noted in the 2003, 2002, 2001, and 2000 prior year single audit reports as items 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 specifics, which cannot be captured through the manual reconciliation process. There are no specific system produced reports addressing all reconciling items. The Department expects the unexplained differences will continue until the re-engineering of ACSES is completed.

Effect

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

Recommendation

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Related Noncompliance

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

Questioned Costs

Cannot be determined. However, for the quarter ended June 30, 2004 the unreconciled differences for collections and disbursements were \$300 thousand and \$9.7 million, respectively.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Low-Income Home Energy Assistance (93.568)

State Agency: Department of Human Services

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

Finding: 04-19

Criteria

Split Eligibility Determination Functions Compliance Requirement:

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

Subrecipient Monitoring Compliance Requirement:

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 site visits 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* – Ensuring required audits are completed within nine months of the end of the subrecipient’s audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient’s audit report, and 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 example 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 noncompliance.
- *Percentage passed through* – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- *Amount of awards* – Larger dollar awards are of greater risk.
- *Subrecipient risk* – Subrecipients may be evaluated as higher risk or lower risk, using techniques such as site visits and closer monitoring for new subrecipients and subrecipients that are otherwise considered higher risk (e.g., based on past history of noncompliance, new personnel, new or substantially changed systems).

Monitoring activities normally occur through-out 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.
- *Contact* – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Agreed-upon procedures engagements

A pass-through entity may arrange for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations. Since the pass-through entity determines the procedures to be used and compliance areas to be tested, these agreed-upon procedures engagements enable the pass-through entity to target the coverage to areas of greatest risk. The costs of agreed-upon procedures engagements is an allowable cost to the pass-through entity if the agreed-upon procedures are performed for subrecipients below the A-133 threshold for audit (currently at \$300,000) 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 has delegated Low Income Home Energy Assistance Program eligibility determination to the State's 21 county welfare agencies. The State maintains the computer system (Family Assistance Management Information System (FAMIS)) supporting the eligibility determination process and pays the benefits to payors and providers on behalf of eligible participants. Home Energy Assistance benefits are paid by the Department based upon an extraction process from the FAMIS system. Data entry to determine eligibility is done at the county welfare agency (CWA) level. During 2004, 2003, 2002, and 2001, the Department did not have procedures in place to monitor these activities at the CWA level for this program. For Federal fiscal year 2004, approximately \$29 million of benefit payments were paid based on the CWAs data entry. The State does not have any other means of monitoring or performing eligibility reviews at the county welfare agencies. Due to the lack of controls in place at the State to monitor eligibility determinations of its subrecipients no testwork could be performed and lead to a disclaimer of opinion on eligibility. The State's corrective action on the prior year finding was scheduled to take place for State fiscal year 2005.

A similar finding was noted in the 2003, 2002, 2001 and 2000 prior year single audit reports as items 03-8, 02-8, 01-8, and 00-32, respectively.

Cause

The State is responsible to comply with several Federal compliance requirements governing the Low Income Home Energy Assistance Program including the Low Income Home Energy Assistance Program Specific

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

compliance requirements, and part 3 subrecipient monitoring and split eligibility compliance requirements. The State administers the Low Income Home Energy Assistance eligibility determination functions under the split eligibility determination function described in the criteria. The State did not have procedures in place for fiscal years 2004, 2003, 2002, 2001, and 2000 to comply with monitoring the subrecipient's eligibility determinations for the Low Income Home Energy Assistance Program to comply with other Federal compliance requirements.

Effect

Benefit payments could be made to ineligible recipients.

Recommendation

We recommend that the Department perform monitoring procedures of the CWAs to ensure that they are administering the program in compliance with Federal regulations.

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.

Response of Auditor to View of Responsible Official

The State Official initially indicates disagreement with the finding, in the first paragraph of their response. The statement of disagreement is in reality a restatement of only quality control procedures which the State has in place relative only to Food Stamp cases but does not address the core issue noted in connection with the Low Income Home Energy Assistance Program. The second paragraph does ultimately address the core finding and the need "...to expand our regular Food Stamp quality control review process to include a Low Income Home Energy Assistance Program component..". While the View of Responsible Official initially gives the unfortunate appearance of disagreeing with the finding the auditor is satisfied that the response ultimately addresses the core issues.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

State Children's Insurance Program (93.767)

State Medicaid Fraud Control Units (93.775)

Medical Assistance Program (93.778)

State Agency: Department of Human Services

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

Finding: 04-20

Criteria

Medical Assistance Compliance Requirements:

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

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

Split Eligibility Determination Functions Compliance Requirement:

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

Subrecipient Monitoring Compliance Requirement:

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 site visits 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* – Ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

receipt of the subrecipient's audit report, and 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 example 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 noncompliance.
- *Percentage passed through* – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- *Amount of awards* – Larger dollar awards are of greater risk.
- *Subrecipient risk* – Subrecipients may be evaluated as higher risk or lower risk, using techniques such as site visits and closer monitoring for new subrecipients and subrecipients that are otherwise considered higher risk (e.g., based on past history of noncompliance, new personnel, new or substantially changed systems).

Monitoring activities normally occur through-out 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.
- *Contact* – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Agreed-upon procedures engagements

A pass-through entity may arrange for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations. Since the pass-through entity determines the procedures to be used and compliance areas to be tested, these agreed-upon procedures engagements enable the pass-through entity to target the coverage to areas of greatest risk. The costs of agreed-upon procedures engagements is an allowable cost to the pass-through entity if the agreed-upon procedures are performed for subrecipients below the A-133 threshold for audit (currently at \$300,000) 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 has delegated some Medical Assistance Program eligibility determination to the State's 21 county welfare agencies. The State maintains the computer system (Family Assistance Management Information System (FAMIS)) supporting the eligibility determination process and pays the benefits to payors and providers on behalf of eligible participants. Historically, the State performed eligibility reviews at county welfare agencies

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

through the Medicaid Eligibility Quality Control (MEQC) process. For State fiscal year 2004, the MEQC Unit obtained approval from the Centers for Medicaid and Medicare Services (CMS) to perform MEQC pilot projects and not perform traditional MEQC eligibility reviews. The pilot projects differ from the traditional MEQC program by allowing States to perform special studies, targeted reviews, or other activities that are designed to ensure program integrity or improve program administration. The State does not have any other means of monitoring or performing eligibility reviews at the county welfare agencies. Due to the lack of controls in place at the State to monitor eligibility determinations of its subrecipients no testwork could be performed and lead to a disclaimer of opinion on eligibility.

Cause

The State is responsible to comply with several Federal compliance requirements governing the Medical Assistance program including the Medical Assistance Program Specific compliance requirements, and part 3 subrecipient monitoring and split eligibility compliance requirements. The State administers the Medical Assistance eligibility determination functions under the split eligibility determination function described in the criteria. The State did obtain approval from CMS to perform pilot projects in place of the traditional MEQC eligibility reviews, however, did not have adequate alternative procedures in place for fiscal year 2004 to comply with monitoring the subrecipients eligibility determinations for the Medical Assistance Program to comply with other Federal compliance requirements.

Effect

Benefit payments could be made to ineligible recipients.

Recommendation

We recommend that the State implement procedures to monitor and perform eligibility reviews of its subrecipients.

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, 2004

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 04-21

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 full onsite review did not include any fiscal monitoring procedures during State fiscal year 2004.

Cause

The Fiscal Monitoring Unit of the Department was reorganized in November 2003. As a result, the fiscal monitoring responsibilities were transferred to the program monitors. The program monitors did not perform the fiscal monitoring procedures due to a lack of a clear understanding of job responsibilities.

Effect

Subgrantees may not be conforming with fiscal requirements.

Recommendation

We recommend that the Department perform monitoring procedures of subgrantees once every three years to ensure that the subgrantees are conforming with fiscal requirements. Additionally, we recommend that individuals performing the fiscal monitoring procedures have the appropriate fiscal background or receive adequate training in order to perform this task efficiently and effectively.

Related Noncompliance

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Questioned Costs

The total amount of subrecipient awards passed through for State fiscal year 2004 was \$15,625,281.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

State Children's Insurance Program (93.767)

State Agency: Department of Human Services

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

Finding: 04-22

Criteria

States have flexibility in determining eligibility levels for individuals for whom the State will receive enhanced matching funds within the guidelines established under the Act. Generally, a State may not cover children with higher family income without covering children with a lower family income, nor deny eligibility based on a child having a preexisting medical condition. States are required to include in their State plans a description of the standards used to determine eligibility of targeted low-income children. State plans should be consulted for specific information concerning individual eligibility requirements (42 USC 1397bb(b)).

Condition

The State uses a third party service provider, Maximus, to process eligibility cases for the State Children's Insurance Program. The State does not have procedures in place to monitor the eligibility determinations made by the third party service provider on a routine annual basis, other than presumptive eligibility and a negative case action review.

A similar finding was noted in the 2003 and 2002 prior year single audit reports at items 03-15 and 02-3, respectively.

Cause

While there are procedures in place to monitor presumptive eligibility determinations and negative case action review determinations made by the third party service provider the State has not initiated procedures to monitor other eligibility determinations.

Effect

Ineligible individuals could be receiving benefits.

Recommendation

We recommend that the State implement procedures to monitor the full range of eligibility determinations made by the third party service provider on a routine annual basis and ensure all supporting documentation is maintained.

Related Noncompliance

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

Questioned Costs

Cannot be determined.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

All Major Programs

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

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

Finding: 04-23

Criteria

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

Condition

The State of New Jersey prepares a Fringe Benefit Rate Proposal for negotiation with the United States Department of Health and Human Services. The negotiated rate is used by all state agencies including state colleges for estimating and computing actual charges for fringe benefit costs related to federal programs in their indirect cost rate proposals, as well as, for direct billing of fringe benefit costs. The negotiated rate applies to personnel who are members of the Public Employees' Retirement System (P.E.R.S.), Teacher's Alternate Benefit Plan (T.A.B.P.), Teacher's Pension and Annuity Fund (T.P.A.F.), Police and Fire Retirement System, and all employees who are not members of a pension plan, but are covered for Health Benefits.

During our audit we noted several errors in the underlying documentation of the fringe benefit rate proposal and final approved fringe benefit plan. The errors were a result of inconsistent calculations of similar data and manual inputting errors and were not detected through the State's limited review prior to submission of the plan to the Federal Government. These errors did not have an effect on the final fringe benefit rate negotiated with the Federal Government.

A similar finding was noted in the 2003 and 2002 prior year single audit reports as items 03-32 and 02-26, respectively.

Cause

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

Effect

There is a potential that the State of New Jersey may negotiate and utilize an incorrect fringe benefit rate.

Recommendation

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

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Child and Adult Care Food Program (10.558)

State Agency: Department of Agriculture

Federal Agency: U.S. Department of Agriculture

Finding: 04-24

Criteria

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

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

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

Condition

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

A similar finding was noted in the 2003, 2002, and 2001 prior year single audit reports as items 03-34, 02-18, and 01-26, respectively.

Cause

The Department did not dedicate the resources necessary to perform the on site reviews in a timely manner.

Effect

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

Recommendation

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

Related Noncompliance

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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, 2004

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

State Agency: Department of Agriculture

Federal Agency: U.S. Department of Agriculture

Finding: 04-25

Criteria

FNS-13, *Annual Report of State Revenue Matching* (OMB No. 0584 – 0075) – This report is due 120 days after the end of each school year and identifies the State revenues to be counted toward meeting the State revenue matching requirement (7 CFR Section 210.17(g)).

Condition

Supporting documentation was not maintained for the FNS-13, Annual Report of State Revenue Matching for the period July 1, 2003 to June 30, 2004. The report indicates State revenues to be counted toward the State matching requirement of \$9,834,441. Documentation provided from the system subsequent to submission totaled \$10,633,996.

Cause

The Department did not maintain the original supporting documentation used to complete the FNS-13, Annual Report of State Revenue Matching for the period July 1, 2003 to June 30, 2004.

Effect

The Department may not have met the reporting and program matching requirements of the Federal government.

Recommendation

We recommend that the Department maintain supporting documentation for the Annual Report of State Revenue Matching.

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, 2004

Emergency Management Performance Grants (97.042)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 04-26

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 the 35 personal services transactions tested, 5 time and effort reports for 3 different 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 2004 was \$1,063,706, of which \$73,822 is listed below as questioned costs.

A similar finding was noted in the 2003, 2002, 2001, and 2000 prior year single audit reports as items 03-38, 02-34, 01-27, and 00-09, respectively.

Cause

The Department did not begin to complete time and effort certifications required under OMB Circular A-133 until midyear 2003 and not all certifications were completed.

Effect

The program may have been charged for personal service costs that were not incurred for the program.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Recommendation

The New Jersey Office of Emergency Management should improve policies and procedures that ensure documentation and reporting of salaries and wages charged to the program are in accordance with OMB Circular A-87.

Related Noncompliance

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

Questioned Costs

\$73,822

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Emergency Management Performance Grants (97.042)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 04-27

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 \$5000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

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

Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Institutions of higher education, hospitals, and other 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 \$5000, is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

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

Condition

Of 30 pieces of equipment tested, 8 were not properly tagged for identification purposes and 18 were not properly included on the Department's inventory subsidiary ledger (SP 345 Report). The amount of equipment transactions charged during 2004 was \$268,125 and none were determined to be questioned costs.

A similar finding was noted in the 2003 and 2002 prior year single audit reports as items 03-39 and 02-36, respectively.

Cause

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

Effect

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Recommendation

The Department should implement procedures to ensure the proper management of equipment purchased with Federal funds.

Related Noncompliance

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

Questioned Costs

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, 2004

Emergency Management Performance Grants (97.042)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 04-28

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 prior to November 26, 2003, covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000. A change in the nonprocurement suspension and debarment rule took effect on November 26, 2003. As of that date only those procurement contracts for goods and services awarded under a nonprocurement 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." (____.220) of the government wide nonprocurement debarment and suspension common rule contains those additional limited circumstances. All nonprocurement transactions (i.e. Sub-awards to subrecipients) 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 nonfederal entities enter into a covered transaction with an entity at a lower tier, the nonfederal 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, US Government Printing Office, Washington D.C. 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be access 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 cites) which implements Executive Orders 12549 and 12689, Debarment and Suspension, and the terms of the award.

Condition

Management indicated that the Department implemented its corrective action plan from the 2003 single audit and put a process in place to ensure that its subrecipients have provided the proper certification that they have not been suspended or debarred; however, the process was not in effect as of June 30, 2004. Management has stated that it intends to include the information in the grant awards with its subrecipients of the programs going forward. During fiscal year 2004, \$1,568,937 was funded to subrecipients.

A similar finding was noted in the 2003 and 2002 prior year single audit reports as items 03-40 and 02-37, respectively.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Cause

The Department no longer uses Program Participation Agreements for its subrecipients, which had previously included the suspension and debarment certification requirement. The Work Plan agreement did not incorporate this requirement and revised communications were not issued and certifications were not obtained during the state fiscal year 2004.

Effect

The Department could be funding subrecipients that are suspended or debarred.

Recommendation

We recommend that the Department implement procedures to ensure they have obtained proper certification from its subrecipients that they have not been suspended or debarred.

Related Noncompliance

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

Questioned Costs

Cannot be determined.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Emergency Management Performance Grants (97.042)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 04-29

Criteria

A pass-through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the sub-recipient 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 sub-recipient 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 \$300,000 (\$500,000 for fiscal year 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 sub-recipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a sub-recipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- *Pass-Through Entity Impact* – Evaluating the impact of sub-recipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Condition

The Department has procedures in place to monitor the activities and administration of its subrecipients through the performance of on-site reviews. For State fiscal year 2004, approximately \$1,568,937 in pass-through payments were provided to the subrecipients.

Of the 30 subrecipients selected for testing, there is no evidence of certain communications of the required Federal award information (e.g. CFDA title and number, award name, name of Federal Agency) and applicable compliance requirements during state fiscal year 2004. On June 30, 2004 the Department mailed some of the required information to its subrecipients, including a link to the catalog of federal domestic assistance website where program information can be found. However, not all required information was communicated. Management indicated that the Department implemented its corrective action plan from the 2003 single audit; however the corrective action was not yet in place as of June 30, 2004. We also recommended that additional information be included in the communications, such as CFDA number and requirements under OMB Circular A-133.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

A similar finding was noted in the 2003 and 2002 prior year single audit reports as items 03-41 and 02-39, respectively.

Cause

The Department no longer uses Program Participation Agreements for its subrecipients, which had previously included the required information. The Work Plan agreement does not incorporate these requirements.

Effect

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

Recommendation

We recommend that the Department implement procedures to communicate to the applicants the Federal Award information (e.g. CFDA title and number, award name, and Federal agency) as well as applicable compliance requirements.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Public Assistance Grants (97.036)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 04-30

Criteria

The allowed activities for the Public Assistance (PA) program are for the approved project as described on the project worksheet (PW) and supporting documentation. The approved project may be repair of the damaged facility, an improved project, or an alternate project (44 CFR Section 206.203).

1. *Equipment Usage* – The PA program restricts eligible direct costs for applicant-owned equipment used to perform eligible work to reasonable rates that were established under State guidelines, or when the hourly rate exceeds \$75, rates may be determined on a case-by-case basis by FEMA. When local guidelines are used to establish equipment rates, reimbursement is based on those rates or rates in a Schedule of Equipment Rates published by FEMA, whichever is lower. Provision is also made when no rates are established or the entity wishes to claim an equipment rate that exceeds the FEMA Schedule (44 CFR Section 206.228(a)(1)).
2. *Administrative Costs*
 - a. *Grantee* – A State may use funds made available by FEMA under its administrative cost allowance only for extraordinary direct costs of preparing PWs, final inspection reports, project applications, etc., and for making final audits and related field inspections. Specific cost items allowable for such purposes include overtime pay, per diem and travel expenses for State employees, but not regular (straight time) salaries. Cost items not eligible for funding from the State's administrative cost allowance, but still related to managing the program, may be funded from the grant if prescribed in an approved PW. A State may recover regular (straight time) salaries and certain other administrative costs in this way (44 CFR Sections 206.228(a)(2) and (a)(3)).
 - b. *Subgrantee* – A subgrantee may use funds made available in its administrative cost allowance for necessary costs of requesting, obtaining, and administering its subgrant. No other direct or indirect costs are allowable at the subgrantee level (44 CFR Sections 206.228(a)(2) and (a)(3)).
3. *Force Account Labor Costs* – The straight- or regular-time salaries and benefits of a subgrantee's permanently employed personnel are not eligible in calculating the cost of eligible work for emergency protective services or debris removal under Sections 403 and 407 of the Stafford Act (42 USC 5170b and 5173, respectively). For performance of eligible permanent restoration under Section 406 of the Stafford Act (42 USC 5172), straight-time salaries and benefits of a subgrantee's permanently employed personnel are eligible (44 CFR Section 206.228(a)(4)).
4. *Insurance and Other Recoveries* – Auditors are advised that there are likely to be amounts from insurance settlements, salvage, or other sources which must be considered in determining allowable costs because allowable costs must be net of applicable credits.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Condition

Each type of project is designated a specific category, which sets forth the allowable activities and costs. Category B type work is for emergency protective measures. Supporting documentation is required for all costs to determine the allowability of the activities and related costs of the specific disaster recovery effort. Of the thirty payments selected for testing we noted the following:

- Project worksheet #s 130, 132 and 133 were tested and included Category B type work for labor, equipment, materials, and contract costs related to snow removal, which incurred outside of the grant period. In addition for project worksheet #s 129 – 134 and 136, the fringe rate used was 37.51% but should have only been 7.65%. Total amounts charged to this project worksheet related to ineligible labor costs due to the wrong fringe rate being used for NJ Transit Authority were \$182,000 and are included as questioned costs below.

A similar finding was noted in the 2003 and 2002 prior year single audit reports as items 03-37 and 02-29, respectively.

Cause

Inadequate staffing levels resulted in administrative errors in determining allowable costs.

Effect

Certain unallowable costs were charged to the program.

Recommendation

We recommend that the Department enhance procedures to ensure proper compliance with all applicable cost principles, and limitations in the program agreement, program regulations, or program statute and to ensure they can support all costs charged to the program.

Related Noncompliance

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

Questioned Costs

\$182,000

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Highway Traffic Safety Cluster (20.600, 20.601, 20.604)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Transportation

Finding: 04-31

Criteria

Funds must be expended as specified in the grantee's highway safety plan. Certain specific costs which will not be approved or that require prior approval have been identified in Highway Safety Grant Funding Policy for the National Highway Traffic Safety Administration (NHTSA)/ Federal Highway Administration (FHWA) Field-Administered Grants and are listed below (23 CFR Section 1200.20).

- 1 The following costs are allowable or allowable with specific conditions:
 - a. *Equipment* – Major equipment (tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5000 or more per unit) purchases for new and replacement equipment must be pre-approved.
 - b. *Installation* – The purchase and installation of regulatory and warning signs and supports and field reference markers are allowable for roads off the Federal aid system.
 - c. *Travel* – Travel for out-of-state individuals benefiting the host State's highway safety program is allowable.
 - d. *Training* – The cost of training personnel and the development of new training curricula and materials are allowable. However, training costs for Federal employees, with the exception of Department of the Interior personnel assigned Section 402 responsibility, are unallowable.
 - e. *Program Administration* – The costs for consultant services, promotional activities, alcoholic beverages to support police "sting" operations, and meetings and conferences are allowable.
 - f. *Public Communications* – Advertising space.
2. The following costs are unallowable:
 - a. *Facilities and Construction*: highway construction, maintenance or design, construction or reconstruction of permanent facilities, highway safety appurtenances, office furnishings and fixtures, and land.
 - b. *Equipment*: truck scales, traffic signal preemption systems.
 - c. *Training*: individual's salary, and training employees of Federal agencies, excepted as noted above.
 - d. *Program Administration*: research costs, expenses to defray activities of Federal agencies, and commercial drivers' compliance requirements.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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

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

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

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

Condition

For the 30 other than personal services transactions tested, the Department was unable to provide supporting documentation for 2 transactions. Costs charged to the program during our audit period for these 2 transactions were \$18,288 (PV-066-11603783112 and PV-066-11603824828), and are listed below as questioned costs.

A similar finding was noted in the 2003 prior year single audit report as item 03-44.

Cause

The Department could not locate the documents requested.

Effect

Expenditures under the program may not be allowable.

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$18,288

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Highway Traffic Safety Cluster (20.600, 20.601, 20.604)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Transportation

Finding: 04-32

Criteria

Funds must be expended as specified in the grantee's highway safety plan. Certain specific costs which will not be approved or that require prior approval have been identified in Highway Safety Grant Funding Policy for the National Highway Traffic Safety Administration (NHTSA)/ Federal Highway Administration (FHWA) Field-Administered Grants and are listed below (23 CFR Section 1200.20).

- 1 The following costs are allowable or allowable with specific conditions:
 - a. *Equipment* – Major equipment (tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5000 or more per unit) purchases for new and replacement equipment must be pre-approved.
 - b. *Installation* – The purchase and installation of regulatory and warning signs and supports and field reference markers are allowable for roads off the Federal aid system.
 - c. *Travel* – Travel for out-of-state individuals benefiting the host State's highway safety program is allowable.
 - d. *Training* – The cost of training personnel and the development of new training curricula and materials are allowable. However, training costs for Federal employees, with the exception of Department of the Interior personnel assigned Section 402 responsibility, are unallowable.
 - e. *Program Administration* – The costs for consultant services, promotional activities, alcoholic beverages to support police "sting" operations, and meetings and conferences are allowable.
 - f. *Public Communications* – Advertising space.
2. The following costs are unallowable:
 - a. *Facilities and Construction*: highway construction, maintenance or design, construction or reconstruction of permanent facilities, highway safety appurtenances, office furnishings and fixtures, and land.
 - b. *Equipment*: truck scales, traffic signal preemption systems.
 - c. *Training*: individual's salary, and training employees of Federal agencies, excepted as noted above.
 - d. *Program Administration*: research costs, expenses to defray activities of Federal agencies, and commercial drivers' compliance requirements.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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 the 30 personal services transactions tested, no after the fact certifications were 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 cost charged during our audit period was \$1,576,472 and is listed below as questioned costs. Management indicated it was working toward implementing its 2003 corrective action plan; however, the Department had not yet implemented it to be in compliance for State fiscal year 2004.

A similar finding was noted in the 2003 prior year single audit report as item 03-42.

Cause

The lack of grant certifications was included as a finding in our 2003 audit report.

Effect

The program may have been charged for personal service costs that were not incurred for the program.

Recommendation

The New Jersey Division of Highway Traffic Safety should implement policies and procedures that ensure documentation and reporting of salaries and wages charged to the program are in accordance with OMB Circular A-87.

Related Noncompliance

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

Questioned Costs

\$1,576,472

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Highway Traffic Safety Cluster (20.600, 20.601, 20.604)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Transportation

Finding: 04-33

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 prior to November 26, 2003, covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000. A change in the nonprocurement suspension and debarment rule took effect on November 26, 2003. As of that date only those procurement contracts for goods and services awarded under a nonprocurement 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." (____.220) of the government wide nonprocurement debarment and suspension common rule contains those additional limited circumstances. All nonprocurement transactions (i.e. Sub-awards to subrecipients) 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 nonfederal entities enter into a covered transaction with an entity at a lower tier, the nonfederal 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, US Government Printing Office, Washington D.C. 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be access 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 cites) which implements Executive Orders 12549 and 12689, Debarment and Suspension, and the terms of the award.

Condition

Of the 30 subrecipients tested, none had proper suspension and debarment certification in the file. For fiscal year 2004, \$2,724,414 was funded to subrecipients. However, we checked the federal suspension and debarment website to ensure that none of the subrecipients selected were actually suspended or debarred and no exceptions were noted. Management indicated it was working toward implementing its 2003 corrective action plan; however, the Department had not yet implemented it to be in compliance for State fiscal year 2004.

A similar finding was noted in the 2003 prior year single audit report as item 03-45.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Cause

This was identified as a finding in the 2003 single audit report and not yet corrected.

Effect

The Department could be funding subrecipients that are suspended or debarred.

Recommendation

We recommend that the Department implement procedures to ensure they have obtained the proper suspension and debarment certification from its subrecipients.

Related Noncompliance

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

Questioned Costs

Cannot be determined.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

State Domestic Preparedness Equipment Support Program (97.004)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 04-34

Criteria

The general criteria affecting allowability of costs under Federal awards are:

- Costs must be reasonable and necessary for the performance and administration of Federal awards.
- Costs must be allocable to the Federal awards under the provisions of the cost principles or CASB Standards, as applicable. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such cost objective in accordance with relative benefits received.
- Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances. 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 was allocated to the Federal award as an indirect cost.
- Costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements or other governing regulations as to types or amounts of cost items.
- Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. Examples of such transactions include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments for overpayments or erroneous charges.
- Costs must be documented in accordance with OMB Circular A-110 for nonprofit organizations or the A-102 Common Rule for State, local and Indian Tribal governmental units.

Allowable costs under the Domestic Preparedness Equipment Grant (DPEG) program include costs relating to training, education and salaries. Allowable costs for training activities include instructor fees, participant and instructor travel and per diem, classroom space rental, materials, supplies and overhead expenses. Financial contributions to the State for necessary and essential State and local emergency preparedness personnel and administrative expenses may not exceed one-half of the total cost of such personnel and administrative expenses. Activities allowed under the DPEG program include training, exercises, educational courses, etc., in order to establish capabilities that will be relied upon to accomplish the necessary governmental actions to protect people and property from the consequences of disasters caused by any and all hazards.

Condition

For the 30 personal services transactions tested, two transactions were improperly charged to the program. For the salary reimbursement transaction for Code Orange Alert on 9/2/03, the amount charged to the program was based on the budgeted amount of \$851,051 instead of the actual costs of \$830,562. The difference of \$20,489 is listed below as questioned costs. For another salary reimbursement transaction for Critical Infrastructure

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Protection on 8/21/03, the amount charged to the program was also based on a budgeted amount of \$449,499, however, actual costs expended was not determinable.

Cause

The Department could not locate the documents requested.

Effect

Allowability for certain personnel services transactions cannot be determined.

Recommendation

The New Jersey Office of Emergency Management should improve policies and procedures that ensure documentation and reporting of salaries and wages charged to the program are in accordance with OMB Circular A-87. We also recommend that the Department follow current policies for maintaining documentation supporting transactions charged to federal programs and ensure that only actual expenditures are charged to the program.

Related Noncompliance

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

Questioned Costs

\$469,988

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

State Domestic Preparedness Equipment Support Program (97.004)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 04-35

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 \$5000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

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

Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Institutions of higher education, hospitals, and other 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 \$5000, is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

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

Condition

Of the 8 pieces of equipment tested, 2 were not properly tagged for identification purposes and 3 were not properly included on the Department's inventory subsidiary ledger (SP 345 Report). The amount of equipment transactions charged during 2004 was \$2,071,802 and none were determined to be questioned costs.

Cause

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

Effect

Certain equipment transactions are not being managed in accordance with Federal regulations.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Recommendation

The Department should implement procedures to ensure the proper management of equipment purchased with Federal funds.

Related Noncompliance

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

Questioned Costs

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, 2004

Employment Services Cluster (17.207, 17.801, 17.804)

Workforce Investment Act Cluster (17.258, 17.260)

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

Disability Insurance/SSI Cluster (96.001)

State Agency: Department of Labor and Workforce Development

Federal Agencies: U.S. Department of Labor

U.S. Department of Education

Social Security Administration

Finding: 04-36

Criteria

The general criteria affecting allowability of costs under Federal awards are:

- *Reasonable and Necessary* – Costs must be reasonable and necessary for the performance and administration of Federal awards.
- *Allocable* – Costs must be allocable to the Federal awards under the provisions of the cost principles or CASB Standards, as applicable. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such cost objective in accordance with relative benefits received.
- *Consistency* – Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances. 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 was allocated to the Federal award as an indirect cost.
- *Conformity to Laws, Regulations and Sponsored Agreements* – Costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements or other governing regulations as to types or amounts of cost items.
- *Transactions that Reduce or Offset Direct or Indirect Costs* – Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. Examples of such transactions include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments for overpayments or erroneous charges.
- *Costs Documentation* – Costs must be documented in accordance with OMB Circular A-110 for nonprofit organizations and institutions of higher education or the A-102 Common Rule for State, local and Indian Tribal governmental units.

Condition

The Time and Leave Reporting System (TALRS) is used to generate payroll and feeds payroll information to the New Jersey Comprehensive Financial System (NJCFS), which is the system used to generate the Schedule of Expenditures Federal Awards (SEFA). The Department's Cost Accounting System (CAS) breaks down payroll information by project code to determine the amounts to be charged to each Federal program. For 24 of the 100

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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

A similar finding was noted in the 2003 prior year single audit report as item 03-46.

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Workforce Investment Act Cluster (17.258, 17.260)

State Agency: Department of Labor and Workforce Development

Federal Agency: U.S. Department of Labor

Finding: 04-37

Criteria

Recipients and Subrecipients

- a. Each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations and provide technical assistance as necessary and appropriate (20 CFR Section 667.400(c)).
- b. Commercial organizations which are subrecipients under WIA Title I and which expend more than the minimum level specified in OMB Circular A-133 must have either an organization-wide audit conducted in accordance with OMB Circular A-133 or a program specific financial and compliance audit (20 CFR Section 667.200(b)(2)(ii)).

States

- a. Each State must have a monitoring system which:
 - 1) Provides for annual on-site monitoring reviews of local areas' compliance with DOL uniform administrative requirements, as required by WIA Section 184(a)(4);
 - 2) Ensures that established policies to achieve program quality and outcomes meet the Act's objectives, including policies relating to the provision of services by One-Stop Centers, eligible providers of training services, and eligible providers of youth activities;
 - 3) Enables the Governor to determine if subrecipients and contractors are in substantial compliance with WIA requirements;
 - 4) Enables the Governor to determine whether a local plan will be disapproved for failure to make acceptable progress in addressing deficiencies; and
 - 5) Enables the Governor to ensure compliance with WIA nondiscrimination and equal opportunity requirements (20 CFR Section 667.410(b)).

Each State must conduct an annual on-site monitoring review of each local area's compliance with DOL uniform administrative requirements, including the appropriate administrative requirements and cost principles for subrecipients and other entities receiving WIA funds. The State must require that prompt corrective action be taken if any substantial violations are identified and must impose the sanctions provided in WIA Section 184(b) and (c) if a subrecipient fails to take required corrective action. The State may issue additional requirements and instructions to subrecipients on monitoring activities (20 CFR Section 667.4109b)).

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Condition

The Department of Labor and Workforce Development, Office of Internal Audit (OIA), conducts annual, on-site fiscal monitoring reviews of the seventeen Workforce Investment Boards (WIBs) located throughout the State, based upon a developed schedule determined by OIA. For 1 of the 5 sites selected there was no subrecipient monitoring review performed by OIA personnel. For 2 of the 5 sites selected, there was evidence that the review was performed (although one site was still in draft form), however, there was no evidence of supervisory review of the report for either site.

Cause

The Department experienced a shortage of staff available to perform the fiscal monitoring reviews during 2004.

Effect

Compliance with WIA provisions by the WIBs and the objectives of the program may not have been achieved.

Recommendation

We recommend that the Department perform annual reviews of the WIBs within.

Related Noncompliance

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

Questioned Costs

Cannot be determined.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Special Education – Grants to States (84.027)

State Agency: Department of Education

Federal Agency: U.S. Department of Education

Finding: 04-38

Criteria

A pass-through entity is responsible for:

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

During-the-Award Monitoring

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

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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

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

Agreed-upon procedures engagements

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

Condition

The Department of Education, Internal Audit Unit (the Department), is the State cognizant Department that has the responsibility to ensure the timely receipt of quality Single Audit reports from certain grant recipients to which they provide a majority of funding. Additional responsibilities include performance of desk reviews of single audit reports, ensuring that the audit exceptions are resolved, confirmation of independent audit organization external quality control reviews (QCRs), and communication of the results of the desk reviews and QCRs to the Office of Management and Budget, NJ Department of Treasury.

Our testwork over the subrecipient monitoring procedures indicated that the Department's desk review process for subrecipient audit reports did not include adequate supervisory review to ensure the proper completion of the desk review checklist. As a result, it was also noted that one of nine desk reviews selected for testwork was not entirely completed.

Cause

There are no formal supervisory review procedures in place to ensure timely and accurate performance of desk reviews of subrecipient single audit reports.

Effect

Subrecipient report desk reviews were not completed.

Recommendation

We recommend that the Department implement procedures for a formal supervisory review process as part of their desk review procedures for subrecipient single audit reports.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Immunization Grants (93.268)

State Agency: Department of Health and Senior Services

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

Finding: 04-39

Criteria

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

The Department does not perform periodic physical inventories of the vaccine at the Belco Drug Corporation, the warehouse vendor for the New Jersey Department of Health Vaccines for Children Program, to ensure proper recording of receipt, transfer, and usage of the vaccine. Additionally, there were no site visits performed by the Department to the Belco Drug Corporation in fiscal year 2004 to review the storage of the vaccine for proper safeguarding including risks of loss from theft, expiration, or improper storage temperature.

Cause

The Department did not dedicate the resources needed to provide proper monitoring.

Effect

The Department could not account for the vaccine, to ensure it was not lost or improperly used.

Recommendation

We recommend that the Department implement procedures 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.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Immunization Grants (93.268)

State Agency: Department of Health and Senior Services

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

Finding: 04-40

Criteria

Sub-recipient monitoring

A pass-through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the sub-recipient 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 sub-recipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Sub-recipient Audits* – (1) Ensuring that sub-recipients 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 sub-recipient'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 sub-recipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the sub-recipient's audit report, and (3) ensuring that the sub-recipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a sub-recipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- *Pass-Through Entity Impact* – Evaluating the impact of sub-recipient 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 noncompliance.
- *Percentage passed through* – The larger the percentage of program awards passed through the greater the need for sub-recipient monitoring.
- *Amount of awards* – Larger dollar awards are of greater risk.
- *Sub-recipient risk* – Sub-recipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new sub-recipients would require closer monitoring. For existing sub-recipients, based on results of during-the-award monitoring and sub-recipient audits, a sub-recipient

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

may warrant closer monitoring (e.g., the sub-recipient has (1) a history of noncompliance as either a recipient or sub-recipient, (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 sub-recipient.
- *Site Visits* – Performing site visits at the sub-recipient to review financial and programmatic records and observe operations.
- *Contact* – Regular contacts with sub-recipients and appropriate inquiries concerning program activities.

Agreed-upon procedures engagements

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

Special Tests and Provisions – Monitoring For-Profit Subrecipients

Significant portions of this program are passed through from the pass-through entity (usually the State) to for-profit subrecipients in the form of vaccine. Since OMB Circular A-133 does not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements as necessary to ensure compliance by for-profit subrecipients (OMB Circular A-133 §____.210(e)) and for monitoring and reporting program performance by for-profit subrecipients (A-102 Common Rule §____.40(a)). The compliance requirements applicable to for-profit subrecipients under this program are:

- a. Eligibility requirements in III.E.1, “Eligibility – Eligibility for Individuals.”
- b. Control of vaccine in III.N.1, “Special Tests and Provisions – Control, Accountability, and Safeguarding of Vaccine.”
- c. Recordkeeping in III.N.2, “Special Tests and Provisions – Record of Immunization.

Condition

The Department could not provide evidence that a process is in place to communicate the required award information (e.g., CFDA title and number, award name, name of Federal agency and applicable compliance requirements) to direct assistance (nonfinancial) sub-recipients.

The Department could not provide evidence that it verifies or reviews that the sub-recipients are performing the task of controlling, accounting for, and safeguarding the vaccine.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Cause

The Department does not maintain documentation evidencing award identification to direct assistance (nonfinancial) sub-recipients.

In addition, the Department does not maintain documentation evidencing its review that the sub-recipients (not-for-profit and for-profit) are controlling, accounting for, and safeguarding the vaccine.

Effect

Subrecipients may not be properly controlling, safeguarding and accounting for the vaccine.

Recommendation

We recommend that the Department maintain documentation evidencing its sub-recipient monitoring procedures, including evidence of communication of required award information and evidence of its review that sub-recipients are performing the task of controlling, accounting for, and safeguarding the vaccines.

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, 2004

Section 8 Housing Choice Vouchers (14.871)

State Agency: Department of Community Affairs

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

Finding: 04-41

Criteria

The Department is required to submit a financial report, HUD-52681- *Voucher for Payment of Annual Contributions and Operating Statement*, on an annual basis.

Condition

For fiscal year 2004, the Department requested an extension for its submission of the financial report, HUD-52681. The U.S. Department of Housing and Urban Development granted the Department an extension until March 15, 2005. The Department mailed the completed form on March 18, 2005.

Cause

The Department was unable to obtain all of the information required to complete the financial report, HUD-52681, in a timely manner.

Effect

The report was not submitted to the federal government within the required timeframe.

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, 2004

Weatherization Assistance for Low-Income Persons (81.042)

Low-Income Home Energy Assistance (93.568)

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

Federal Agencies: U.S. Department of Energy

U.S. Department of Health and Human Services

Finding: 04-42

Criteria

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all nonprocurement transactions (e.g., subawards to subrecipients).

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. The non-Federal entities may rely upon the certification unless it knows that the certification is erroneous. Non-Federal entities may, but are not required to, check for suspended and debarred parties, which are listed in the *List of Parties Excluded From Federal Procurement or Nonprocurement Programs*, issued by the General Services Administration (GSA).

Condition

The Department does not have a process in place to ensure that its subrecipients have not been suspended or debarred. The Department enters into grant/contract agreements with its subrecipients of the programs. This grant/contract agreement is utilized by the Department to inform the subrecipients of the procedures/regulations which they must adhere to. Other than a generic reference to comply with OMB Circular A-133 in the grant/contract agreement, there are no notifications to the subrecipient regarding the suspension and debarment requirement. For State fiscal year 2004, approximately \$3.3 million was provided to the nineteen subrecipients of these programs.

A similar finding was noted in the 2003 prior year single audit report as item 03-21. A similar finding was noted in the 2002 prior year single audit report for Weatherization Assistance for Low-Income Persons as item 02-23. A similar finding was noted in the 2002, 2001, and 2000 prior year single audit reports for Low-Income Home Energy Assistance and Community Services Block Grant as items 02-20, 01-22, and 00-15, respectively.

The Department has not yet implemented corrective action related to this requirement.

Cause

The Department needed adequate time to implement the corrective action plan.

Effect

The Department could be funding subrecipients that are suspended or debarred.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Recommendation

We recommend that the Department implement procedures to ensure subrecipients have not been suspended or debarred.

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, 2004

Weatherization Assistance for Low-Income Persons (81.042)

State Agency: Department of Community Affairs

Federal Agency: U.S. Department of Energy

Finding: 04-43

Criteria

The Department is required to submit a financial report, SF-272 *Federal Cash Transactions Report*, on a quarterly basis.

Condition

There was no evidence of management review on the SF-272 financial report for the quarter ended March 31, 2004.

Cause

Inadequate supervisory review of the quarterly financial report.

Effect

Reports submitted may not be accurate and complete.

Recommendation

We recommend the Department ensure management review of all financial reports. Management review should be evidenced by a signature on the report.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 04-44

Criteria

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

Condition

The Office of Management and Budget, NJ Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system. The Department of Community Affairs prepares the Federal financial status reports (FFSR's) for the Community Services Block Grant program from the New Jersey Comprehensive Financial System. The Department of Community Affairs does not routinely reconcile the amounts reported on the FFSR's to the underlying financial records of the State nor could the Department provide a reconciliation of the amounts reported on the SEFA with amounts shown on FFSR's for the Community Services Block Grant.

A similar finding was noted in the 2003 prior year single audit report as item 03-24.

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Questioned Costs

The amount reported on the Schedule of Expenditures of Federal Awards for the Community Services Block Grant program was \$16,713,575.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 04-45

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 U.S. Department of Health and Human Services total funds expended by the grantee during the statutory period, and the date of the last expenditure (45 CFR 96.30(b)(3)).

Condition

The September 30, 2003 SF-269A report selected for testwork was not properly prepared, as two line items were improperly calculated from the NJCFS support. Additionally, there was no segregation of duties in the preparation and review of the September 30, 2003 SF-269A report prior to its submission.

A similar finding was noted in the 2003 prior year single audit report as item 03-25.

Cause

There was no segregation of duties in the preparation and review of this report prior to submission to the Federal government.

Effect

The Department did not claim accurate expenditures to the Federal Government for the quarter ended September 30, 2003.

Recommendation

We recommend that the Department implement procedures to ensure the Federal financial report is properly completed, supported by accurate documentation, and is appropriately 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

The September 30, 2003 SF-269A report included Federal expenditures of \$15,746,277.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 04-46

Criteria

CSBG funds granted by the State to subgrantees are available to the subgrantee for obligation during the Federal fiscal year that the grant was made and in the following Federal fiscal year (42 USC 9907(a)(2)).

Condition

The State could not provide evidence of compliance with the period of availability requirement as the Department of Community Affairs was unable to provide the payment voucher for one of the six subgrantees that received Federal fiscal year 2002 funds after September 30, 2003.

Cause

The Department was unable to find the fiscal file that contained the payment voucher.

Effect

The expenditures may not have been made within the period of availability.

Recommendation

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

Related Noncompliance

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

Questioned Costs

Cannot be determined.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 04-47

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 subrecipient monitoring report for one of the six subgrantees selected for test work that was prepared within the last three fiscal years. Additionally, there was no evidence of management review for two of the other five subrecipient monitoring reports.

Cause

The Department was unable to find a monitoring report that was prepared within the last three fiscal years for one of the selected subgrantees. Additionally, there was inadequate supervisory review for two of the other five subrecipient monitoring reports.

Effect

Subgrantees may not be conforming with performance goals, administrative standards, financial management rules, and other requirements. Additionally, subgrantee reports were not reviewed for accuracy prior to submission.

Recommendation

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 04-48

Criteria

Activities Allowed or Unallowed

1. *Activities Allowed*

- a. Subgrantees may use CSBG funds for any programs, services or other activities related to achieving the broad goals of the CSBG programs, such as reducing poverty, revitalizing low-income communities, and assisting low-income individuals and families. Funds may be used to:
 - (1) Promote economic self-sufficiency, employment, education and literacy, housing and civic participation.
 - (2) Support community youth development programs.
 - (3) Fill gaps in services through information dissemination, referrals, and case management.
 - (4) Provide emergency assistance through grants and loans, and provision of supplies, services and food stuffs.
 - (5) Secure more active involvement of the private sector, faith-based institutions, neighborhood-based organizations, and charitable groups.
 - (6) Plan, coordinate, and develop linkages among public (Federal, States and local), private, and nonprofit resources, including religious organizations, to improve their combined effectiveness in ameliorating poverty (42 USC 9901, 42 USC 9908(b), and 42 USC9920(a); 45 CFR Section 1050.3(a)(1)).
- b. States may use retained funds to achieve CSBG program goals through activities, including, but not limited to:
 - (1) Training and technical assistance.
 - (2) Statewide coordination and communication among eligible entities.
 - (3) Analysis to better target the distribution of funds to the areas of greatest need.
 - (4) Individual development accounts and other asset-building programs for low-income individuals.
 - (5) Coordinating State-operated programs and services targeted to low-income children and families.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- (6) State charity tax credits.
- (7) Supporting innovative programs and activities conducted by community-based organizations to address the goals of the program.
- (8) Administrative functions (42 USC 9901 and 9907(b)).

2. *Activities Unallowed*

- a. Funds may not be used to purchase or improve land or to purchase, construct, or permanently improve buildings or facilities, other than low-cost residential weatherization or other energy-related home repairs (this limitation may be waived by ACF) (42 USC 9918(a)).
- b. Funds may not be used to support any partisan or nonpartisan political activity or to provide voters or prospective voters with transportation to the polls or provide similar assistance in connection with an election or any voter registration (42 USC 9918(b)).
- c. No CSBG program funding provided directly to a religious organization may be used for inherently religious activities, such as worship, religious instruction, or proselytization (42 USC 9920(c); 45 CFR Section 1050.3(b)).

Condition

The Department did not provide approved payment vouchers to support the allowability of the expenditures for two of the six selected payments made to subgrantees.

Cause

The Department does not have adequate policies and procedures in place to ensure that payment vouchers are received, reviewed and approved prior to distribution of payment to the subgrantees.

Effect

Disbursements made to subgrantees may not be for proper program purposes and expenditures.

Recommendation

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

Related Noncompliance

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

Questioned Costs

Cannot be determined.

View of Responsible Official

See management's corrective action plan.

MANAGEMENT'S CORRECTIVE ACTION PLAN

STATE OF NEW JERSEY SINGLE AUDIT
FISCAL YEAR 2004



CORRECTIVE ACTION PLANS
TO RESOLVE SINGLE AUDIT FINDINGS

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126) State Agency: Department of Human Services Federal Agency: U.S. Department of Education		Prior Year Findings: 03-2
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-1	<p>Although the eligibility forms in case files were misplaced, payments were made on behalf of eligible clients receiving services during State Fiscal Year 2004. The Commission will pay for an eye exam to determine if a consumer is eligible for services. If eligible, an Individualized Plan for Employment (IPE) will be developed by the Vocational Rehabilitation Counselor, agreed to and signed by the consumer, the Vocational Rehabilitation Counselor, and the counselor's supervisor. The Commission maintains a Client Status Tracking System and shows all payments paid on behalf of these two clients when they were open as clients. All open and recently closed client files will be maintained by Vocational Rehabilitation Counselors in their Regional Offices.</p>	<p>July 1, 2005</p> <p>Frank Scheick (973) 648-3126</p>
Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126) State Agency: Department of Human Services Federal Agency: U.S. Department of Education		Prior Year Findings: 03-1 02-1
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-2	<p>On September 30, 2004 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. The Procurement Circular 00-13-DPP and the Sole Source Justification Form have been made available to all staff. As the Commission Procedures Manuals for Vocational Rehabilitation, Education, and Allied Services are updated, Procurement Circular 00-13-DPP will be included in the manuals for reference.</p>	<p>September 30, 2004</p> <p>Frank Scheick (973) 648-3126</p>
Foster Care- Title IV-E (93.658) Adoption Assistance (93.659) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-20 02-15 01-17 00-2
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-3	<p>The Division is developing and implementing, with the Office of Management and Budget, NJ Department of Treasury, and the Department of Human Services, guidelines and procedures to reconcile the Schedule of Expenditures of Federal Awards (generated by OMB) and the Federal Financial Status Report. The Division is presently recruiting an Administrative Analyst 1 to perform the reconciliations.</p> <p>As an interim corrective action measure, the DHS Office of Finance will assist the Division's Office of Revenue and Financial Reporting (ORFR) with the completion of the reconciliation for FY 2004 for submission to OMB. Until the Administrative Analyst 1 position is filled, existing staff from ORFR, working with DHS-Office of Finance, will continue to perform the quarterly reconciliations.</p>	<p>January 2006</p> <p>Cheryl Jenkins (609) 984-2382</p>

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Foster Care – Title IV-E (93.658) Adoption Assistance (93.659) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-12 02-10
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-4	<p>The Division of Youth and Family Services has made improvements regarding the timely collection of information for the maintenance part of the ACF-IV-E-1 report. ACF has acknowledged that the timeliness of the submission of reports has greatly improved. In addition, the Division, with the acknowledgement of ACF, has determined that accurate reporting is more imperative than an inaccurate preliminary report, which would require considerable adjustments in the future. For the report in question, the Division worked closely with ACF staff regarding a prior period adjustment that was identified and required by the SFY 2002 Single State Audit (CIN-A-02-04-77127).</p> <p>The Division will continue to strive to collect and file information timely.</p>	Immediate Cheryl Jenkins (609) 984-2382
Foster Care – Title IV-E (93.658) State Agency: Department of Human Services Federal Agency: Department of Health and Human Services		Prior Year Findings: 03-10 02-9 01-12 00-21
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-5	<p>The Division has implemented extensive corrective actions to remedy these findings.</p> <p>DYFS has sought to maintain in each Local Office and in its Central Office, the materials that support the Title IV-E eligibility of a child. This is done because, in many instances, the actual case records are voluminous and accessed for many different purposes, such as court hearings. We have found that it is often difficult for external reviewers to locate the relevant Title IV-E documents, thus the need for the separate file. Original documentation could be in either the actual case record or the Title IV-E file.</p> <p>In SFY 2004, the Division developed and began implementing a Performance Improvement Plan (PIP) to enhance its ability to make accurate and timely Title IV-E eligibility determinations. The PIP is outlined below:</p> <p>The Division's Title IV-E Eligibility and Determination Unit was restructured beginning in Fiscal Year 2004. The restructuring and increased staffing should significantly improve the Quality Assurance (QA), tracking and monitoring of Title IV-E eligibility determination and documentation compliance, provide more direct staff supervision, alleviate any future backlog and ensure that all Title IV-E cases are reviewed and Social Security/T2 and Social Security Supplemental Income (SSI)/Child Support requests are completed in a timely fashion.</p> <p>The following enhancements are currently in place:</p>	<p>The implementation of the PIP, including the expansion of the Title IV-E Unit, continues into SFY 2005 and FY 2006.</p> <p>Cheryl Jenkins (609) 984-2382</p>

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

	<ul style="list-style-type: none"> Title IV-E Web-based Tracking System was developed Title IV-E forms were developed and integrated into the Title IV-E Web-based system Title IV-E Training Manual and Title IV-E Reviewer Desk Guide were developed Title IV-E staff were trained on Medicaid, LOOPS and, Wages, including the DYFS Service Information System (SIS) and ongoing training is conducted every six months or earlier as needed Title IV-E Eligibility Unit contracted with an outside agency to train Local Office Title IV-E Point Persons to assemble Title IV-E packets and assist in developing and/or enhancing their internal IV-E filing and tracking system A new approved and sign-off process for Title IV-E claiming has been implemented. 	
Adoption Assistance (93.659) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-13 02-11 01-13 00-22
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-6	<p>The Division has implemented extensive corrective actions to remedy these findings.</p> <p>DYFS has sought to maintain in each Local Office and in its Central Office, the materials that support the Title IV-E eligibility of a child. This is done because, in many instances, the actual case records are voluminous and accessed for many different purposes, such as court hearings. We have found that it is often difficult for external reviewers to locate the relevant Title IV-E documents, thus, the need for the separate file.</p> <p>In SFY 2004, the Division developed and began implementing a Performance Improvement Plan (PIP) to enhance its ability to make accurate and timely Title IV-E eligibility determinations. The PIP is outlined below:</p> <p>The Division's Title IV-E Eligibility and Determination Unit was restructured beginning in Fiscal Year 2004. The restructuring and increased staffing should significantly improve the Quality Assurance (QA), tracking and monitoring of Title IV-E eligibility determination and documentation compliance, provide more direct staff supervision, alleviate any future backlog and ensure that all Title IV-E cases are reviewed and Social Security/T2 and Social Security Supplemental Income (SSI)/Child Support requests are completed in a timely fashion.</p> <p>The following enhancements are currently in place:</p> <ul style="list-style-type: none"> Title IV-E Web-based Tracking System was developed Title IV-E forms were developed and integrated into the Title IV-E Web-based system Title IV-E Training Manual and Title IV-E Reviewer Desk Guide were developed Title IV-E staff were trained on Medicaid, LOOPS and, Wages, including the DYFS Service Information System (SIS) and ongoing training is conducted every six months or earlier as needed Title IV-E Eligibility Unit contracted with an outside agency to train Local Office Title IV-E Point Persons to assemble Title IV-E packets and assist in developing and/or enhancing their internal IV-E filing and tracking system A new approved and sign-off process for Title IV-E claiming has been implemented. 	<p>The implementation of the PIP, including the expansion of the Title IV-E Unit, continues into SFY 2005 and FY 2006.</p> <p>Cheryl Jenkins (609) 984-2382</p>

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Foster Care – Title IV-E (93.658) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-7	<p>The Division concurs that documentation for the payments was not available at the time of the review.</p> <p>The KPMG auditors reviewed the case records in the Local Offices and the staff that were available at that particular time were not able to supply all of the documentation. Subsequent to the audit field work, however, the Division's Central Office Title IV-E Eligibility and Determination Unit obtained the documentation and, upon review, believe that all of the cases were active and that board payments were made on behalf of eligible children. Additionally, the Division subsequently located the supporting documentation for the one questioned manual K-100 payment.</p> <p>The Division will continue to ensure that the manual K-100 payments are supported by related documentation and that payments are made on behalf of eligible children.</p>	<p>Immediate</p> <p>Cheryl Jenkins (609) 984-2382</p>
Foster Care – Title IV-E (93.658) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-8	<p>The Division concurs that documentation was not provided for the equipment charged to the Title IV-E claim.</p> <p>Subsequent to the audit field work, the Division obtained the documentation. The Division's Audit Liaison mistakenly did not assign the auditor's request for the documentation to the appropriate staff and did not follow through on the request in a timely manner. The documentation for the equipment expenditures was acquired subsequent to the audit findings. Upon review of this documentation, the Division believes that the invoices in question are accurate and in compliance with federal regulations for claiming.</p> <p>The Division will continue to maintain appropriate records and supporting documentation for equipment expenditures.</p>	<p>Immediate</p> <p>Cheryl Jenkins (609) 984-2382</p>

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Foster Care – Title IV-E (93.658) Adoption Assistance (93.659) Social Services Block Grant (93.667) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-9	<p>During this time period, the Division began implementing the Child Welfare Reform Plan, which called for the widespread restructuring and expansion of field and administrative offices and the hiring of additional direct care staff. As a result of this restructuring, significant numbers of DYFS personnel were added to and transferred among functional units throughout the organization. The Office of Personnel was unable to keep pace with the amount of entries required to update the number of staff additions and relocations on its Personnel Management Information System (PMIS). Information from PMIS is used to create reports that impact the Division's Cost Allocation Plan (CAP).</p>	<p>Immediate</p> <p>Cheryl Jenkins (609) 984-2382</p>
Social Services Block Grant (93.667) State Agency: Department of Human Services Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-18
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-10	<p>The Department of Human Services will continue to work with the grant sub-recipients and the Department of Treasury to help ensure the effectiveness of the controls that are in place for proper posting of expenditures.</p> <p>The Department believes there were sufficient expenditures to substantiate the department's total claim and draw downs for 2001, although they were not recorded in the proper accounts.</p> <p>Also, the Memorandum of Understanding (MOU) between the department and the sub-recipients for SSBG clearly states that the sub-recipients have full audit responsibilities as designated in Title XX of the Social Security Act.</p>	<p>Immediate</p> <p>Cheryl Jenkins (609) 984-2382</p>
Social Services Block Grant (93.667) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-11	<p>The Department of Human Services will continue to work with the grant sub-recipients and the Department of Treasury to help ensure the effectiveness of the controls that are in place for proper posting of expenditures as it relates to the completion of the SSBG post expenditure report.</p>	<p>Immediate</p> <p>Cheryl Jenkins (609) 984-2382</p>

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Social Services Block Grant (93.667) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-12	<p>During this time period, the Division began implementing the Child Welfare Reform Plan which called for the widespread restructuring and expansion of field and administrative offices and the hiring of additional direct care staff. As a result of this restructuring, significant numbers of DYFS personnel were added to and transferred among functional units throughout the organization. The Office of Personnel was unable to keep pace with the amount of entries required to update the number of staff additions and relocations on its Personnel Management Information System (PMIS). Information from PMIS is used to create reports that impact the Division's Cost Allocation Plan (CAP).</p>	<p>Immediate</p> <p>Cheryl Jenkins (609) 984-2382</p>
Social Services Block Grant (93.667) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-13	<p>It should be noted that the desk review in question was performed and was separated from the audit report during the filing process. The Office of Auditing will take greater care in ensuring that desk reviews are properly secured to the underlying audit report and filed in the subrecipient's individual file folder.</p> <p>The Office of Auditing had previously implemented an annual notification process to those subrecipients whose audit reports were late. In addition to notifying the cognizant division of those audit reports outstanding on a quarterly basis, the Office of Auditing on a quarterly basis will follow-up with subrecipients directly whose audit reports have not been received within nine months of the audit period.</p>	<p>Part 1 – Immediately</p> <p>Part 2 – Fiscal years ending 8/31/04 and thereafter</p> <p>William Mazur (609) 292-9752</p>
Vocational Rehabilitation Grants to States (84.126) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Foster Care – Title IV-E (93.658) Adoption Assistance (93.659) Social Services Block Grant (93.667) State Children's Insurance Program (93.767) State Medicaid Fraud Control Units (93.775) State Survey and Certification of Health Providers and Suppliers (93.777) Medical Assistance Program (93.778) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

#		PERSON
04-14	The Department will continue to work with the divisions to ensure the effectiveness of the internal controls process that is in place. The Department will review each instance of non-compliance and work with the applicable divisions to ensure that the appropriate controls are being adhered to. The Department will circulate a memo to all CFOs' reminding them of the internal control process, stressing proper authorization and maintaining documentation on items such as invoices, payment vouchers and time sheets.	Fiscal Year 2006 Robert Grzyb (609) 984-4460
Temporary Assistance for Needy Families (93.558) State Agency: Department of Human Services Federal Agency: Department of Health and Human Services		Prior Year Findings: 03-4 02-2 01-3 00-12
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-15	While the Division maintains that the absence of the Administrative Supervisor's signature does not represent the absence of the Administrative Supervisor's actual review of the subject cases, we concur that Supervisor review should be properly documented in the QC case record. Accordingly, we have implemented a corrective action effectively immediately ensuring that the responsible Administrative Supervisor will sign the worksheet for each and every WFNJ/TANF case, indicating his final review of the subject case. These worksheets are an integral part of the QC review materials, and will be made available for audit inspection on request.	Immediate Nick Butkewicz (609) 588-2045

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Temporary Assistance for Needy Families (93.558) State Agency: Department of Human Services Federal Agency: Department of Health and Human Services		Prior Year Findings: 03-3 02-4
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-16	This Division recognizes the importance of complying with the timely submission of reports. Since estimates cannot be used, we must wait for actual expenditures to be officially submitted to properly complete the reports. Every effort will to be made to obtain the required supporting expenditure documentation more timely to enable the reports to be submitted within the required time frames.	Immediate Nick Butkewicz (609) 588-2045
Child Support Enforcement (93.563) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-6 02-7
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-17	This Division recognizes the importance of complying with the timely submission of reports. Since estimates can not be used, we must wait for actual expenditures to be officially submitted to properly complete the reports. Every effort will to be made to obtain the required supporting expenditure documentation more timely to enable the reports to be submitted within the required time frames.	Immediate Nick Butkewicz (609) 588-2045
Child Support Enforcement (93.563) State Agency: Department of Human Services The Judiciary Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-7 02-6 01-6 00-30
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-18	<p>Significant progress has been made and the Division is continuing its efforts towards reconciling the differences. Changes have been made to the system generated OCSE-34A Child Support Enforcement Program Quarterly Report of collections that has eliminated the need for a manual count of some of the line items on the reconciliation, which should eliminate the manual errors. In addition, monthly and quarterly reconciliations are reviewed and signed off by the supervisor.</p> <p>Since the transaction volume of the ACSES and Child Support Bank Account is very large it is difficult to complete the reconciliation without system generated reports. Though the redesign of the ACSES system will automate the reconciliation process, we will continue to work towards identifying the differences.</p>	Immediate Nick Butkewicz (609) 588-2045

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Low-Income Home Energy Assistance (93.568) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-8 02-8 01-8 00-32
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-19	<p>The Division of Family Development disagrees with this finding that procedures are not in place to comply with the monitoring with sub-recipients eligibility determinations for the Low Income Home Energy Assistance program (LIHEAP). This Division operates a federally mandated Quality Control process that involves detailed case reviews of random samples of Food Stamp cases both for procedural conformity with statutes and regulations concerning eligibility determination, and payment accuracy. Review elements include the verification of shelter arrangements and utility costs through the physical inspection of utility bills, leases, rent receipts, etc. While these elements are reviewed for the Food Stamp program, they can be used for the review of the LIHEAP program as well. Federal review of New Jersey's QC cases has repeatedly affirmed the accuracy of our food stamp eligibility process.</p> <p>We concur that the corrective procedures to expand our regular Food Stamp quality control review process to include a LIHEAP component was unavailable for testing due to an unanticipated delay in start-up. Effective January 2005, our existing quality control process was modified to ensure that the payment elements for the HEA program affirm the correctness of the CWAs' determination of eligibility for HEA benefits. The HEA-related components of these quality control reviews will include an inspection of the case documentation and a face-to-face interview with the case head conducted in the client's home. In addition, the accuracy of HEA-related data elements such as living arrangement, household size, shelter costs, fuel type and utility account numbers will be examined. In cases where the QCR identifies payment code errors, the review findings will be submitted to CWA in writing to make any corrections to the case file and develop a corrective action to address any procedural deficiencies. The DFD Corrective Action Coordinator will review the corrective action plan for approval.</p>	January 2005 Nick Butkewicz (609) 588-2045
Medical Assistance Program (93.778) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-20	<p>This finding is accurate. However, the State believes the approved pilot project is an acceptable alternative to and an improvement over the traditional MEQC process.</p> <p>The State received approval from the cognizant federal agency to replace the traditional MEQC process with a pilot project. The pilot project intends to provide a more thorough evaluation and enhancement of subrecipient eligibility determinations through the application of targeted assessments. The pilot project includes varied targeted assessments each year that could not all be accomplished simultaneously. These targeted assessments when combined over several years will ensure greater program integrity and provide improvements in program administration beyond the traditional MEQC process.</p>	N/A David Lowenthal (609) 588-2820

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

	The pilot project is a multi-year effort that apparently does not satisfy the compliance requirement cited for the single year being audited. The State believes the benefits of the pilot project exceed those of the MEQC process. Therefore, the State will continue with the approved pilot project and confer with CMS to determine what appropriate corrective action is warranted and the implementation process for any needed corrective action.	
Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-21	The Division shall perform comprehensive monitoring activities (including programmatic and fiscal reviews) periodically (minimally, once every three years) to ensure subgrantees are meeting goals and standards regarding performance, administrative standards, fiscal management and other requirements of the agreement. Furthermore, the Division shall conduct such review of each new subgrantee after completion of first year activities. Findings for any necessary corrective action will be issued and acted upon.	Institution of Comprehensive monitoring procedures and protocols will be written by March 2006, and implemented by the second quarter of 2006. Anne Vidunas-Gladwell (609) 984-0625
State Children's Insurance Program (93.767) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-15 02-3
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-22	This finding is accurate. Beginning July 2004, the Division of Medical Assistance and Health Services implemented ongoing procedures to monitor eligibility determinations made by the State's vendor based on a monthly sampling of cases.	July 2004 David Lowenthal (609) 588-2820
All Major Programs State Agency: Department of Treasury, Office of Management and Budget Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-32 02-26
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-23	The State has strengthened its procedures by having a back-up staff member trained in preparation of both the Fringe Benefit and the Statewide Cost Allocation Plan proposals. This employee first worked on the FY 2006 (FY 2004 actual) proposals. It is the State's goal to minimize the posting errors. While it may not be practical to be 100% free of posting errors, every effort is made to ensure that posting errors that might go undetected would not have a major negative effect to the State. As part of the negotiating process with the USDHHS, errors are sometimes discovered and, when material, corrected, prior to signing of any agreements.	Ongoing William Shannon (609) 292-7008

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Child and Adult Care Food Program (10.558) State Agency: Department of Agriculture Federal Agency: U.S. Department of Agriculture		Prior Year Findings: 03-34 02-18 01-26
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-24	<p>Initiate action to ensure compliance with regulatory standards related to the frequency of reviews.</p> <p>There were a total of 10 agencies that were beyond the timeframes for reviews.</p> <p>Continued leave of absences required that we continue to maximize the services of temporary staff in effort to maintain USDA compliance. Three temporary staff were hired for the summer months to help conduct administrative reviews only. Staff successfully followed-through with the instruction to begin with the most outdated reviews first. The unit has met the required number of USDA mandated reviews for fiscal year 2005 to include the 10 agencies that were beyond the required timeframes.</p> <p>Also, two additional PDS positions were approved for the CACFP unit.</p>	<p>Review timeframes: June 30, 2005</p> <p>Timelines for training are pending the completion of the selection process for the second position.</p> <p>Kathy Kuser (609) 984-0672</p>
Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559) State Agency: Department of Agriculture Federal Agency: U.S. Department of Agriculture		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-25	<p>The Appropriations report (APPR) will be used to report State Revenue Matching expenditures on the FNS-13 report. For supporting documentation, a copy of the APPR screen will be attached to the FNS-13.</p>	<p>Immediate</p> <p>Kathy Kuser (609) 984-0672</p>
Emergency Management Performance Grants (97.042) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		Prior Year Findings: 03-38 02-34 01-27 00-09
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-26	<p>The certification process is being enhanced with the development of an electronic database to track time more precisely and a more comprehensive written certification. Anticipate roll-out this fiscal year (State fiscal year 2006). Until then, efforts will continue to complete certifications in accordance with guidelines.</p>	<p>Immediate</p> <p>New tracking database: Fiscal Year 2006</p> <p>Carl Wyhopen (609) 292-8193</p>

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Emergency Management Performance Grants (97.042) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		Prior Year Findings: 03-39 02-36
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-27	Control measures were increased following the FY03 audit, however some holes remain in the process. Occasionally, equipment is shipped directly to the end user location, bypassing the storekeeper responsible for control. Notification (of receipt by end-users) and follow-up (by storekeeper) are two areas targeted for improvement.	Fiscal Year 2005 Carl Wyhopen (609) 292-8193
Emergency Management Performance Grants (97.042) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		Prior Year Findings: 03-40 02-37
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-28	Suspension and debarment language has been included in the FY05 EMA work plans and will be incorporated into subsequent years' allocation letters. This language will also be documented with disbursement of this year's pass-through checks to counties and municipalities.	Fiscal Year 2005 Carl Wyhopen (609) 292-8193
Emergency Management Performance Grants (97.042) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		Prior Year Findings: 03-41 02-39
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-29	The CFDA number and OMB Circular A-133 requirement language has been included in the FY05 EMA work plans. This language will also be documented with disbursement of this year's pass-through checks to counties and municipalities and in subsequent years' allocation letters and will also be documented with disbursement of this year's pass-through checks to counties and municipalities.	Fiscal Year 2005 Carl Wyhopen (609) 292-8193
Public Assistance Grants (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		Prior Year Findings: 03-37 02-29
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-30	The Public Assistance Unit will enhance procedures to ensure proper compliance with all applicable cost principles, and limitations in the program agreement, program regulations, or program statute and to ensure they have obtained adequate documentation to support all costs charged to the program.	January 2006 Carl Wyhopen (609) 292-8193

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Highway Traffic Safety Cluster (20.600, 20.601, 20.604) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		Prior Year Findings: 03-44
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-31	The Division will re-examine its policies and procedures with the Consolidated Administrative and Support Services Unit in an effort to obtain required documentation.	Ongoing Carl Wyhopen (609) 292-8193
Highway Traffic Safety Cluster (20.600, 20.601, 20.604) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		Prior Year Findings: 03-42
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-32	Division employees are completing one of two grant certifications. Employees working on a single-Federal award or cost objective are certifying semi-annually that work is conducted solely on that program. Employees working on multiple activities are completing time and attendance reports for each pay period.	July 2004 Carl Wyhopen (609) 292-8193
Highway Traffic Safety Cluster (20.600, 20.601, 20.604) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		Prior Year Findings: 03-45
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-33	The Division has included in its grant application packet the certification for debarment and suspension. All sub-recipients receiving grant funds in excess of \$25,000 are required to submit the certification.	October 2004 Carl Wyhopen (609) 292-8193

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

State Domestic Preparedness Equipment Support Program (97.004) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-34	Record keeping protocols are being improved to ensure that future revisions in grants are easily identifiable and retrievable. Electronic tracking of time for enlisted personnel has been improved with additional features to better aid tracking of time and costs with a projected implementation date of January 1, 2006. Existing Purchasing Unit documentation will be reviewed to determine when the payment for the vehicles occurred. Additionally, existing documentation in the Transportation Unit will be reviewed to establish weaknesses in recording protocols.	January 2006 Carl Wyhopen (609) 292-8193
State Domestic Preparedness Equipment Support Program (97.004) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-35	The department will ensure that these pieces have subsequently been properly tagged as per SOP and review the SOP with relevant personnel responsible for this function.	January 2006 Carl Wyhopen (609) 292-8193
Employment Services Cluster (17.201, 17.801, 17.804) Workforce Investment Act Cluster (17.258, 17.260) Rehabilitation Services: Vocational and Rehabilitation Grants to States (84.126) Social Security: Disability Insurance (96.001) State Agency: U.S Department of Labor and Workforce Development Federal Agency: U.S. Department of Labor U.S. Department of Education Social Security Administration		Prior Year Findings: 03-46
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-36	The problem is the result of using two systems when reporting/recording time. Both TALRS and CAS (the time reporting piece) will be replaced in April 2006 by one system – Enhanced Cost Accounting and Timesheet System (e-CATS). This will effectively eliminate this type of finding. In the interim, the department will remind supervisors that existing internal controls require them to assure time is reported accurately in both systems.	April 2006 James King (609) 292-1885

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Workforce Investment Act Cluster (17.258, 17.260) State Agency: U.S Department of Labor and Workforce Development Federal Agency: U.S. Department of Labor		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-37	The department will perform all required reviews by the close of the current fiscal year.	June 2006 James King (609) 292-1885
Special Education-Grants to States (84.027) State Agency: Department of Education Federal Agency: U.S. Department of Education		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-38	The single audit review function has been transferred to the Single/Grants Audit Unit. Written procedures will be established so that the supervisor of the unit reviews and initials the desk review checklist to verify that all components of the desk review were performed.	January 1, 2006 Lisa McCormick (609) 292-7742
Immunization Grants (93.268) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-39	The Vaccine Preventable Disease Program will assure that site visits are conducted at least twice annually of the vaccine warehouse/distribution contractor and will review inventory records to insure that there is proper recording of receipt, transfer and usage of the vaccine.	Immediate John Wozniak (609) 588-7401

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Immunization Grants (93.268) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-40	<p>The Division of Epidemiology, Environmental and Occupational Health Services will provide sub grantees with the federal CFDA title and number and the applicable compliance requirements for the federal childhood immunization grant.</p> <p>The Division will continue to monitor its sub-recipients and will maintain evidence of the site visits. During the site visits, Division staff will verify that the sub -recipients ensure proper recording of receipt, transfer, usage and safeguarding of the vaccines provided.</p> <p>Documentation will be maintained for a period of at least three years.</p>	<p>Immediate</p> <p>John Wozniak (609) 588-7401</p>
Section 8 Housing Choice Vouchers (14.871) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Housing and Urban Development		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-41	<p>The Department agrees that the report was submitted to HUD three days late. HUD no longer requires financial report HUD-52681 to be submitted.</p>	<p>N/A</p> <p>Anne Vidunas-Gladwell (609) 984-0625</p>
Weatherization Assistance for Low-Income Persons (81.042) 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 Energy U.S. Department of Health and Human Services		Prior Year Findings: 03-21 02-20, 02-23 01-22 00-15
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-42	<p>A Department wide procedure was implemented to ensure subrecipients have not been suspended or debarred in April 2004, and a Divisional procedure was implemented in January 2005.</p>	<p>January 2005</p> <p>Anne Vidunas-Gladwell (609) 984-0625</p>

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Weatherization Assistance for Low-Income Persons (81.042) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Energy		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-43	Current standard practice requires management review of all financial reports. The report in question was not reviewed/signed off on in a timely manner. A written procedure will be formalized no later than March 2006.	March 2006 Anne Vidunas-Gladwell (609) 984-0625
Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-24
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-44	Procedures have been implemented to routinely reconcile expenditures to the State's accounting system as required by CL 05-02-OMB dated July 16, 2004. A written procedure will be formalized no later than March 2006.	March 2006 Anne Vidunas-Gladwell (609) 984-0625
Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: 03-25
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-45	Procedures have been implemented to ensure proper federal financial reporting and segregation of duties. A written procedure will be formalized no later than March 2006.	March 2006 Anne Vidunas-Gladwell (609) 984-0625
Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-46	A librarian has been assigned to monitor the file room and act as custodian of the files in an effort to prevent misplaced files. Reorganization of the file room began in June 2005 and will be fully implemented by April 2006.	April 2006 Anne Vidunas-Gladwell (609) 984-0625

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004
CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-47	Comprehensive tracking of monitoring reports, as well as proper management review, will be implemented to preclude their loss or misplacement (and to ensure that it was actually completed). Monitoring procedures of subgrantees will occur, at a minimum, once every three years to ensure conformance with performance goals, administrative standards, fiscal procedures and other pertinent requirements and goals.	April 2006 Anne Vidunas-Gladwell (609) 984-0625
Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		Prior Year Findings: N/A
FINDING #	CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
04-48	The Department agrees with this finding. Staff will be reminded to comply with existing policies and procedures. Existing policies and procedures will be integrated into Divisional Guidelines and in-house staff training will occur no later than March 2006.	March 2006 Anne Vidunas-Gladwell (609) 984-0625