



STATE OF NEW JERSEY

Single Audit Report

Year ended June 30, 2005

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, 2005

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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, 2005. 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 may be required to have their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

As described in note 2, the Schedule 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, 2005 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 5, 2006

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(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	\$ 2,582	—
10.153	Market News	4	—
10.156	Federal-State Marketing Improvement Program	12	—
10.163	Market Protection and Promotion	76	5
10.450	Crop Insurance	211	97
10.550	Food Donation (nonmonetary)	24,819	—
	<i>Food Stamp Cluster:</i>		
10.551	Food Stamps (nonmonetary)	432,593	—
10.561	State Administrative Matching Grants for Food Stamp Program	80,246	69,715
	Total Food Stamp Cluster	512,839	69,715
	<i>Child Nutrition Cluster:</i>		
10.553	School Breakfast Program	30,433	30,433
10.555	National School Lunch Program	137,742	137,742
10.556	Special Milk Program for Children	1,051	1,051
10.559	Summer Food Service Program for Children	6,950	6,676
10.559	Summer Food Service Program for Children (nonmonetary)	18	—
	Total Child Nutrition Cluster	176,194	175,902
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	92,408	16,272
10.558	Child and Adult Care Food Program	46,854	46,410
10.558	Child and Adult Care Food Program (nonmonetary)	212	—
10.560	State Administrative Expenses for Child Nutrition	2,942	—
	<i>Emergency Food Assistance Cluster:</i>		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,026	671
10.569	Emergency Food Assistance Program (Commodities)	7,128	—
	Total Emergency Food Assistance Cluster	8,154	671
10.570	Nutrition Services for the Elderly (Commodities)	3,364	3,364
10.572	WIC Farmer's Market Nutrition Program (FMNP)	1,026	85
10.574	Team Nutrition Grants	19	—
10.576	Senior Farmers' Market Nutrition Program	677	—
10.652	Forestry Research	78	—
10.664	Cooperative Forestry Assistance	4,477	260
10.672	Rural Development Forestry and Communities	16	—
10.677	Forest Land Enhancement Program (FLEP)	52	—
10.913	Farm and Ranch Lands Protection Program	1,198	1,198
10.914	Wildlife Habitat Incentive Program (WHIP)	10	—
	Total U.S. Department of Agriculture	878,224	313,979
	U.S. Department of Commerce		
11.407	Interjurisdictional Fisheries Act of 1986	122	—
11.413	Fishery Products Inspection and Certification	124	—
11.419	Coastal Zone Management Administration Awards	2,818	62
11.420	Coastal Zone Management Estuarine Research Reserves	547	60
11.441	Regional Fishery Management Councils	470	—
11.452	Unallied Industry Projects	209	207
11.474	Atlantic Coastal Fisheries Cooperative Management Act	381	—
	Total U.S. Department of Commerce	4,671	329
	U.S. Department of Defense		
12.401	National Guard Military Operations and Maintenance (O&M) Projects	18,199	—
12.UNA	NJ Coastal Heritage Program	1,850	—
	Total U.S. Department of Defense	20,049	—

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Housing and Urban Development		
14.228	Community Development Block Grants/State's Programs	\$ 6,976	6,766
14.231	Emergency Shelter Grants Program	821	758
14.235	Supportive Housing Program	631	58
14.238	Shelter Plus Care	672	—
14.239	HOME Investment Partnerships Program	8,313	3,259
14.241	Housing Opportunities for Persons with AIDS	1,609	—
14.241	Housing Opportunities for Persons with AIDS Pass-Through – Woodbridge Township	1,358	—
14.241	Housing Opportunities for Persons with AIDS Pass-Through – City of Paterson	461	—
14.246	Community Development Block Grants/Brownfield Econ Devlp Initiative	994	994
14.401	Fair Housing Assistance Program – State and Local	1	—
14.409	Fair Housing Initiatives Program (FHIP) Education & Outreach	41	—
	<i>Section 8 Project-Based Cluster:</i>		
14.856	Lower Income Housing Assistance Program: Section 8 Moderate Rehabilitation	11,836	93
	Total Section 8 Project-Based Cluster	11,836	93
	<i>Section 8 Cluster:</i>		
14.871	Section 8 Housing Choice Vouchers	162,281	168
	Total Section 8 Cluster	162,281	168
14.900	Lead-Based Paint Hazard Control in Privately Owned Housing	211	4
	Total U.S. Department of Housing and Urban Development	196,205	12,100
	U.S. Department of the Interior		
15.308	Grants for Mining and Mineral Resources and Research Institute	70	—
	<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration	3,616	—
15.611	Wildlife Restoration	689	—
	Fish and Wildlife Cluster	4,305	—
15.614	Coastal Wetlands Planning, Protection and Restoration Act	203	—
15.615	Cooperative Endangered Species Conservation Fund	1,283	—
15.616	Clean Vessel Act	276	186
15.622	Sportfishing and Boating Safety Act	46	—
15.625	Wildlife Conservation and Restoration	197	—
15.633	Landowner Incentive	10	—
15.634	State Wildlife Grants	280	—
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	14	—
15.810	National Cooperative Geologic Mapping Program	123	—
15.904	Historic Preservation Fund Grants-in-aid	(35)	118
15.922	Native Americans Graves Protection & Repatriation Act	31	—
	Total U.S. Department of the Interior	6,803	304
	U.S. Department of Justice		
16.202	Offender Reentry Program	456	12
16.203	Sex Offender Management Discretionary Grant	69	42
16.523	Juvenile Accountability Incentive Block Grants	5,085	4,383
16.540	Juvenile Justice and Delinquency Prevention: Allocation to States	2,295	1,608
16.542	Part D – Research, Evaluation, Technical Assistance and Training	61	—
16.543	Missing Children's Assistance	272	1
16.548	Title V: Delinquency Prevention Program.	342	324
16.549	Part-E: State Challenge Activities (Challenge Grants)	386	216
16.554	National Criminal History Improvement Program (NCHIP)	535	—
16.564	Crime Lab Improvement Combined Offender DNA Index System	80	—
16.575	Crime Victim Assistance	17,605	14,729

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
16.576	Crime Victim Compensation	\$ 7,877	2,295
16.579	Byrne Formula Grant Program	13,074	6,771
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	20,007	—
16.585	Drug Court Discretionary Grant Program	316	—
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grant	2,841	2,597
16.588	Violence Against Women Formula Grants	3,518	2,477
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	185	—
16.592	Local Law Enforcement Block Grants Program	1,486	470
16.593	Residential Substance Abuse Treatment for State Prisoners (RSAT)	1,310	38
16.606	State Criminal Alien Assistance Program	8,170	—
16.607	Bulletproof Vest Partnership Program	200	—
16.609	Community Prosecution & Project Safe Neighborhoods	24	—
16.710	Public Safety Partnership and Community Policing Grants (COPS)	2,198	134
16.727	Enforcing Underage Drinking Laws Program	423	326
16.735	Prison Rape Elimination	18	—
16.CON	Contractual Agreement-Domestic Marijuana Eradication	177	—
16.UNA	Prompt and Affordable Justice	180	—
	Total U.S. Department of Justice	89,190	36,423
	U.S. Department of Labor		
17.002	Labor Force Statistics	2,633	—
17.005	Compensation and Working Conditions	294	—
17.203	Labor Certification for Alien Workers	1,084	—
	<i>Employment Services Cluster:</i>		
17.207	Employment Service	23,227	1,370
17.801	Disabled Veterans' Outreach Program	2,626	—
17.804	Local Veterans' Employment Representative Program	1,738	—
	Total Employment Services Cluster	27,591	1,370
17.225	Unemployment Insurance – Federal	114,636	1
17.225	Unemployment Insurance – State	1,945,516	—
17.235	Senior Community Service Employment Program	2,441	—
17.245	Trade Adjustment Assistance: Workers	1,663	1,240
	<i>WIA Cluster:</i>		
17.258	Workforce Investment Act-Adult Program	84,237	69,543
17.260	Workforce Investment Act-Dislocated Workers	123	—
	Total WIA Cluster	84,360	69,543
17.253	Welfare-to-Work Grants to States and Localities	(118)	4
17.261	Employment & Training Administration Pilots, Demonstrations & Research Project	12	12
	<i>Migrant and Seasonal Farmworkers Cluster</i>		
17.264	Migrant and Seasonal Farmworkers	53	—
17.266	Work Incentives Grant	441	383
17.503	Occupational Safety & Health – State Program	2,874	—
17.504	Consultation Agreements (Occupational Safety and Health)	2,107	—
17.600	Mine Health and Safety Grants	76	—
	Total U.S. Department of Labor	2,185,663	72,553
	U.S. Department of State		
19.UNA	Unassigned Catalog Number – Council of State Governments	5	—
	U.S. Department of Transportation		
20.106	Airport Improvement Program	4,609	4,094
	<i>Highway Planning and Construction Cluster:</i>		
20.205	Highway Planning and Construction	687,254	262,577
	Total Highway Planning and Construction Cluster	687,254	262,577

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
20.218	National Motor Carrier Safety	\$ 4,345	—
20.219	Recreational Trails Program	448	356
20.505	Federal Transit: Metropolitan Planning Grants	2,861	—
	<i>Highway Traffic Safety Cluster:</i>		
20.600	State and Community Highway Safety	5,570	2,867
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	42	—
20.602	Motorcycle Helmets and Safety Belt Incentive Grant	360	330
20.604	Safety Incentive Grants For Use Of Seatbelts	1,517	514
20.605	Safety Incentive to Prevent Operation of MV by Intoxicated Persons	467	146
	Total Highway Traffic Safety Cluster	7,956	3,857
20.700	Pipeline Safety	871	163
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	220	—
20.CON	Contractual Agreements-Fatal Accidents Reporting System	131	—
20.UNA	Child Passenger Protection	73	36
	Total U.S. Department of Transportation	708,768	271,083
	U.S. Department of Treasury		
21.UNA	Federal Forfeiture Funds	100	—
21.UNA	Jobs & Growth Tax Relief Act	143,066	143,066
	Total U.S. Department of Treasury	143,166	143,066
	Equal Employment Opportunity Commission		
30.002	Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	365	—
	Total Equal Employment Opportunity Commission	365	—
	U.S. Department of Defense		
39.011	Election Reform Payments	11,373	7,758
	Total U.S. Department of Defense	11,373	7,758
	National Foundation on the Arts and the Humanities		
45.025	Promotion of the Arts: Partnership Agreements	686	380
	Total National Foundation on the Arts and the Humanities	686	380
	U.S. Department of Veterans Affairs		
64.005	Grants to States for Construction of State Home Facilities	8,727	—
64.024	VA Homeless Providers Grant and Per Diem Program	15,708	—
64.101	Burial Expense Allowance for Veterans	527	—
64.125	Vocational and Educational Counseling for Servicemembers and Veterans	497	—
64.203	State Cemetery Grants	1,414	—
	Total U.S. Department of Veterans Affairs	26,873	—
	U.S. Environmental Protection Agency		
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to Clean Air Act	124	33
66.454	Water Quality Management Planning	843	187
66.458	Capitalization Grants for Clean Water State Revolving Funds	87,468	85,152
66.461	Regional Wetland Program Development Grants	70	22
66.463	Water Quality Cooperative Agreements	39	—
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	1	—
66.468	Capitalization Grants for Drinking Water State Revolving Fund	24,178	21,025
66.471	State Grants to Reimburse Operators of Small Water Systems for Training & Certification Costs	38	—
66.472	Beach Monitoring & Notification Program Implementation Grant	293	264
66.474	Water Protection Grants to the States	42	—

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
66.500	Environmental Protection – Consolidated Research	\$ 206	—
66.605	Performance Partnership Grants	23,339	2,841
66.606	Surveys, Studies, Investigations, and Special Purpose Grants	218	4
66.607	Training & Fellowship for Environmental Protection Agency	58	58
66.608	Environmental Information Exchange Network Grant Program	737	97
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	44	—
66.706	Enhancement Grants for State Asbestos Programs	63	—
66.707	TSCA Title IV State Lead Grants: Certification of Lead-Based Paint Professionals	405	—
66.708	Pollution Prevention Grants Program	21	—
66.709	Multi-Media Capacity Building Grants for States and Tribes	1	—
66.716	Surveys-Studies-Investigations-Demos-Education Outreach	155	—
66.801	Hazardous Waste Management State Program Support	138	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site: Specific Cooperative Agreements	8,933	—
66.805	Leaking Underground Storage Tank Trust Fund Program	965	52
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	8	—
66.817	State and Tribal Response Program Grants	92	18
66.CON	Contractual Agreements from Federal Government	30	—
	Total Environmental Protection Agency	148,509	109,753
	U.S. Department of Energy		
81.041	State Energy Program	2,468	282
81.042	Weatherization Assistance for Low-Income Persons	6,922	6,419
81.079	Regional Biomass Energy Program	1	—
81.086	Conservation Research and Development	226	226
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance	7	7
81.118	Million Solar Roof Initiative	8	—
81.119	State Energy Program Special Projects	139	80
81.ADM	Administration Costs Consolidations	170	—
81.PRF	Petroleum Overcharge Reimbursement Funds	5	—
	Total U.S. Department of Energy	9,946	7,014
	U.S. Department of Education		
84.002	Adult Education: State Grant Program	15,978	13,447
84.010	Title I Grants to Local Educational Agencies	258,092	254,859
84.011	Migrant Education: State Grant Program	2,385	2,294
84.013	Title I Program for Neglected and Delinquent Children	2,385	60
	<i>Special Education Cluster:</i>		
84.027	Special Education: Grants to States	333,821	314,840
84.173	Special Education – Preschool Grants	12,894	11,906
	Total Special Education Cluster	346,715	326,746
	<i>Student Financial Assistance Cluster:</i>		
84.032	Federal Family Education Loans	1,059,417	—
84.048	Vocational Education: Basic Grants to States	23,776	20,114
84.069	Leveraging Educational Assistance Partnership	2,266	—
84.126	Rehabilitation Services: Vocational Rehabilitation Grants to States	52,852	21,165
84.169	Independent Living: State Grants	649	649
84.177	Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	803	803
84.181	Special Education: Grants for Infants and Families with Disabilities	11,389	9,075
84.184	Safe and Drug-Free Schools and Communities: National Programs	1,256	315
84.185	Byrd Honors Scholarships	1,124	(5)
84.186	Safe and Drug-Free Schools and Communities: State Grants	9,400	8,198

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
84.187	Supported Employment Services for Individuals with Severe Disabilities	\$ 982	982
84.196	Education for Homeless Children and Youth	1,432	1,229
84.213	Even Start: State Educational Agencies	4,559	4,255
84.215	Fund for the Improvement of Education	516	—
84.224	Assistive Technology	227	221
84.243	Tech-Prep Education	1,884	1,769
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit In-service Training	54	—
84.282	Charter Schools	1,515	1,402
84.287	Twenty-First Century Community Learning Centers	14,807	14,218
84.298	State Grants for Innovative Programs	8,452	7,045
84.318	Education Technology State Grants	16,599	15,844
84.323	Special Education: State Program Improvement Grants for Children with Disabilities	1,101	686
84.326	Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	215	—
84.330	Advanced Placement Program	271	—
84.331	Grants to States for Incarcerated Youth Offenders	554	—
84.332	Comprehensive School Reform Demonstration	5,182	4,772
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	3,871	3,559
84.336	Teacher Quality Enhancement Grants	3,815	2,970
84.346	Vocational Education: Occupational and Employment Information State Grants	157	—
84.352	School Renovation Grants	2,946	2,896
84.357	Reading First State Program	19,803	18,499
84.358	Rural Education (REAP)	(5)	(6)
84.365	English Language Acquisition Grants	13,961	13,361
84.366	Mathematics and Science Partnerships	1,224	1,186
84.367	Improving Teacher Quality State Grants	63,717	61,823
84.369	Grants for State Assessments and Related Activities	10,687	730
84.CON	Contractual Agreements-National Assess Education Program	140	—
84.UNA	DVRS Enhancement Program	—	43
	Total U.S. Department of Education	1,967,153	815,204
	National Archives & Records Administration		
89.003	National Historical Publications & Records Grants	3	—
	U.S. Department of Health and Human Services		
93.003	Public Health and Social Services Emergency Fund	4,450	2,539
93.041	Special Programs for the Aging: Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect, and Exploitation	178	—
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	538	126
93.043	Special Programs for the Aging: Title III, Part D: Disease Prevention and Health Promotion Services	618	618
	<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers	10,010	10,010
93.045	Special Programs for the Aging: Title III, Part C: Nutrition Services	16,583	15,204
	Total Aging Cluster	26,593	25,214
93.048	Special Programs for the Aging: Title IV & Title II Discretionary	90	—
93.052	Nation Caregiver Support Program	4,948	4,538
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	755	738
93.104	OFBI – Samhsa Northrop Grumman	2	—
93.110	Maternal and Child Health Federal Consolidated Programs	148	—
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	8,799	7,075
93.116	Project Grants and Cooperative Agreements for Tuberculosis (nonmonetary)	204	—

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Schedule of Expenditures of Federal Awards

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(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
93.127	Emergency Medical Services for Children	\$ 42	—
93.130	Primary Care Services: Resource Coordination and Development-Primary Care Offices	204	63
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,616	1,218
93.142	NIEHS Hazardous Waste Worker Health and Safety Training	127	—
93.150	Projects for Assistance in Transition from Homelessness	1,737	1,675
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	2,203	2,310
93.161	Health Program for Toxic Substances and Disease Registry	212	—
93.165	Grants for State Loan Repayment	108	—
93.184	Disabilities Prevention	145	65
93.197	Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	1,436	584
93.204	Surveillance of Hazardous Substance Emergency Events	70	—
93.206	Human Health Studies-Applied Research & Development	97	—
93.217	Family Planning Services	3,235	2,831
93.230	Consolidated Knowledge Development & Application Program	248	—
93.234	Traumatic Brain Injury: State Demonstration Grant Program	59	57
93.235	Abstinence Education	1,111	968
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	31	—
93.240	State Capacity Building	579	—
93.242	Mental Health Research Grants	22	—
93.243	Substance Abuse and Mental Health Services: Projects of Regional and National Significance	206	—
93.251	Universal Newborn Hearing Screening	378	211
93.256	State Planning Grant-Healthcare Access for the Uninsured	150	—
93.262	Occupational Safety and Health Research Grants	205	—
93.262	Occupational Safety and Health Research Grants – University of Iowa Agreement	56	—
93.268	Immunization Grants	4,892	816
93.268	Immunization Grants (nonmonetary)	25,057	—
93.275	Substance Abuse and Mental Health Services: Access to Recovery	1,426	1,392
93.283	Centers for Disease Control and Prevention: Investigations and Technical Assistance	40,594	15,492
93.283	Emergency Preparedness for Bioterrorism (nonmonetary)	123	—
93.399	Cancer Control - (Third Party - Sloan Kettering Cancer Center)	72	—
93.551	Abandoned Infants	—	122
93.556	Promoting Safe and Stable Families	6,174	6,147
93.558	Temporary Assistance for Needy Families	392,394	333,888
93.563	Child Support Enforcement	126,378	44,306
93.566	Refugee and Entrant Assistance: State Administered Programs	2,539	1,509
93.568	Low-Income Home Energy Assistance	63,007	42,266
93.569	Community Services Block Grant	18,264	17,462
93.571	Community Services Block Grant Formula and Discretionary Awards Community Food and Nutrition Programs	142	87
	<i>Child Care Cluster:</i>		
93.575	Child Care and Development Block Grant	65,138	39,084
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	85,241	82,879
	Total Child Care Cluster	150,379	121,963
93.576	Refugee and Entrant Assistance: Discretionary Grants	1,744	1,632
93.585	Empowerment Zones Program	821	821
93.586	State Court Improvement Program	308	—
93.590	Community-Based Family Resource & Support Grants	732	709
93.597	Grants to States for Access and Visitation Programs	198	—
93.599	Chafee Education and Training Vouchers Program (ETV)	927	927

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(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
93.600	Head Start	\$ 254	141
93.603	Adoption Incentive Payments	1	793
93.617	Voting Access for Individuals with Disabilities State Grant	50	—
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,489	157
93.631	Developmental Disabilities Projects of National Significance	(8)	(10)
93.643	Children's Justice Grants to States	487	596
93.645	Child Welfare Services: State Grants	5,380	—
93.652	Adoption Opportunities	362	256
93.658	Foster Care: Title IV-E	66,168	11,224
93.659	Adoption Assistance	28,114	5,530
93.667	Social Services Block Grant	65,726	23,509
93.669	Child Abuse and Neglect State Grants	636	479
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters: Grants to States and Indian Tribes	2,043	1,434
93.674	Chafee Foster Care Independence Program	2,770	2,909
93.767	State Children's Insurance Program	202,224	192,766
93.768	Medicaid Infrastructure Grants – To Support the Competitive Employment of People With Disabilities	597	—
	<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	2,372	—
93.777	State Survey and Certification of Health Care Providers and Suppliers	8,394	—
93.778	Medical Assistance Program	4,297,432	3,191,880
	Total Medicaid Cluster	4,308,198	3,191,880
93.779	Centers For Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	931	184
93.786	State Pharmaceutical Assistance Programs	2,665	—
93.865	Child Health and Human Development Extramural Research	127	—
93.913	Grants to States for Operation of Offices of Rural Health	150	150
	<i>HIV Cluster:</i>		
93.914	HIV Emergency Relief Project Grants – Third Party – Philadelphia City Aids	2,102	2,007
93.917	HIV Care Formula Grants	49,328	46,357
93.926	Healthy Start Initiative	438	328
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	257	—
93.940	HIV Prevention Activities: Health Department Based	13,823	8,470
93.941	HIV Demonstration, Research, Public, and Professional Education Projects	321	241
93.942	Research, Treatment, and Education Programs on Lyme Disease in the United States	271	256
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	(9)	(9)
93.944	Human Immunodeficiency Virus Acquired Immunodeficiency Virus Syndrome Surveillance	4,705	277
93.952	Trauma Care Systems Planning and Development	42	40
93.958	Block Grants for Community Mental Health Services	13,237	12,954
93.959	Block Grants for Prevention and Treatment of Substance Abuse	48,152	38,493
93.977	Preventive Health Services: Sexually Transmitted Diseases Control Grants	3,518	523
93.977	Preventative Health Services Sexually Transmitted Diseases Control Grants (nonmonetary)	506	—
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	330	30
93.991	Preventive Health and Health Services Block Grant	4,221	1,184
93.994	Maternal and Child Health Services Block Grant to the States	9,095	3,865
93.CON	Contractual Agreement-Vital Statistics Grant	2,802	—
93.UNA	Federal Civil Monetary Penalties	355	—
	Total U.S. Department of Health and Human Services	5,739,629	4,187,383

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
	Corporation for National and Community Service		
94.003	State Commissions	\$ 213	—
94.004	Learn and Serve America: School and Community Based Programs	423	293
94.006	AmeriCorps	2,598	1,786
94.007	Planning & Program Development Grants	67	—
94.009	Training & Technical Assistance	164	—
	<i>Foster Grandparents/Senior Companion Cluster:</i>		
94.011	Foster Grandparent Program	814	—
	Total Corporation for National and Community Service	4,279	2,079
	Social Security Administration		
	<i>Disability Insurance/SSI Cluster:</i>		
96.001	Social Security: Disability Insurance	46,548	578
96.UNA	Unassigned Catalog Number	40	—
	Total Social Security Administration	46,588	578
	U.S. Department of Homeland Security		
	<i>Homeland Security Grant Cluster</i>		
97.004	State Domestic Preparedness Equipment Support Program	43,406	25,339
97.042	Emergency Management Performance Grants	3,904	1,696
97.067	Homeland Security Grant Program	469	—
	Total Homeland Security Grant Cluster	47,779	27,035
	<i>Urban Areas Security Cluster</i>		
97.008	Urban Areas Security Initiative	19,820	2,355
97.012	Boating Safety Financial Assistance	1,518	—
97.023	Community Assistance Program – State Support Services Element	361	—
97.029	Flood Mitigation Assistance	21	—
97.032	Crisis Counseling	81	81
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	4,442	4,431
97.038	First Responder Counter-Terrorism Training Assistance	4	—
97.041	National Dam Safety Program	63	—
97.047	Pre-Disaster Mitigation	22	—
97.052	Emergency Operations Centers	55	—
97.054	Community Emergency Response Teams	293	34
97.056	Port Security Grant Program	1,171	—
	Total U.S. Department of Homeland Security	75,630	33,936
	Totals	\$ 12,263,778	6,013,922

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, 2005

(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, 2005. 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, 2005.

(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, 2005 new loans guaranteed amounted to approximately \$986,370,000, loans repurchased during the year amounted to approximately \$57,140,000, and administrative costs amounted to approximately \$15,907,000 and are included in the accompanying schedule. The principal outstanding for guaranteed loans at June 30, 2005 was \$3,891,957,000. 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, 2005

(4) Relationship to Federal Financial Reports

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

(5) Contingencies

The State of New Jersey's participation in federal funding is subject to review by the U.S. Department of Health and Human Services (HHS) as cognizant agency. HHS coordinates the review of findings and questioned costs with other Federal agencies. HHS and the other Federal agencies determine the ultimate allowability of expenditures charged to the federal grants. The State of New Jersey is unable to determine the amounts, if any, that Federal agencies will disallow. Management is of the opinion that a liability, if any, resulting from any financial or compliance audits would not have a material effect on the Schedule 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, 2005, 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 05-3 and 05-10. 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 may be required to have their own independent audits in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

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

Qualifications

As identified in the following table and described in the accompanying schedule of findings and questioned costs, the State did not comply with certain compliance requirements 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	Social Services Block Grant	Allowable costs	05-1
Department of Human Services	Low-Income Home Energy Assistance Program	Reporting	05-2
Department of Human Services	Child Support Enforcement	Reporting	05-7
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/ Child Care Cluster Foster Care – Title-IV-E/ Adoption Assistance/ Social Services Block Grant/ State Children’s Insurance Program/ Medicaid Cluster	Allowable costs	05-8
Department of Human Services	Foster Care – Title-IV-E/ Adoption Assistance/ Social Services Block Grant	Allowable costs	05-9
Department of Human Services	State Children’s Insurance Program	Eligibility	05-11
Department of Human Services	Temporary Assistance for Needy Families	Eligibility	05-15
Department of Human Services	Foster Care – Title-IV-E	Reporting	05-17
Department of Human Services	Foster Care – Title-IV-E	Eligibility	05-19
Department of Human Services	Adoption Assistance	Allowability and Eligibility	05-20
Department of Human Services	Foster Care – Title-IV-E	Equipment	05-21
Department of Law and Public Safety	Highway Traffic Safety Cluster	Allowable Costs	05-23
Department of Law and Public Safety	Highway Traffic Safety Cluster	Allowable Costs	05-24
Department of Law and Public Safety	Highway Traffic Safety Cluster	Reporting	05-27
Department of Law and Public Safety	Homeland Security Cluster	Matching	05-28
Department of Law and Public Safety	Homeland Security Cluster	Equipment	05-29
Department of Law and Public Safety	Homeland Security Cluster	Equipment	05-30
Department of Law and Public Safety	Homeland Security Cluster	Allowable Costs	05-31

State Administering Agency	Federal program	Compliance requirement	Finding number
Department of Law and Public Safety	Homeland Security Cluster	Reporting	05-33
Department of Law and Public Safety	Public Assistance Grants	Reporting	05-35
Department of Law and Public Safety	Urban Areas Security Cluster	Equipment	05-36
Department of Law and Public Safety	Urban Areas Security Cluster	Equipment	05-37
Department of Law and Public Safety	Urban Areas Security Cluster	Reporting	05-39
Department of Law and Public Safety	Urban Areas Security Cluster	Reporting	05-40
Department of Law and Public Safety	Election Reform Payments	Procurement	05-41
Department of Law and Public Safety	Election Reform Payments	Subrecipient Monitoring	05-42
Department of Labor and Workforce Development	Workforce Investment Act Cluster	Subrecipient Monitoring	05-45
Department of Community Affairs	Community Services Block Grant	Reporting	05-50
Department of Community Affairs	Community Services Block Grant/ Weatherization Assistance for Low Income Persons	Reporting	05-52
Department of Community Affairs	Low-Income Home Energy Assistance Program	Allowable Costs	05-53
Department of Community Affairs	Low-Income Home Energy Assistance Program	Subrecipient Monitoring	05-55
Department of Health and Senior Services	Immunization Grants	Special Tests and Provisions	05-59
Department of Health and Senior Services	Centers for Disease Control - Investigations and Technical Assistance	Equipment	05-63

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, 2005. 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: 05-5, 05-6, 05-13, 05-14, 05-16, 05-18, 05-22, 05-25, 05-26, 05-32, 05-34, 05-38, 05-43, 05-44, 05-46, 05-47, 05-48, 05-49, 05-51, 05-54, 05-56, 05-57, 05-58, 05-60, 05-61, 05-62, 05-64 and 05-65.

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: 05-1, 05-2, 05-4, 05-7, 05-8, 05-9, 05-11, 05-12, 05-13, 05-15, 05-16, 05-17, 05-19, 05-20, 05-21, 05-23, 05-24, 05-27, 05-28, 05-29, 05-30, 05-31, 05-32, 05-33, 05-34, 05-35, 05-36, 05-37, 05-38, 05-39, 05-40, 05-41, 05-42, 05-43, 05-44, 05-45, 05-46, 05-48, 05-49, 05-50, 05-51, 05-52, 05-53, 05-54, 05-55, 05-58, 05-59, 05-60, 05-61, 05-62, 05-63, 05-64 and 05-65.

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: 05-1, 05-2, 05-7, 05-8, 05-9, 05-11, 05-15, 05-17, 05-19, 05-20, 05-21, 05-23, 05-24, 05-27, 05-28, 05-29, 05-30, 05-31, 05-33, 05-35, 05-36, 05-37, 05-38, 05-39, 05-40, 05-41, 05-42, 05-45, 05-50, 05-52, 05-53, 05-55, 05-59, and 05-63 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 5, 2006

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

(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, 2005.
- (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, 2005.
- (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, 2005.

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, 2005.
- (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, 2005, for Rehabilitation Services: Vocational Rehabilitation Grants to States, Temporary Assistance for Needy Families, Child Support Enforcement, Low-Income Home Energy Assistance Program, Child Care Cluster, 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, Homeland Security Cluster, Public Assistance Grants, Urban Areas Security Initiative, Election Reform Payments, Workforce Investment Act Cluster, Community Services Block Grant, Weatherization Assistance for Low-Income Persons, Immunization Grants, and Centers for Disease Control – Investigations and Technical Assistance.
- (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, 2005.
- (g) The major Federal programs of the State of New Jersey for the year ended June 30, 2005 were as follows:

U.S. Department of Agriculture:

- Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
- Child and Adult Care Food Program (10.558)
- Food Stamps Cluster (10.551, 10.561)

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

U.S. Department of Labor:

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

General Services Administration:

- Election Reform Payments (39.011)

U.S. Department of Environmental Protection

- Capitalization Grants for State Revolving Funds (66.458)

U.S. Department of Energy:

- Weatherization Assistance for Low-Income Persons (81.042)

U.S. Department of Education:

- Special Education Cluster (84.027, 84.173)
- Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)

U.S. Department of Health and Human Services:

- Immunization Grants (93.268)
- Center for Disease Control-Investigations & Technical Assistance (93.283)
- 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)
- Child Care Cluster (93.575, 93.596)
- Foster Care-Title IV-E (93.658)
- Adoption Assistance (93.659)
- Social Services Block Grant (93.667)
- State Children's Insurance Program (93.767)
- Medicaid Cluster (93.775, 93.777, 93.778)
- HIV Care Formula Grants (93.917)

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

U.S. Department of Transportation:

- Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605)

Social Security Administration:

- Disability Insurance/SSI Cluster (96.001)

U.S. Department of Homeland Security:

- Urban Areas Security Cluster (97.008)
- Homeland Security Cluster (97.004, 97.042, 97.067)
- Public Assistance Grants (97.036)

(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, 2005.

(i) The State of New Jersey did not qualify as a low risk auditee for the year ended June 30, 2005.

(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 05-1 to 05-65.

APPENDIX OF FINDINGS

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Social Services Block Grant (93.667)

State Agency: Department of Human Services

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

Finding: 05-1

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

- Five out of twelve timesheets selected for testwork had evidence of the employees and supervisors signature but did not have evidence of the timekeepers signature.
- Two out of twelve timesheets selected for testwork had evidence of cost centers charged in the costs allocation plan which did not agree to the cost center identified or function on the employee's timesheet which are as follows:
 - The first employee was assigned to cost center 680 Ewing Residential Center, function F23 which did not agree to the Salaried Employee Earning by function report: cost center 969 Office of Child Abuse Control, function F59.
 - The second employee was assigned to cost center 900 Office of the Director, function F90 which did not agree to the Salaried Employee Earning by function report: cost center 969 Office of Child Abuse Control, function F59.

A similar finding was noted in the prior year single audit report as item 04-12.

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.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation

We recommend that the Department ensure that employee time is allocated and charged to the proper cost center in the cost allocation plan.

Related Noncompliance

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

Questioned Costs

\$40,730. The total personal service costs expended per the Schedule of Expenditures of Federal Awards was \$5,664,702 and the personal service costs included in the sample was \$232,564.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Low-Income Home Energy Assistance (93.568)

State Agency: Department of Human Services

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

Finding: 05-2

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Low-Income Home Energy Assistance (93.568)

State Agency: Department of Human Services

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

Finding: 05-3

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.

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. The State implemented monitoring procedures in February 2005. However, the monitoring was not in effect for the entire fiscal year 2005.

A similar finding was noted in the 2004, 2003, 2002, 2001 and 2000 prior year single audit reports as items 04-19, 03-8, 02-8, 01-8, and 00-32, respectively.

In fiscal year 2005, approximately \$34 million in benefit payments were paid based on the eligibility determinations of the CWA’s.

Cause

Corrective action to the prior year finding was not implemented until February 2005.

Effect

The State did not fulfill its responsibilities related to split eligibility determination for the period July 1, 2004 through January 31, 2005. However, based on our testing of 30 cases out of approximately 425 reviewed from February 1, 2005 through June 30, 2005, monitoring was operating effectively during the period February 1, 2005 through June 30, 2005.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Recommendation

We recommend that the Department perform monitoring procedures throughout the entire fiscal year.

Related Noncompliance

Based on the above, the State is not fully in compliance with requirements related to split eligibility determination.

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, 2005

Low-Income Home Energy Assistance (93.568)

State Agency: Department of Human Services

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

Finding: 05-4

Criteria

Planning and Administrative Costs

No more than 10 percent of the LIHEAP finds payable to the State for a Federal fiscal year may be used for planning and administrative costs, including both direct and indirect costs. This limitation applies, in the aggregate, to planning and administrative costs at both the State and subrecipient levels (42 USC 8624(b)(9)(A); 45 CFR section 96.88(a)).

Condition

The State incorrectly classified \$21,761 of information technology costs as LIHEAP benefit payments for the year ended June 30, 2005.

Cause

An erroneous reporting category was used.

Effect

The \$21,761 should have been reported as administrative costs. However, the inclusion of this amount does not result in noncompliance with the earmarking requirement.

Recommendation

We recommend that the Department develop procedures to review benefit reporting categories for erroneously coded items on a periodic basis.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Temporary Assistance for Needy Families (93.558)

State Agency: Department of Human Services

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

Finding: 05-5

Criteria

ACF 196, TANF Financial Report (OMB Control No. 0970 247)—States are required to submit this report quarterly in lieu of the SF-269, *Financial Status Report*. Each State files quarterly expenditure data on the State's use of Federal TANF funds, State TANF maintenance of effort expenditures, and State expenditures of maintenance of effort 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 expenditures of that year's TANF funds.

Condition

The TANF Financial Report for federal fiscal year 2005, submitted for all the quarters (9/04, 12/04, 3/05 and 6/05) were submitted to the Administration for Children and Families 45, 45, 46 and 43 days past due respectively.

A similar finding was noted in the 2004, 2003, and 2002 prior year single audit report as items 04-16, 03-3, and 02-4, respectively.

Cause

Late submission of the report 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 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, 2005

Child Support Enforcement (93.563)

State Agency: Department of Human Services

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

Finding: 05-6

Criteria

The State is required to submit the OCSE 396A Child Support Enforcement Program Quarterly Report of Expenditures and Estimates (*OMB NO.0970 0181*).

Condition

Of the four quarterly OCSE 396A reports (Parts 1 and 2), due during fiscal year 2005, all four reports were submitted fifty eight to sixty one days late.

A similar finding was included in the 2004, 2003 and 2002 prior year single audit reports as items 04-17, 03-6 and 02-7, respectively.

Cause

These reports were not submitted within the required time frames due to late submission by other agencies 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, 2005

Child Support Enforcement (93.563)

State Agency: Department of Human Services

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

Finding: 05-7

Criteria

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

Condition

The information used to compile the OCSE 34A Child Support Enforcement Program Quarterly Report of Collections is collected from the Automated Child Support Enforcement (ACSES) system. The Department of Human Services prepares monthly and quarterly reconciliations to compare the collections and distributions for the month and the quarter from the OCSE 34A report to the child support bank accounts. After preparation of reconciliations there are remaining unreconcilable differences, which vary on a monthly and quarterly basis from approximately \$5 thousand to \$7.2 million. The Department of Human Services identified possible general reasons for the differences which can not be substantiated.

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

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

Cannot be determined. However, for the quarter ended June 30, 2005 the unreconciled differences for collections and disbursements varied from \$5 thousand to \$7.2 million.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)

Temporary Assistance for Needy Families (93.558)

Child Support Enforcement (93.563)

Low-Income Home Energy Assistance (93.568)

Child Care Cluster (93.575, 93.596)

Foster Care – Title IV E (93.658)

Adoption Assistance (93.659)

Social Services Block Grant (93.667)

State Children's Insurance Program (93.767)

Medicaid Cluster (93.775, 93.777, 93.778)

State Agency: Department of Human Services

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

Finding: 05-8

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, 2005

- *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

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

Department Management (DM):

- Control related findings:
 - Two out of fifteen payment vouchers (vendor invoices) selected for DM testwork had no evidence of the payee's signature before the payment was processed. However, there was evidence of the receiving agency's and approval officers' signature.
 - Nine out of fifteen time sheets selected for DM testwork had evidence of the employees and supervisors' signature; however, there was no evidence of the payroll clerks' approval.
 - One out of fifteen time sheets selected for DM testwork had evidence of only the employees signature and did not contain evidence of the payroll clerks' and supervisor signatures.
 - Four out of fifteen payment vouchers (P Card Confirmation Agency orders) selected for DM testwork were processed for approval after the payment date according to the document.
- Compliance related findings:
 - One out of fifteen timesheets selected for DM testwork was not provided. The timesheet represented quarterly salary costs of \$32,413.

Division of Family Development (DFD):

- Control related findings:
 - Two out of fifteen payment vouchers (vendor invoice) selected for DFD testwork had evidence of the payee's signature and receiving agency's signature. However, there was no evidence of the approval officers' signature prior to disbursement date and the receiving agency processed approval after the payment date.
 - Two out of fifteen payment vouchers (vendor invoice) selected for DFD testwork had no evidence of the receiving agency's and approval officers' signature. However, there was evidence of the payee's signature.
 - Five out of fifteen payment vouchers (vendor invoice) selected for DFD testwork had evidence of the payees signature and receiving agencies signature; however, there was no evidence of the approval officers' signature.

A similar finding was noted in the 2004 prior year single audit report as item 04-14.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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.

Questioned Costs

\$32,413

View of Responsible Official

See Management's Corrective Action Plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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: 05-9

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

- Supporting documentation for two out of fifteen timesheets indicated employees were not working in the cost center indicated on the cost allocation plan.
 - One was assigned to cost center #934 SACWIC, function F18 and F19 per supporting documentation, and reported in cost center #931 Office of Telecommunications and Information Services, function F90 per the cost allocation plan. Total misallocated costs were \$18,507.
 - One was assigned to cost center 960 Office of the Deputy Director, function F90 per supporting documentation, and reported in cost center #465 District Office, function F6, F8 and F78 per the cost allocation plan. Total misallocated costs were \$14,466.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Total salaries allocated per the Division of Youth and Family Services cost allocation plan from which the sample was drawn were \$61,307,340.

A similar finding was noted in the 2004 prior year single audit report as item 04-9.

Cause

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

Effect

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

Recommendation

We recommend that the Department ensure supporting expenditure schedules are properly entered into the cost allocation plan.

Related Noncompliance

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

Questioned Costs

\$32,973

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Medicaid Cluster (93.775, 93.777, 93.778)

State Agency: Department of Human Services

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

Finding: 05-10

Criteria

Medical Assistance Compliance Requirements:

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

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

Split Eligibility Determination Functions Compliance Requirement:

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

Condition

The State has delegated some Medical Assistance Program eligibility determination to the State’s 21 county welfare agencies. The State maintains the computer system (Family Assistance Management Information System (FAMIS)) supporting the eligibility determination process and pays the benefits to payors and providers on behalf of eligible participants. Historically, the State performed eligibility reviews at county welfare agencies through the Medicaid Eligibility Quality Control (MEQC) process. For State fiscal year 2005, the MEQC Unit continued to perform MEQC pilot projects as approved from the Centers for Medicaid and Medicare Services (CMS) and not perform traditional MEQC eligibility reviews. The pilot projects differ from the traditional MEQC program by allowing States to perform special studies, targeted reviews, or other activities that are designed to ensure program integrity or improve program administration. The State does not have any other means of monitoring or performing eligibility reviews at the county welfare agencies. Due to the lack of controls in place at the State to monitor eligibility determinations, no testwork could be performed and leads to a disclaimer of opinion on eligibility.

A similar finding and disclaimer of opinion was noted in the 2004 prior year single audit report as item 04-20.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Cause

The State obtained approval from CMS to perform pilot projects in place of the traditional MEQC eligibility reviews, however, did not have adequate alternative procedures in place for fiscal year 2005 to effectively monitor eligibility determinations for the Medical Assistance Program.

Effect

Claims could be made on behalf of ineligible recipients.

Recommendation

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

Related Noncompliance

We were unable to determine compliance with this requirement.

Questioned Costs

Cannot be determined.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

State Children's Health Insurance Program (93.767)

State Agency: Department of Human Services

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

Finding: 05-11

Criteria

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. The State is fully responsible for Federal compliance for the eligibility determination as the benefits are paid by the State and State shows the benefits paid as Federal awards expended on the State's Schedule of Expenditures of Federal Awards.

Condition

The State's New Jersey Health Benefits Coordinator is a third party servicer that processes eligibility determinations for the State Children's Health Insurance Program. During fiscal year 2005, the State implemented, in addition to existing negative case action reviews, a review of a sample of cases determined to be eligible. However, such reviews did not occur until the period March 2005 through December 2005 for the fiscal year ended June 30, 2005.

For five out of 30 eligibility determination reviews out of a total of 222 performed for the period July 1, 2004 through June 30, 2005, we noted that the reviewer disagreed with the eligibility determination. Although corrective action was taken, including submitting a request for correction to the third party servicer for each case found to have an error, in no instance was the request made prior to March 2005.

A similar finding was noted in the 2004, 2003, and 2002 prior year single audit reports as items 04-22, 03-15, and 02-3, respectively.

Cause

Delays resulted from Bureau of Quality Control staff being reassigned to assist the State Eligibility Unit to help process a backlog of applications from December 2004 through February 2005. The backlog was caused, in part, by the switch to another third party servicer for fiscal year 2006 which resulted in diminished operations for the existing New Jersey Health Benefits Coordinator. The Quality Control staff resumed normal activities in March 2005.

Effect

Errors in eligibility determination were not identified for the period July 1, 2004 through February 28, 2005 until the review occurred in March 2005 through December 2005.

Recommendation

We recommend that the State ensure timely review of eligibility decisions made at the New Jersey Health Benefits Coordinator to minimize claims being paid on behalf of ineligible participants.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Related Noncompliance

None. Corrective action was taken on all erroneous eligibility determinations identified as a result of our testwork.

Questioned Costs

There are no questioned costs associated with this finding.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Food Stamps Cluster (10.551, 10.561)

Temporary Assistance for Needy Families (93.558)

Child Support Enforcement (93.563)

Social Services Block Grant (93.667)

State Agency: Department of Human Services

Federal Agency: United States Department of Health and Human Services

Finding: 05-12

Criteria

Allowable Costs

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.

Cash Management

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

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

Cash management regulations are located at 31 CFR part 205.

Condition

The Department of Human Services advances funds to County Welfare Agencies (CWAs) to cover administrative and some program costs at the county level for the programs listed above. At the end of each year, the CWA's report to the Department actual expenditures per program to ensure that the Department has appropriately recorded amounts expended by and advanced to the CWA's in its accounting system.

There were several discrepancies between the supporting documentation and the reconciliation, which ranged from approximately \$24 thousand to \$191 thousand. As originally prepared, the reconciliation indicated an unreconciled difference of approximately \$137,500. Once errors identified in the audit were corrected, the unreconciled difference rose to approximately \$333,000. The unreconciled difference represents the difference between the cash balance the CWA's show as having been advanced in total for all programs and the Department's records.

Total CWA payments for the year ended June 30, 2005 were approximately \$307 million.

Cause

Erroneous amounts were used in the initial reconciliation.

Effect

Amounts were initially allocated incorrectly among state and federal programs due to the errors in the reconciliation.

The unreconciled difference may be the result of errors in the State's records, incorrect payments to CWA's, or a combination of the two.

Recommendation

We recommend that the Department enhance its reconciliation procedures to ensure accurate information is included. We further recommend that the Department identify the reasons for the variance between the CWA's records and its own and process corrections to the State's accounting system or to CWA payments as appropriate.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Temporary Assistance for Needy Families (93.558)

Child Care Cluster (93.575, 93.596)

State Agency: Department of Human Services

Federal Agency: United States Department of Health and Human Services

Finding: 05-13

Criteria

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

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

Cash management regulations are located at 31 CFR part 205.

Condition

The State of New Jersey, Department of Human Services, Division of Family Development (DFD) works with 16 Unified Child Care Agencies (UCCA), which cover the 21 counties in the State. The UCCAs receive funds quarterly from the Division of Family Development on a contract basis for the child care services that the UCCAs provide in connection with the TANF and Child Care Block Grant programs.

The UCCAs submit quarterly expenditure reports and a final annual expenditure report. The final expenditure report is due at DFD by January 31 of the following year. DFD Contract Fiscal Unit staff performs a contract close out by comparing the final expenditure report to the approved budget and the amount advanced by DFD during the contract period.

We noted differences between the UCCA expenditures reported on the close out spreadsheet and the final expenditure report for four UCCAs. The net amount of the differences is \$24,632 owed by the UCCAs to DFD.

Cause

DFD used incorrect information in its reconciliation process.

Effect

The Department initially calculated incorrectly the final reconciliation payments between the UCCAs and DFD.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Recommendation

We recommend that the Department enhance its close out procedures and adjust final reconciliation payments for 2005 as necessary.

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, 2005

State Medicaid Fraud Control Units (93.775)

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

Medical Assistance Program (93.778)

State Agency: Department of Treasury

Federal Agency: United States Department of the Treasury

Finding: 05-14

Criteria

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

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

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

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

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

Condition

The State drew down approximately \$343 million under the Medical Assistance Uncompensated Care Component in FY 2005. This component and the applicable funding technique (Quarterly Estimate, Same Day Payment, Biweekly Draw) was not included in the 2005 Treasury State Agreement.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Cause

The component was erroneously omitted in the FY 2005 CMIA Agreement.

Effect

The State drew down funds under a funding technique that had not been agreed to in the Treasury State Agreement, and therefore did not satisfy the provisions of 31 CFR part 205.1, 205.3, and 205.4 related to these funds.

Recommendation

We recommend that the Treasury State Agreement be appropriately amended to reflect this component.

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

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Year ended June 30, 2005

Temporary Assistance for Needy Families (93.558)

State Agency: Department of Human Services

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

Finding: 05-15

Criteria

Split Eligibility Determination Functions

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

Condition

The State has delegated some Temporary Assistance for Needy Families eligibility determination functions 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. Generally, the State performs quality control reviews on a sample of cases throughout the year. For State fiscal year 2005, the quality control unit performed quality control activities only for the months of January, March, May and June 2005 rather than consistently throughout the entire year.

Cause

The quality control unit is tasked with monitoring of several federal programs as well as other responsibilities.

Effect

Based on our testing of 30 quality reviews performed during January, March, May and June, the quality control function was operating effectively during those timeframes. However, we have no evidence to support the assertion that the counties were appropriately performing their eligibility determination responsibilities during the rest of the year.

Recommendation

We recommend that the quality control unit perform TANF quality control reviews throughout the year.

Related Noncompliance

Based on the above, the State is not fully in compliance with requirements related to split eligibility determination.

STATE OF NEW JERSEY
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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, 2005

Child Care and Development Block Grant (93.575)

Child Care Mandatory and Matching Funds of the Child Care Development Fund (93.596)

State Agency: Department of Human Services

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

Finding: 05-16

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

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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).

- 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, Division of Family Development (DFD), Office of Child Care Operations (the Department), is the State cognizant Department that has the responsibility to ensure the timely monitoring of each of the twenty one county based Child Care Resource and Referral agencies (CCR&Rs, formerly known as Unified Child Care Agencies, or UCCAs) and the approximately 200 Child Based Care/Child Day Care agencies (CBCs) in the State. The Department performs monthly and annual monitoring reviews of the CCR&Rs and CBCs, respectively, for compliance with different components of their annual contracts with the DFD.

Of the twenty five CCR&Rs and twenty five CBCs selected for testwork, the following were noted.

- Three of the twenty five CCR&R monitoring reviews selected indicated findings that required a corrective action plan (CAP) to be submitted to the Department. The CAPs were not received by the Department, nor was any follow up procedures performed to obtain the CAPs.
- Seven of the twenty five CBC monitoring reviews selected could not be located by the Department in their central files.
- One of the twenty five CBC monitoring reviews selected indicated findings that required a corrective action plan (CAP) to be submitted to the Department. The CAPs were not received by the Department, nor was any follow up procedures performed to obtain the CAPs.

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Cause

Loss of staff due to promotions; loss of clerical staff; physical re organization due to renovations and had to pack up everything; new staff hired to replace promoted staff that did not have enough experience.

Documentation over subrecipient monitoring procedures were not properly maintained by the Department.

Effect

The Department did not properly perform all of its duties to ensure subrecipients were in compliance with laws and regulations.

Recommendation

We recommend that the Department implement procedures to ensure formal documentation for all monitorings are properly maintained within the central files and to ensure that all necessary corrective action plans are submitted within the required timeframes.

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.

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Foster Care – Title IV-E (93.658)

State Agency: Department of Human Services

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

Finding: 05-17

Criteria

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

State Procurement Circular 00-13-DPP generally requires three telephone quotations (From PB119) for all transactions over \$500 and up to \$12,500. Three sealed written quotations or three signed telefax quotations per individual transactions are required for all purchases valued over \$12,500 and up to \$25,000. Records of all purchases made shall be maintained by the agency and shall include proper documentation that the contract was competitively awarded, where required. Agencies must maintain records showing that price competition was solicited from a minimum of three vendors for all DPA's exceeding \$500, except those verified and documented as either emergencies or sole source by the agency.

Condition

For seven of thirty procurements selected for testwork, the Department did not perform price competition procedures, or document the sole-source nature of the item.

A similar finding was noted in the 2004 prior single audit report as item 04-02.

Cause

Caseworkers procured items without following State 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, or document the sole-source nature of the item.

Related Noncompliance

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

Questioned Costs

The amount expended for the seven procurements was \$91,417.

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View of Responsible Officials

See management's corrective action plan.

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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: 05-18

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, 2005 was submitted 19 days late.

A similar finding was noted in the 2004, 2003 and 2002 prior year single audit reports as items 04-04, 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 Officials

See management's corrective action plan.

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Foster Care – Title IV-E (93.658)

State Agency: Department of Human Services

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

Finding: 05-19

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)).

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- (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 three cases:

- Two cases indicated the child's placement was voluntary, but review of the child's case file indicated involuntary placement.
- One case had no documentation in the file to support the foster home/child care institution criminal record check.

The total payments made in connection with the cases referred to above for the year ended June 30, 2005 was \$8,678. The Federal share of the sampled items was \$100,443.

A similar finding was noted in the 2004, 2003, 2002, 2001, and 2000 prior year single audit reports as items 04-5, 03-10, 02-9, 01-12, and 00-21, respectively.

Cause

Case files lacked the necessary documentation due to improper filing.

Effect

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

Recommendation

We recommend that 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 fully in compliance with this requirement.

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Questioned Costs

\$8,678

View of Responsible Officials

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Adoption Assistance (93.659)

State Agency: Department of Human Services

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

Finding: 05-20

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% 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 and psychological examination, supervision of the placement prior to adoption, transportation and

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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:

- One case did not have an Initial Agreement for Subsidy.
- One case did not have IV-E determination.
- 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, 2005 was \$17,504.

A similar finding was noted in the 2004, 2003, 2002, 2001 and 2000 prior year single audit reports as items 04-06, 03-13, 02-11, 01-13 and 00-22, respectively.

Cause

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

Effect

Claims may be made to the Federal Government for children that are not Title IV-E eligible or for 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 fully in compliance with this requirement.

Questioned Costs

\$17,504

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View of Responsible Officials

See management's corrective action plan.

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Foster Care – Title IV-E (93.658)

State Agency: Department of Human Services

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

Finding: 05-21

Criteria

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

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

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

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

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

Condition

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

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

Total equipment purchased for fiscal year was \$6,100,436.

Cause

Listings are maintained primarily for inventory control purposes.

Effect

The Department of Human Services, Division of Youth and Family Services may be unable to determine the appropriate treatment of proceeds when equipment is disposed of in accordance with federal requirements because it does not have records of the cost and source of funds.

Recommendation

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

Related Noncompliance

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

Questioned Costs

Cannot be determined.

View of Responsible Official

See management's corrective action plan.

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Workforce Investment Act Cluster (17.258, 17.260)

Subrecipient Monitoring

State Agency: Department of Community Affairs, Division of Local Government Services

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

Finding: 05-22

Criteria

A pass through entity is responsible for:

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

During the Award Monitoring

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

- *Program complexity* – Programs with complex compliance requirements have a higher risk of non compliance.
- *Percentage passed through* – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- *Amount of awards* – Larger dollar awards are of greater risk.
- *Subrecipient risk* – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during the award monitoring and subrecipient audits, a subrecipient may

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warrant closer monitoring (e.g., the subrecipient has (1) a history of non compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems).

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

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

Agreed upon procedures engagements

A pass through entity may arrange for agreed upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations. Since the pass through entity determines the procedures to be used and compliance areas to be tested, these agreed upon procedures engagements enable the pass through entity to target the coverage to areas of greatest risk. The costs of agreed upon procedures engagements is an allowable cost to the pass through entity if the agreed upon procedures are performed for subrecipients below the A-133 threshold for audit (currently at \$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 Division performs follow up phone calls to subrecipients whose single audit reports are past the due date; however, the documentation related to those phone calls is not sufficient to determine if proper follow up is being performed.

Cause

There are no formal procedures for properly documenting phone calls to subrecipients whose single audit reports are late.

Effect

Follow up procedures on subrecipient reports received after the due date may not be properly performed.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Transportation

Finding: 05-23

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 12 of 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. Management indicated it was working towards implementing its 2003 corrective action plan; however, the Department had not yet implemented it to be in compliance for State fiscal year 2005.

A similar finding was noted in the 2004 and 2003 single audit reports as items 04-32 and 03-42, respectively.

Cause

The lack of grant certifications was included as a finding in our 2004 and 2003 audit reports.

Effect

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

Recommendation

We recommend that the New Jersey Division of Highway Traffic Safety 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 and the A-102 Common Rule.

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Related Noncompliance

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

Questioned Costs

\$30,313. The total personal service costs expended per the Schedule of Expenditures of Federal Awards was \$1,940,615 and the personal service costs included in the sample was \$83,343.

View of Responsible Official

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

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Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Transportation

Finding: 05-24

Criteria

Funds must be expended as specified in the grantee's highway safety plan. Certain specific costs 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).

2. The following costs are allowable or unallowable with specific conditions:

- a. *Equipment* – Major equipment (tangible, expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 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 meeting and conferences are allowable.
- f. *Public Communications* – Advertising space.

3. 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 of employees of Federal agencies, except as noted above.
- d. *Program administration*: research costs, expenses to defray activities of Federal agencies, and commercial drivers' compliance requirements.

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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 totaling \$901,903, the Department was unable to provide the documents requested for 3 transactions to support that the Department was following the proper procurement procedures. Costs charged to the program during our audit period for these 3 transactions were \$12,395.

A similar finding was noted in the 2004 and 2003 single audit reports as items 04-31 and 03-44, respectively.

Cause

The Department was unable to provide the documents requested.

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$12,395

View of Responsible Official

See management's corrective action plan.

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Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Transportation

Finding: 05-25

Criteria

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

When 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 General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity (____.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, US Government Printing Office, Washington DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<http://epls.arnet.gov>).

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

Condition

Eight of the 30 subrecipients selected for testwork did not have proper suspension and debarment certifications in their files. Transactions with these eight subrecipients amounted to \$350,715 for state fiscal year 2005. However, KPMG 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 that it was working toward implementing its 2003 corrective action plan; however, the Department had not yet implemented it to be in full compliance for State fiscal year 2005.

A similar finding was noted in the 2004 and 2003 single audit reports as items 04-33 and 03-45, respectively.

Cause

This was identified as a finding in the 2004 and 2003 single audit reports and corrective action had not been implemented for the full State fiscal year 2005.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Effect

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

Recommendation

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

Related Noncompliance

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

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, 2005

Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Transportation

Finding: 05-26

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 for 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-33, as revised) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- *Pass-Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Condition

For seven of the 30 subrecipients selected for testwork there was 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 2005. Transactions with these seven subrecipients amounted to \$65,260 for state fiscal year 2005; however, none of these were determined to be questioned costs.

Cause

The Department could not provide evidence of required communication of Federal award information.

Effect

The Department may not be following subrecipient award policies in accordance with Federal regulations.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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 the 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, 2005

Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Transportation

Finding: 05-27

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 Division of Highway Safety submits vouchers for reimbursement using the Voucher Transaction Report. The Division of Highway Safety does not routinely reconcile the amounts reported on the Voucher Report to the underlying financial records of the State. When the Division attempted to reconcile the amounts reported on the Voucher Report to the SEFA, there was an unidentified reconciling item of approximately \$148,027.

Cause

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

Effect

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

Recommendation

We recommend that the Division implement procedures to routinely reconcile the expenditures reported through vouchers to the State's underlying financial records maintained on the State's central accounting system.

Related Noncompliance

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

Questioned Costs

\$148,027

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Homeland Security Cluster (97.004, 97.042, and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-28

Criteria

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

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

- Are verifiable from the non Federal entity's records
- Are not included as contributions for any other federally assisted project or program, unless specifically allowed by Federal program laws and regulations.
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Are allowed under the applicable cost principles.
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be allowable for cost sharing or matching.
- Are provided for in the approved budget when required by the Federal awarding agency.
- Conform to the other applicable provisions of the A-102 Common Rule and OMB Circular A-110 and the laws, regulations, and provisions of contract or grant agreements applicable to the program.

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

Condition

The Emergency Management Performance Grant (CFDA # 97.042) requires the state to provide matching funds of \$2,581,907 and local government agencies to provide matching funds of \$1,742,113. As the state is the pass through entity for local government funding, they are responsible for monitoring the local governments to ensure that they have met their matching requirements.

The Division was unable to provide documentation to support that the State and local governments met the matching requirements for the year under audit.

Cause

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Effect

The Division is unable to support its compliance with matching requirements.

Recommendation

We recommend that the New Jersey Division of State Police improve policies and procedures to ensure that funds spent for State match for Federal grants are met. Furthermore, the Division should ask pass through recipients of Federal funding to report on their progress to meet matching requirements on a regular basis throughout the year.

Related Noncompliance

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

Questioned Costs

\$4,324,020

View of Responsible Official

See management's corrective action plan

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Homeland Security Cluster (97.004, 97.042, and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-29

Criteria

OMB Circular A-133 states, "The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditures/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force."

Condition

For 3 of the 30 equipment transactions selected for testwork, the purchase had been expensed in the general ledger system, however, neither an invoice or the equipment itself had not been received. These equipment expenditures relating to these items totaled \$1,120,062 and is listed below as a questioned cost.

Total equipment purchases under this program during state fiscal year 2005 were \$9,544,265.

Cause

The Treasury Department at the State requires that funding be transferred to the Central Motor Pool for vehicle purchases at the time the order is placed. As a result, the Department transfers the funds and it shows an expense in the system for the Department. The expenditure has not been incurred at the State level, since the State has not paid for the vehicles/equipment.

Effect

Equipment expenditures are recorded for vehicles that have not been invoiced or received for use by the program.

Recommendation

We recommend that the Department implement procedures to ensure that equipment not invoiced or received is removed as an expenditure for the purpose of reporting Federal expenditures.

Related Noncompliance

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

Questioned Costs

\$1,120,062

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Homeland Security Cluster (97.004, 97.042, and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-30

Criteria

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

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

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

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

Condition

For one of the 30 equipment transactions selected for testwork, the Department could not locate the supporting documentation for the purchase. Costs charged to the program for this transaction were \$1,754 and have been included below as a questioned cost.

For 3 of 80 items selected as part of the 30 equipment transactions selected for testwork, we were unable to verify that the item was properly tagged with the New Jersey State Police Bar Code and we were unable to agree the tag number to the equipment.

For 1 of the 80 items selected as part of the 30 equipment transactions selected for testwork we were unable to verify that the item was properly tracked in the fixed asset system.

Total equipment purchases under this program during state fiscal year 2005 were \$9,544,265.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Similar findings were noted in the 2004, 2003, and 2002 prior year single audit reports as items 04-27, 03-39, and 02-36.

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$15,506

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Homeland Security Cluster (97.004, 97.042, and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-31

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 11 of the 30 personal services transactions selected for testwork, the employees did not have after the fact certifications prepared or signed by employees working on the grant as required by OMB Circular A-87 to support personnel costs charged to the program. The amount of payroll costs charged during 2005 was \$2,399,225, of which \$22,182 is listed below as a questioned cost.

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

Cause

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

Effect

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$22,182

View of Responsible Official

See management's corrective action plan

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Homeland Security Cluster (97.004, 97.042, and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-32

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 three of the 30 employees selected for testwork, salary costs were incorrectly charged to the grant(s).

Cause

Incomplete control measures and oversight resulted in inaccurate charges to the grant.

Effect

The program was charged for personal service costs that were not incurred for the program.

Recommendation

We recommend that the New Jersey Department of State Police improve policies and procedures to 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.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Questioned Costs

\$4,289. The total personal service costs expended per the Schedule of Expenditures of Federal Awards was \$2,399,225 and the personal service costs included in the sample was \$231,237.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Homeland Security Cluster (97.004, 97.042, and 97.067)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-33

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Questioned Costs

The amount reported on the Schedule of Expenditures of Federal Awards for the programs were as follows: State Domestic Preparedness Equipment Support Program – \$43,406,000, Emergency Management Performance Grants – \$3,903,921, and Homeland Security Grant Program – \$468,824.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Public Assistance Grants (97.036)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-34

Criteria

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

Condition

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

Cause

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

Effect

Quarterly reporting may not be complete and accurate.

Recommendation

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

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Public Assistance Grants (97.036)

State Agency: Department of Law and Public Safety

Federal Agency: Federal Emergency Management Agency

Finding: 05-35

Criteria

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

Condition

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

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, 2005

Questioned Costs

The amount reported on the Schedule of Expenditures of Federal Awards for the program was \$4,441,719.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Urban Areas Security Cluster (97.008)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-36

Criteria

OMB Circular A-133 states, "The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditures/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force."

Condition

For three of 21 selections made for equipment expenditures, the equipment had not been received or have an invoice associated with the purchase. Two of the three items did not have a purchase voucher. The amount of equipment transactions charged during State fiscal year 2005 was \$10,636,655, of which \$2,164,970 has included below as questioned costs.

Cause

The State's Treasury Department requires that funds used for vehicle expenditures be transferred to the Central Motor Pool at the time an order for the vehicle is placed. In order to transfer funds to the Central Motor Pool, an expenditure must be recorded on the Department's general ledger. However, there is no review to determine whether vehicles ordered with transferred funds have actually been received.

Effect

Equipment expenditures are recorded for vehicles that have not been invoiced or received.

Recommendation

We recommend that the Department implement procedures to ensure that equipment not invoiced or received is removed as an expenditure.

Related Noncompliance

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

Questioned Costs

\$2,164,970

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Schedule of Findings and Questioned Costs
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View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Urban Areas Security Cluster (97.008)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-37

Criteria

Equipment Management

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

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

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

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

Real Property Management

Title to real property acquired by non Federal entities with Federal awards vests with the non Federal entity. Real property shall be used for the originally authorized purpose as long as needed for that purpose. For non Federal entity covered by OMB Circular A-110 and with written approval from the Federal awarding agency, the real property may be used in other federally sponsored projects or programs that have purposes consistent with those authorized for support by the Federal awarding agency. The non Federal entity may not dispose of or encumber the title to real property without the prior consent of the awarding agency.

When real property is no longer needed for the federally supported programs or projects, the non Federal entity shall request disposition instructions from the awarding agency. (For purposes of this compliance requirement, the awarding agency for recipients under OMB Circular A-110 or the A-102 Common Rule and subrecipients under OMB Circular A-110 is the Federal agency providing the funding. The awarding agency for subrecipients

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

under the A-102 Common Rule is the pass through entity.) When real property is sold, sale procedures should provide for competition to the extent practicable and result in the highest possible return. If sold, non Federal entities are normally required to remit to the awarding agency the Federal portion (based on the Federal participation in the project) of net sales proceeds. If retained, the non Federal entity shall normally compensate the awarding agency for the Federal portion of the current fair market value of the property. Disposition instructions may also provide for transfer of title in which case, the non Federal entity is entitled to compensation for its percentage share of the current fair market value.

The requirements for real property are contained in the A-102 Common Rule (____.31), OMB Circular A-110 (____.32), Federal awarding agency regulations, and the terms and conditions of the award.

Condition

For 21 of 21 equipment expenditures selected for testwork, we were unable to physically inspect the equipment. These equipment expenditures represent \$9,012,914 of \$10,636,655 total equipment expenditures for State fiscal year 2005 and have been included below as questioned costs.

Ten of the 21 selections were purchased for local governmental units and were no longer in the State's possession, 3 of the selections had not been received from the vendor, and the Department was unable to locate the remaining 8 items.

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$9,012,914

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Urban Areas Security Cluster (97.008)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-38

Criteria

Financial Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). These other forms may include financial, performance, and special reporting. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires 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 a machine readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

Condition

Once prepared, the Federal Financial Status Reports are not reviewed by another person prior to their submission.

Cause

Incomplete control measures and oversight related to reporting.

Effect

Reports could have errors which would not be prevented and detected prior to submission.

Recommendation

We recommend that the Department implement policies and procedures to ensure that reports are prepared and reviewed on a timely basis.

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, 2005

Urban Areas Security Cluster (97.008)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-39

Criteria

Financial Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). These other forms may include financial, performance, and special reporting. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires 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 a machine readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

Condition

For 3 of 3 Federal Financial Status Reports selected for testwork, the supporting documentation did not agree to the reports.

Cause

Incomplete control measures and oversight related to reporting.

Effect

Reports could have errors which were not prevented and detected prior to submission.

Recommendation

We recommend that the Department implement policies and procedures to ensure that reports are prepared and reviewed on a timely basis.

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, 2005

Urban Areas Security Cluster (97.008)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 05-40

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Questioned Costs

The amount reported on the Schedule of Expenditures of Federal Awards for the year was \$19,819,428.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Election Reform Payments (39.011)

State Agency: Department of Law and Public Safety

Federal Agency: General Services Administration

Finding: 05-41

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 three of the thirty five procurements, the Department did not perform price competition procedures and did not have the required documentation to fulfill the purchase through sole sourcing.

Cause

HAVA employees 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 three procurements was \$26,940.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Election Reform Payments (39.011)

State Agency: Department of Law and Public Safety

Federal Agency: General Services Administration

Finding: 05-42

Criteria

A pass through entity is responsible for:

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

Condition

The Department has procedures in place to monitor activities and administration of its subrecipients through review of receipts submitted for reimbursement. For State fiscal year 2005, approximately \$7,759,942 in pass through payments were provided to subrecipients.

Of the five subrecipients selected for testwork, there is no evidence of certain communications of the required Federal award information (e.g. CFDA Title and number and name of Federal agency) and applicable compliance requirements during state fiscal year 2005.

Cause

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

Effect

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation

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

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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: 05-43

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 the 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.
- *Cost 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

The Time and Leave Reporting System (TALRS) is used to generate payroll and feeds payroll information to the New Jersey Comprehensive Financial System (NJCFIS), which is the system used to generate the Schedule of

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Expenditures of Federal Awards (SEFA). The Department's Cost Accounting System (CAS) breaks down payroll information by project code to determine the amounts to be charged to each Federal program.

For 20 of the 100 employees selected, the total hours for each employee per TALRS did not agree to CAS. For 17 of the 100 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 2004 and 2003 prior year single audit reports as items 04-36 and 03-46, respectively.

In addition, for 1 of the 100 employees selected for personal services testwork, the Department was unable to provide supporting documentation (i.e. personnel file) to verify the employee's information (name, social security number, etc.).

Cause

Reconciliation procedures in place between the CAS and the TALRS were not properly followed in all cases. Also, supporting documentation for certain personal service expenditures could not be provided by the Department, due to a lack of controls regarding the proper filing of documents.

Effect

Costs may not properly be recorded in the CAS and charged to the correct Federal Program. Also, certain personal service expenditures are not appropriately supported by employee personnel files.

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 Programs.

We also recommend that the Department improve internal control procedures to ensure that personnel files are properly filed and maintained for active employees whose time is charged to the Federal Programs.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Employment Services Cluster (17.207, 17.801, 17.804)

State Agency: Department of Labor and Workforce Development

Federal Agency: U.S. Department of Labor

Finding: 05-44

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 the 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.
- *Cost 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

2 of the 30 other than personal services (OTPS) transactions selected for testwork were not supported by a related invoice. The Department's Monthly Expenditure Report indicates that the expenditures were paid in September 2004.

Cause

Supporting documentation could not be provided by the Department, due to a lack of controls regarding the paper filing of documents.

Effect

Payments were made for OTPS expenditures without maintaining the supporting invoices.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation

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

Related Noncompliance

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

Questioned Costs

Known questioned costs are \$7,595, which is the amount of the OTPS expenditures without the supporting invoices. The total OTPS costs expended per the Schedule of Expenditures of Federal Awards was \$22,485,140 and the OTPS costs included in the sample was \$59,210.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Workforce Investment Act Cluster (17.258, 17.260)

State Agency: Department of Labor and Workforce Development

Federal Agency: U.S. Department of Labor

Finding: 05-45

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, 2005

Condition

The Department of Labor and Workforce Development, Monitoring and Compliance Unit (MCU), conducts annual, on site program monitoring reviews of the seventeen Workforce Investment Boards (WIBs) located throughout the State, based upon a developed schedule determined by MCU. For all of the 5 sites selected for testwork, the Department could not provide evidence that any formal subrecipient monitoring reviews had been performed by MCU personnel during SFY 2005. For the 5 sites selected, there were informal memorandums provided that indicated certain activities had been performed to monitor the WIBs during the year, however, there were no formal monitoring reports provided to show evidence of the dates the reviews were completed, findings identified, corrective actions or recommendations, or supervisory review of the monitoring activities.

Cause

The Department does not maintain formal documentation evidencing the annual program monitoring reviews of the WIBs.

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 prepare formal monitoring reports to document their annual program reviews of the WIBs to ensure that the subrecipients are in compliance with the applicable federal requirements.

Related Noncompliance

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

Questioned Costs

Questioned costs cannot be determined. The total amount of subrecipient awards passed through for State fiscal year 2005 was \$69,543,481.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Child and Adult Care Food Program (10.558)

State Agency: Department of Agriculture

Federal Agency: U.S. Department of Agriculture

Finding: 05-46

Criteria

The administering agency is responsible for monitoring the institution's non profit 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, five reviews were not performed within the required timeframe.

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

Cause

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

Effect

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

Recommendation

We recommend that the Department acquire 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, 2005

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, 2005

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

State Agency: Department of Agriculture

Federal Agency: U.S. Department of Agriculture

Finding: 05-47

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

The FNS 13, *Annual Report of State Revenue Matching*, for the period July 1, 2004 to June 30, 2005 was submitted on November 9, 2005, 12 days late.

Cause

The Department did not receive the Form FNS 13, *Annual Report of State Revenue Matching*, for completion until November 2005.

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, 2005

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 05-48

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 non profit resources, including religious organizations, to improve their combined effectiveness in ameliorating poverty (42 USC 9901, 42 USC 9908(b), and 42 USC 9920(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, 2005

- (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 non partisan 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 three of seven selected payments made to subgrantees. Additionally, the Department did not provide approved payment vouchers to support the allowability of expenditures for two of seven quarterly expenditure reports submitted by subgrantees.

A similar finding was noted in the 2004 prior year single audit report as item 04-48.

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.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Questioned Costs

\$349,368. The total payments to subgrantees per the Schedule of Expenditures of Federal Awards was \$17,462,237 and the payments to subgrantees included in the sample was \$1,914,418.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 05-49

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)).

However, beginning on October 1, 2000, if more than 20 percent of the funds granted by the State to a subgrantee in one fiscal year remain unobligated at the end of that fiscal year, a State may recapture and redistribute those funds. A State must either (1) redistribute the recaptured funds to an eligible entity located within the community served by the original subgrantee, or (2) require the original subgrantee to distribute the funds to a private non profit organization within that community. Activities undertaken with redistributed funds must conform to the activities allowed under the CSBG Act (42 USC 9907(a)(3)).

Condition

The Department could not provide evidence of compliance with the period of availability requirement as the Department was unable to provide the expenditure reports and payment vouchers for three of the sixteen subgrantees that received Federal fiscal year 2003 funds after September 30, 2004. Additionally, the Department was unable to provide an agreement letter/contract for one of the remaining thirteen subgrantees.

A similar finding was noted in the 2004 prior year single audit report as item 04-46.

Cause

The Department was unable to find the fiscal files that contained the expenditure reports, payment vouchers, and agreement letter/contract.

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 supported by quarterly expenditure reports. Additionally, we recommend that the Department maintain agreement letters/contracts with subgrantees.

Related Noncompliance

Based on the above, the Department is 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, 2005

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 05-50

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, 2005 final SF-269A report selected for testwork was not properly prepared, as two line items were improperly calculated from the NJCFS support.

A similar finding was noted in the 2004 and 2003 prior year single audit reports as items 04-45 and 03-25, respectively.

Cause

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

Effect

The Department did not claim accurate expenditures to the Federal Government for the Federal fiscal year ended September 30, 2005.

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$627,297

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 05-51

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 that was prepared within the last three fiscal years for two of the seven subgrantees selected for test work. The Department was unable to provide a fiscal monitoring report that was prepared within the last three fiscal years for four of the seven subgrantees selected for test work. Additionally, there was no evidence of management review for two of the seven subrecipient monitoring reports.

A similar finding was noted in the 2004 prior year single audit report as item 04-47.

Cause

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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.

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, 2005

Weatherization Assistance for Low-Income Persons (81.042)

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

Federal Agencies: U.S. Department of Energy

U.S. Department of Health and Human Services

Findings: 05-52

Criteria

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

Condition

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

A similar finding was noted in the 2004 and 2003 prior year single audit reports as items 04-44 and 03-24, respectively, for the Community Services Block Grant program.

Cause

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

Effect

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

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Recommendation

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

Related Noncompliance

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

Questioned Costs

The amount reported on the Schedule of Expenditures of Federal Awards for the Weatherization Assistance for Low-Income Persons program was \$6,922,464.

The amount reported on the Schedule of Expenditures of Federal Awards for the Community Services Block Grant program was \$63,006,523.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Low-Income Home Energy Assistance (93.568)

State Agency: Department of Community Affairs

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

Finding: 05-53

Criteria

LIHEAP funds may be used to assist eligible households to meet the costs of home energy, i.e., heating or cooling their residences (42 USC 8621(a) and 8624(b)(1)).

LIHEAP funds may be used to intervene in energy related crisis situations, as defined by the grantee (42 USC 8623(c) and 8624(b)(1)).

LIHEAP funds may be used to conduct outreach activities (42 USC 8624(b)(1)).

Leveraging incentive awards must be used to increase or maintain heating, cooling, energy crisis, and weatherization benefits for low income persons (45 CFR section 96.87(j)).

Leveraging incentive award funds may not be used for planning, developing, or administering the LIHEAP program (45 CFR section 96.87(j)).

LIHEAP funds may be used to provide low cost residential weatherization and other cost effective energy related home repair (42 USC 8624(b)(1)).

LIHEAP grantees may use some or all of the rules applicable to the Department of Energy's Weatherization Assistance for Low-Income Persons program (CFDA 81.042) for their LIHEAP funds spent on weatherization (42 USC 8624(c)(1)(D)).

LIHEAP funds may be used to provide services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance, including needs assessments, counseling, and assistance with energy vendors (42 USC 8624 (b)(16)).

LIHEAP funds (other than leveraging incentive award funds) may be used to identify, develop, and demonstrate leveraging programs (45 CFR section 96.87(c)).

No LIHEAP funds may be used for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low cost residential weatherization or other energy related home repairs) of any building or other facility (42 USC 8628).

Condition

The Department was unable to provide detailed support for payment vouchers for payments made to individuals and utility companies. Additionally, there was no evidence of management review on payment vouchers for payments made to individuals and utility companies based on our review of 30 vouchers totaling \$11,062.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Cause

The Department does not receive support for the payments to be made to individuals and utility companies from the Office of Information Technology prior to making the payments. Additionally, management is currently not reviewing the payment vouchers before they are paid.

Effect

The Department could be funding unallowed expenditures.

Recommendation

We recommend that the Department implement procedures to ensure that it receives a detailed report of payments to be made to individuals and utility companies prior to making those payments. Additionally, we recommend that the Department implement procedures to ensure that the payment vouchers are reviewed by a program manager before payments are made. Management review should be evidenced by a signature on the payment voucher.

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, 2005

Low-Income Home Energy Assistance (93.568)

State Agency: Department of Community Affairs

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

Finding: 05-54

Criteria

The Department of Community Affairs submits quarterly financial reports to the Department of Human Services 30 days after the end of each quarter on forms provided by the Office of Home Energy Assistance. All funds must be expended and reported to the Department of Human Services in accordance with federal rules and regulations.

Condition

One of the four quarterly financial reports, due during State Fiscal Year 2005, was submitted seventy-four days late. Additionally, there was no evidence of management review of the report prior to its submission.

Cause

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

Effect

The report was not submitted within the required timeframe. Additionally, the report submitted may not be accurate and complete.

Recommendation

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

Related Noncompliance

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

Questioned Costs

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, 2005

Low-Income Home Energy Assistance (93.568)

State Agency: Department of Community Affairs

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

Finding: 05-55

Criteria

A pass through entity is responsible for:

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

During the Award Monitoring

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

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

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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.
- *Contact* – Regular contacts with subrecipient s 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 could not provide two of the five monitoring reports selected for test work. There was no evidence of management review on one of the remaining three monitoring reports selected for test work. Additionally, the Department did not perform any fiscal monitoring for subgrantees in the HEA portion of the LIHEAP program.

Cause

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

Effect

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

Recommendation

We recommend that the Department perform monitoring procedures of subgrantees 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.

Related Noncompliance

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

Questioned Costs

None

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View of Responsible Official

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Weatherization Assistance for Low-Income Persons (81.042)

State Agency: Department of Community Affairs

Federal Agency: U.S. Department of Energy

Finding: 05-56

Criteria

The Department is required to submit a financial report, SF-272 *Federal Cash Transactions Report*, on a quarterly basis. The report is due 30 days after the end of the quarter.

Condition

The Department submitted one of the four quarterly SF-272 reports, due during fiscal year 2005, thirty three days late.

Cause

The report was not submitted within the required time frame as it was not prepared and submitted for management review until February 28, 2005.

Effect

Report not submitted 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, 2005

Community Services Block Grant (93.569)

State Agency: Department of Community Affairs

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

Finding: 05-57

Criteria

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

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

Condition

Seven of seven subgrants selected for testwork were made to eligible entities with pre-existing designations. However, five of seven were private nonprofit organizations that did not have a governance mechanism meeting the tripartite governing board requirements. The five entities received subgrants of \$3,181,701 for Federal fiscal year 2004.

Cause

The agencies funded by the State were eligible subrecipients prior to the State assuming the administrative responsibilities of the program from the Federal Government. The State was required to continue funding these agencies until procedures to defund are completed.

Effect

Subgrants are made to private nonprofit organizations that do not have a governance mechanism meeting the tripartite governing board requirements and subdivisions of state government that do not have a governance mechanism meeting either the “tripartite” board requirements or otherwise assuring decision-making and participation by low-income individuals.

Questioned Costs

None

View of Responsible Official

See management’s correction action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Immunization Grants (93.268)

State Agency: Department of Health and Senior Services

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

Finding: 05-58

Criteria

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

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$1,358,793

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Schedule of Findings and Questioned Costs

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View of Responsible Official

See management's corrective action plan.

Response of Auditor to View of Responsible Official

The State Official indicates disagreement with the finding, however, the transmittal letter requesting the carryover of unliquidated obligations was not submitted within 90 days after the end of the funding period in accordance with the Federal requirement.

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Year ended June 30, 2005

Immunization Grants (93.268)

State Agency: Department of Health and Senior Services

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

Finding: 05-59

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.

A similar finding was noted in the 2004 prior year single audit report as item 04-39.

Cause

The Department did not dedicate the resources necessary 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, 2005

Immunization Grants (93.268)

State Agency: Department of Health and Senior Services

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

Finding: 05-60

Criteria

Subrecipient monitoring:

A pass through entity is responsible for:

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

During the Award Monitoring

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

- *Program complexity* – Programs with complex compliance requirements have a higher risk of non compliance.
- *Percentage passed through* – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- *Amount of awards* – Larger dollar awards are of greater risk.
- *Subrecipient risk* – Subrecipient s may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipient s would require closer monitoring. For existing subrecipient s, based on results of during the award monitoring and subrecipient audits, a subrecipient may

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warrant closer monitoring (e.g., the subrecipient has (1) a history of non compliance as either a recipient or subrecipient , (2) new personnel, or (3) new or substantially changed systems).

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

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

Condition

The Department did not meet the Center for Disease Control's Prevention Assessment, Feedback, Incentives and Exchange process standards that require 25% of the total Vaccine for Children Program private enrolled subrecipients and 25% of the total Vaccine for Children Program public enrolled subrecipients to receive an annual site visit.

The Department could not provide evidence of supervisory review on the direct assistance site visit reports.

Cause

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

Inadequate supervisory review of direct assistance site visit reports.

Effect

Subrecipients may not be in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Direct assistance site visit reports may not be accurate and complete.

Recommendation

We recommend that the Department dedicate trained personnel to perform onsite reviews within required timeframes.

We recommend that the Department ensure management review of all direct assistance site visit reports. Management review should be evidenced by a signature on the report.

Related Noncompliance

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

Questioned Costs

Cannot be determined.

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View of Responsible Official

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

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HIV CARE Formula Grants (93.917)

State Agency: Department of Health and Senior Services

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

Finding: 05-61

Criteria

Program specific:

Not less than 75 percent of the amounts received by a State shall be obligated to specific programs and projects and made available for expenditure no later than 120 days after receipt by the State (budget period beginning date as shown on the Notice of Grant Award issued by HRSA) (42 USC 300ff 28)(c)).

General:

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

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

Condition

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

Cause

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

Effect

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

Recommendation

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

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Related Noncompliance

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

Questioned Costs

\$602,558

View of Responsible Official

See management's corrective action plan

Response of Auditor to View of Responsible Official

The State Official indicates disagreement with the finding, however, the transmittal letter requesting the carryover of unliquidated obligations was not submitted within 90 days after the end of the funding period in accordance with the Federal requirement.

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Year ended June 30, 2005

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

State Agency: Department of Health and Senior Services

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

Finding: 05-62

Criteria

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

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

\$1,667,358

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View of Responsible Official

See management's corrective action plan.

Response of Auditor to View of Responsible Official

The State Official indicates disagreement with the finding, however, the transmittal letter requesting the carryover of unliquidated obligations was not submitted within 90 days after the end of the funding period in accordance with the Federal requirement.

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

State Agency: Department of Health and Senior Services

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

Finding: 05-63

Criteria

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

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

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

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

Condition

Of the 30 pieces of equipment tested, 6 items were not properly tagged for identification purposes and 7 items were not properly included on the Department's Asset Listing Report (Inventory Report). Additionally, the Department did not perform a physical inventory of equipment during the past two fiscal years. The amount of equipment transactions charged during 2005 was \$3,160,155.

Cause

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

Effect

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation

We recommend that the Department implement procedures to ensure the proper management of equipment purchased with Federal funds. Additionally, we recommend that the Department implement procedures to ensure that a physical inventory of equipment is performed at least once every two years and reconciled to the equipment records.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Response of Auditor to View of Responsible Official

The State Official indicates disagreement with the finding, in the third paragraph of their response. During our fieldwork this item could not be located in the inventory system.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

State Agency: Department of Health and Senior Services

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

Finding: 05-64

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

During the Award Monitoring

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

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

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

Condition

For two of six subrecipient monitoring reports selected for testwork, there was no evidence that the report was sent to the subrecipient for review and follow up. For the remaining four subrecipient monitoring reports selected for test work, there was no evidence of management review of the reports. Amounts passed through to subrecipients were \$12,395,095 according to the expenditures reported in the Schedule of Expenditures of Federal Awards.

Cause

The Department did not have a process in place for the completion and review of subrecipient monitoring reports.

Effect

Subrecipients may not be aware of noncompliance with performance goals, administrative standards, financial management rules and other requirements identified during subrecipient site visits and documented as part of the Department's subrecipient monitoring report. Additionally, subrecipient monitoring reports may not be accurate and complete.

Recommendation

We recommend that the Department enhance the procedures in place for during the award subrecipient monitoring. Subrecipient monitoring reports should be sent to the subrecipients for review and follow up. 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.

Related Noncompliance

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

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, 2005

Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Education

Finding: 05-65

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 six of the thirty procurements totaling \$103,738, the Department did not perform price competition procedures.

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

Cause

Caseworkers procured items without following proper procurement procedures.

Effect

The purchases made may not have been priced competitively.

Recommendation

We recommend that the Department perform price competition procedures, as described in Procurement Circular 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 \$16,024.

View of Responsible Official

See management's corrective action plan.

MANAGEMENT'S CORRECTIVE ACTION PLAN

STATE OF NEW JERSEY SINGLE AUDIT

FISCAL YEAR 2005



***VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS
TO RESOLVE SINGLE AUDIT FINDINGS***

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2005
VIEWS OF RESPONSIBLE OFFICIALS
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Social Services Block Grant (93.667) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-1 04-12	The Division of Youth and Family Services will update their position control report with employees' proper cost center codes. The Department of Treasury's Centralized Payroll Unit will do a mass conversion to their system, which will align employees to the correct function in the cost allocation plan. Afterwards, the DYFS Personnel Office will verify the position control report to a monthly download of the centralized payroll report and provide the Department of Treasury with any corrections.	January 31, 2007 for mass conversion and monthly updates afterwards Joseph H. Phelan (609) 292-1137
Low Income Home Energy Assistance (93.568) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-2 No prior year finding	We concur with the finding. On June 28, 2006, a project request was submitted to the Department of the Treasury, Office of Information Technology (OIT) requesting detailed information that is included on the LIHEAP Household report and the requirement that all supporting documentation for each category on the report be retained. The Division is working on procedures to validate this supporting documentation against LIHEAP case records on a test basis to ensure that households are being categorized correctly.	June 2006 Nicholas Butkewicz (609) 588-2045
Low Income Home Energy Assistance (93.568) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-3 04-19 03-8 02-8 01-8 00-32	We concur with the finding. As indicated by the recommendation, the monitoring procedures for the period February 1 through June 30 were operating effectively and have been used for all of Fiscal Year 2006 as part of the Division's quality control process.	February 2005 Nicholas Butkewicz (609) 588-2045

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
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Low Income Home Energy Assistance (93.568) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-4 No finding in prior years	We concur with the finding. Procedures were implemented on August 10, 2006 to periodically review the benefit reporting categories in an effort to eliminate erroneous coded items. The FLXG screen, which lists transactions details by account on NJCFS, will be reviewed quarterly to ensure that administrative funds are being reported against the proper federal reporting category	August 2006 Nicholas Butkewicz (609) 588-2045
Temporary Assistance for Needy Families (93.558) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-5 04-16 03-3 02-4	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 is made to obtain the required supporting expenditure documentation more timely to enable the reports to be submitted within the required time frames. However, the Federal Register Rules and Regulations Section 265.4 Part C, indicate if a State fails to submit the reports within the 45 days, it will be subject to a penalty unless the State files complete and accurate reports before the end of the fiscal quarter that immediately succeeds the quarter for which the reports were required to be submitted. The Division always submits complete and accurate TANF reports prior to the end of the subsequent fiscal quarter.	Ongoing Nicholas 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		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-6 04-17 03-6 02-7	The Division concurs with the finding that the OCSE 396A report part I and II was not submitted timely due to the late receipt of supporting documentation from State agencies and counties required for the accurate preparation of these reports. This Division recognizes the importance of complying with the timely submission of reports. Since estimates cannot be used, the Division 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 and Ongoing Nicholas Butkewicz (609) 588-2045

**STATE OF NEW JERSEY SINGLE AUDIT
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Child Support Enforcement (93.563) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-7 04-18 03-7 02-6 01-6 00-30	<p>We concur with the finding. Though significant progress has been made, 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. In addition, monthly and quarterly reconciliations are reviewed and signed off by the Supervisor of the Financial Reporting Unit.</p> <p>Under the redesign of the ACSES system, which began in March 2006, NJKIDS includes in the Business Process Reengineering (BPR) a plan to automate the reconciliation process. Until the reengineering of ACSES to NJKIDS is complete, we will continue to work towards identifying the differences.</p>	March 2006 and ongoing until implementation of NJKIDS Nicholas Butkewicz (609) 588-2045
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) Food Stamps (10.551, 10.561) Child Care & Development Block Grant (93.575) 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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-8 04-14	<p>DM: The Department will review all policies and procedures relating to payroll and time keeping. In addition, the Department will ensure that all employees with these responsibilities have a thorough understanding of the policies, and will emphasize that appropriate controls must be adhered to, including proper authorization and maintaining documentation on items such as invoices, payment vouchers, and time sheets. The Department is moving toward the adoption of an automated time keeping system, which should eliminate such problems in the future.</p> <p>DFD: Starting August 2006 the Accounting Supervisor will initial a hard copy of all payment documents to indicate approval. However, we still must note that the control related findings are based on the submittal of the State of New Jersey Payment Voucher,</p>	<p>DM: November 2006 Robert Grzyb (609) 984-4460</p> <p>DFD: August 2006/November 2006</p>

**STATE OF NEW JERSEY SINGLE AUDIT
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	which required an authorized signatory. That document has not been a requirement for making vendor payments since June 1998 as outlined in Treasury Circular Letter 98-17-OMB. DFD complies with this Circular Letter. The only requirement is that proper internal controls are used, such as obtaining the receiving agency's certification that the goods and services were received and payment is warranted.	Nicholas Butkewicz (609) 588-2045
Foster Care – Title IV-E (93.658) Adoption Assistance (93.659) Social Service Block Grant (93.667) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-9 04-9	The Division of Youth and Family Services will update their position control report with employees' proper cost center codes. The Department of Treasury's Centralized Payroll Unit will do a mass conversion to their system, which will align employees to the correct function in the cost allocation plan. Afterwards, the DYFS Personnel Office will verify the position control report to a monthly download of the centralized payroll report and provide the Department of Treasury's with any corrections.	January 31, 2007 for mass conversion and monthly updates afterwards Joseph H. Phelan (609) 292-1137
State Survey and Certification of Health Care Providers and Suppliers (93.777) 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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-10 04-20	<p>This finding is accurate. However, the State believes the approved pilot project is an acceptable alternative to and an improvement over the traditional MEQC process.</p> <p>The State received approval from the 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> <p>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. The State has conferred with CMS to determine the appropriate corrective action and the implementation process for any needed corrective action. CMS is considering the issue and will advise the division.</p>	September 2006 David Lowenthal (609) 588-2820

**STATE OF NEW JERSEY SINGLE AUDIT
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State Children's Health Insurance Program (93.767) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-11 04-22 03-15 02-3	This finding is accurate. The Division of Medical Assistance and Health Services (DMAHS) began monitoring eligibility determinations made by the State's vendor based on a monthly sampling of cases effective July 2004. Workload priorities delayed the implementation of this effort until March 2005. Thereafter, DMAHS has continuously performed this monitoring, which is now on a current basis.	March 2005 David Lowenthal (609) 588-2820
Temporary Assistance to Needy Families (93.558) Food Stamps (10.551, 10.561) Social Services Block Grant (93.667) Child Support Enforcement (93.568) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-12 No finding in prior years	We concur with the finding. However, the Division has reconciled the FY 2005 county administrative expenses to the State's accounting system and adjusting entries were made to NJCFS to reflect the proper disbursements. Effective with the first quarter of SFY 2007, the Division will implement a formal quarterly reconciliation process to compare quarterly disbursements on NJCFS with expenditures reported via the 618 process to immediately identify and correct discrepancies. This process will require supervisor approval, with annual reconciliation being a compilation of the four quarterly processes.	July 2006 Nicholas Butkewicz (609) 588-2045
Temporary Assistance to Needy Families (93.558) Child Care Cluster (93.575, 93.596) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-13 No finding in prior years	We concur with the finding. In May 2006, the Division notified the three providers of the discrepancies and the funds were recovered in June 2006. In addition, Contract Management Staff was advised in March 2006 that all current and future contract analyses for the CCR&R (formally UCCA's) program must be processed utilizing the final Annex B expenditure report.	June 2006 Nicholas Butkewicz (609) 588-2045

**STATE OF NEW JERSEY SINGLE AUDIT
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State Survey and Certification of Health Care Providers and Suppliers (93.777) State Medicaid Fraud Control Units (93.775) Medical Assistance Program (93.778) State Agency: Department of the Treasury Federal Agency: United States Department of the Treasury		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-14 No finding in prior years	The Uncompensated Care component of the Medical Assistance Program was inadvertently omitted from the FY 2005 Treasury State Agreement. FY 2005 was the first year that the TSA was prepared online through the CMIA website. Although it was omitted, the Department of Human Services did maintain the proper data and did prepare and submit the required CMIA Interest Day Record. The Interest Day Record indicates that there were no drawdown timing issues, thus no financial interest dollars are due either the federal government or the State of New Jersey. There is no financial need to modify the FY 2005 TSA, and the submitted FY 2005 annual report requires no modification. There is no follow-up action needed because subsequent FY TSA's have been prepared properly, with the program in question included.	Resolved Leslie A. Notor (609) 292-5040
Temporary Assistance for Needy Families (93.558) State Agency: Department of Human Services Federal Agency: Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-15 No finding in prior years	We concur with the finding. The Bureau of Quality Control (BQC) now maintains a production schedule ensuring that the monthly selection, assignment, and disposition of the TANF sample cases proceeds throughout each annual cycle.	January 2005 Nicholas Butkewicz (609) 588-2045
Child Care and Development Block Grant (93.575) Child Care Mandatory and Matching Funds of the Child Care Development Fund (93.596) State Agency: Department of Human Services Federal Agency: Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-16 No finding in prior years	We concur with the finding. Effective May 2006, procedures utilized to log and track CCR&R and CBC monitoring reports were revised to ensure more timely and accurate tracking of final monitoring reports and the submission of corrective action plans when required. Tracking forms have been developed that must be completed by staff for each monitoring report submitted for supervisor approval.	May 2006 Nicholas Butkewicz (609) 588-2045

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Vocational Rehabilitation Grants to State (84.126) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-17 04-2	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 Letter 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.	June 14, 2006 Frank Scheick (973) 648-3126
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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-18 04-4 03-12 02-10	The Division has made great improvements in the timeliness of submitting the reports to ACF. ACF has acknowledged this. However, the Division maintains that the late submission of correct data is preferable to the timely submission of inaccurate data. Incorrect or inaccurate reporting may result in a disallowance of an advance for the following quarter while late reporting does not. The Division will strive to complete these reports in a more timely fashion.	Ongoing Joseph H. Phelan (609) 292-1137
Foster Care – Title IV-E (93.658) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-19 04-5 03-10 02-9 01-12 00-21	<p>The Division concurs that one case had no documentation in the file to support the child care institution criminal record check. The Department of Children and Families, Office of Licensing – Youth Residential Licensing (OOL-YRL) is the responsible entity for the following Corrective Action Plan:</p> <ol style="list-style-type: none"> 1. Retrain staff on sampling procedures and inspection documentation. On July 11, 2006, the procedures and documentation were covered in training. 2. Revised the Residential Personnel Worksheet to include instruction key and distribute to all staff. On August 8, 2006, implemented form for all new inspections; phase out old forms already in progress at end of the biennial cycle. 3. OOL-YRL supervisory staff will review completed worksheets for all new providers. Currently is the practice. 4. OOL-YRL supervisory staff will review the previous month's biennial inspections on a quarterly basis and meet with staff to provide feedback. Implementation Date – October 10, 2006. <p>The Division concurs with the finding that two cases were inaccurately coded as voluntary. The Division continues to implement the Performance Improvement Plan from 2003 to enhance its ability to make accurate and timely Title IV-E determinations. Currently,</p>	Various—see corrective action plan Joseph H. Phelan (609) 292-1137

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	<p>every child who enters foster care is reviewed for Title IV-E eligibility. Also, Title IV-E reviewers have been reviewing case files from years prior to the implementation of the Performance Improvement Plan. Prior cases are reviewed based of the year they were initially determined Title IV-E eligible. For the two cases cited in the finding, one was initiated in April 2005, reviewed in December 2005 and for the other, was initiated in September 2001, reviewed in February 2005. During the review, it was determined that both cases were involuntary. The status of these two cases has been changed to involuntary. These changes were made outside the period of the audit.</p> <p>Correction actions taken to ensure staff are checking the authority of placement accurately and more timely are as follows:</p> <ul style="list-style-type: none"> • The Title IV-E Supervisors will perform a Quality Assurance Review on 100% of their staff's Title IV-E initial determination packets for the six-month period beginning July 1, 2006 and ending December 31, 2006. Starting January 1, 2007, 50% of the initial determination packets will be reviewed to ensure that the determinations are accurate and that they contain all the necessary documentation that validates their determination. • The Title IV-E Supervisors will follow-up with the Local Office Title IV-E Point Person and/or Title IV-E Reviewer to correct any deficiencies that are identified. This process started July 1, 2006 • The Title IV-E Supervisors will include all findings and actions taken (if necessary) in their Monthly Report to the Title IV-E Administrator by the 5th of each month. This process started August 7, 2006. 	
<p>Adoption Assistance (93.659) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-20 04-6 03-13 02-11 01-13 00-22	<p>The Division concurs with the finding that an initial IV-E determination was missing in one case, and that another case did not have an Initial Agreement for Subsidy.</p> <p>The Division continues to implement the Performance Improvement Plan from 2003 to enhance its ability to make accurate and timely Title IV-E determinations. Currently, every child who enters foster care is reviewed for Title IV-E eligibility. To ensure that a Title IV-E determination is completed for a child whose goal is adoption, the Local Office staff compiles a consent packet which includes the Initial Subsidy Agreement and the Title IV-E Foster Care Eligibility Determination forms at least 6 months prior to the child's adoption. This procedure eliminates the possibility of a case never being reviewed for Title IV-E eligibility. When the adoption is finalized, the Title IV-E Reviewer will then complete and file an adoption assistance determination. These forms are scanned and saved by the Division's Records Unit as a backup to the case file.</p> <p>Title IV-E reviewers have been reviewing case files from years prior to the implementation of the Performance Improvement Plan. Prior cases are reviewed based of the year they were initially determined Title IV-E eligible. The cases stated in the audit are from the early 1990s and have not been fully reviewed at this time. The Division will stride to ensure all cases that are deemed Title IV-E eligible will be eventually reviewed.</p> <p>To ensure Adoption Assistance cases are reviewed timely and tracked routinely, the following corrective action plan includes:</p> <ul style="list-style-type: none"> • The Title IV-E Reviewers will be retrained to determine Adoption Assistance cases. The Title IV-E Reviewers were trained on July 24, 2006. • The Reviewers will review the backlog of adoption cases and resume the review routinely as children are adopted. The Reviewers began the review of AA cases August 28, 2006 and completed the review November 22, 2006. Staff is currently determining all new adoptions in the Local Offices. 	<p>Various—see corrective action plan Joseph H. Phelan (609) 292-1137</p>

**STATE OF NEW JERSEY SINGLE AUDIT
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	<ul style="list-style-type: none"> Process: Tracking AA Cases (beginning September 8, 2006) <ol style="list-style-type: none"> The Title IV-E Unit's support staff currently inputs all incoming AA case information in the IV-E FC/AA data base. When the case is reviewed by the Reviewer, the original copy of the determination is sent to the Central Office IV-E Unit for QA, data entry, and scanned. This will ensure that if the IV-E case information is lost or misplaced, the IV-E staff will be able to retrieve the information. A copy of the determination packet is also filed and maintained in the Local Office. <p>The Division concurs that two files were not provided for audit review. An Inter-Office Case Receipt, DYFS 19-4, has been and is required when a case file is removed from an office and is not in the custody of the case worker. However, as part of the Child Welfare Reform Plan and Lawsuit Agreement, the Division discontinued the six Adoption Resource Centers, transferring these responsibilities and case files to the Central Office Adoption Unit. The Inter-Office Case Receipt was waived during this massive transfer process, and some files were sent to the wrong office. The Division has been able to locate most of the missing files. The Division has established that anytime a case file is removed from an office without the caseworker in custody of the case file, that an Inter-Office Case Receipt, DYFS 19-4, is now mandatory as of July 1, 2006.</p>	
Foster Care – Title IV-E (93.658) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-21 No finding in prior years	The Division concurs with this finding. It is known that most of the computer expenditures were with some federal funds (50% match for SACWIS project). The Office of Information Services (OIS), with assistance from the Office of Accounting, Office of Budgeting and the Office of Facility Management's Purchase Unit will update the computer equipment inventory database to meet the requirements of State of NJ Circular Letter 91-32-OMB.	January 2007 Joseph H. Phelan (609) 292-1137
Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services (93.043) Workforce Investment Act Cluster (17.258, 17.260) Subrecipient Monitoring State Agency: Department of Community Affairs, Division of Local Government Services Federal Agency: U.S. Department of Health and Human Services		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-22 No finding in prior years	The follow-up telephone log of delinquent sub-recipient audit reports will include grantee name, due date of audit report, date of call, name, and title of person called, explanation for late report, and anticipated date when audit will be completed. A second call will also be made. Information will be maintained in a database. If the audit is not received after a second follow-up call, a letter will be sent to the local government unit with copies to the Auditor, Mayor, and Governing Body Members.	Immediate Anne Vidunas-Gladwell (609) 984-0625

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Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Transportation		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-23 04-32 03-42	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. This was implemented in October 2004. Five of the cited omissions were from the period July 2004 to September 2004. There were 3 employees who were missing certifications: one was working at State Police at the time of the finding on the FARS contract, which was officially transferred there the following fiscal year (one semi-annual certification missing); the other two are employees of Consolidated Administrative Support Services (CASS). CASS employees as of FFY2006 are now reimbursed through a cost allocation plan that was approved by NHTSA and no longer require certifications. In addition, all budgeted allocations are reviewed at the time expense modifications are prepared (every 3-4 pay periods) by the Manager (as of pay period 6, 2006). The budgeted allocation method has been used for the last 20 years and has been approved by the National Highway Traffic Safety Administration (NHTSA) who is the federal funding source for the Division and all its grants.	October 2004 for Highway Traffic Safety employees; October 2005 for CASS employees Carl Wyhopen (609) 292-8193
Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Transportation		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-24 04-31 03-44	The division will re-examine its policies and procedures with the Consolidated Administrative and Support Services Unit in an effort to obtain required documentation. In addition, as of March 28, 2006, only copies of documents are being sent to CASS for processing. All original documents are kept with DHTS. CASS generates their own purchase orders to pay for maintenance fees and software, which are shared among the four divisions that CASS provides IT support for. All purchase orders require approval from the DHTS director. This is noted in the current DHTS Policy and Procedures manual.	Ongoing Carl Wyhopen (609) 292-8193
Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Transportation		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-25 04-33 03-45	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. This began in October 2004. Finding is prior to the corrective action plan being implemented.	October 2004 Carl Wyhopen (609) 292-8193

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Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Transportation		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-26 No finding in prior years	The division will be more diligent in making sure that the CFDA title and number, award name and Federal agency appear on grants and letters to grantees.	Ongoing Carl Wyhopen (609) 292-8193
Highway Traffic Safety Cluster (20.600, 20.601, 20.602, 20.604, 20.605) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Transportation		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-27 No finding in prior years	As of August 2005, the Division of Highway Traffic Safety prepares a monthly reconciliation to NJCFS for all funds at the same time that monthly vouchers are prepared. Monthly expense reports are prepared that reflect all expenditures and are reconciled with NJCFS. The \$148,027 difference is for one CFDA (20.600); it appears that this amount was vouchered for but did not appear on the SEFA report as expended. This could have been an expenditure incurred prior to July 2004 but not vouchered for until July and therefore not included in the SEFA report, which is from July 1, 2004 to June 30, 2005. The Federal fiscal year ran from October 2003 to September 2004. Therefore, there is an overlap between State and Federal fiscal years of 3 months (July, August, and September).	August 2005 Carl Wyhopen (609) 292-8193
Homeland Security Cluster (97.004, 97.042, and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-28 No finding in prior years	The Division of State Police will implement a spreadsheet/database that adequately tracks those funds from county authorities that fulfill the state matching requirement of the grant.	Immediately Carl Wyhopen (609) 292-8193

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Homeland Security Cluster (97.004, 97.042, and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-29 No finding in prior years	The Division of State Police will discontinue the practice of drawing down funds transferred to the OMB Central Motor Pool account prior to the receipt of the vehicle for which funds are transferred.	Immediately Carl Wyhopen (609) 292-8193
Homeland Security Cluster (97.004, 97.042, and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-30 04-27 03-39 02-36	A meeting was held with the Facility & Project Management Unit to review the procedures regarding equipment receipt and property identification with inventory control tags. Program managers will periodically check with units responsible to identify deficiencies.	September 2006 Carl Wyhopen (609) 292-8193
Homeland Security Cluster (97.004, 97.042, and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-31 04-26 03-38 02-34 01-27 00-9	The Division of State Police will create a grant certification roster to be disseminated to the Human Resource Management Bureau and the Fiscal Control Bureau to establish a multifaceted approach to ensure that those staff members reimbursed by outside funding sources remain in those positions. Until an automated system is implemented, paper certifications are to be forwarded to the Grants Accounting Unit on a bi-annual basis to verify compliance.	October 2006 Carl Wyhopen (609) 292-8193

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Homeland Security Cluster (97.004, 97.042, and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-32 No finding in prior years	Better accounting practices will be implemented. Program Managers are to concur with Grant Accountants to ensure proper drawdowns of grant funds and reimbursement of State accounts. Until an automated system is implemented, paper certifications are to be forwarded to the Grants Accounting Unit on a bi-annual basis to verify compliance with OMB Circular A-87.	Immediately Carl Wyhopen (609) 292-8193
Homeland Security Cluster (97.004, 97.042, and 97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-33 No finding in prior years	The Division of State Police now reconciles expenditures to NJCFS ensuring that quarterly filings are completed and that funds reported for drawdown are accurate.	Immediately 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		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-34 No finding in prior years	Reconciliations will use the New Jersey Comprehensive Financial System, not the Smartlink system.	Immediately Carl Wyhopen (609) 292-8193

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Public Assistance Grants (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-35 No finding in prior years	The Division of State Police now reconciles expenditures to NJCFS ensuring that quarterly filings are completed and that funds reported for drawdown are accurate.	Immediately Carl Wyhopen (609) 292-8193
Urban Areas Security Cluster (97.008) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-36 No finding in prior years	The Division of State Police will discontinue the practice of drawing down funds transferred to the OMB Central Motor Pool account prior to the receipt of the vehicle for which funds are transferred.	Immediately Carl Wyhopen (609) 292-8193
Urban Areas Security Cluster (97.008) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-37 No finding in prior years	Increased efforts will be made in the future to make items under audit available for inspection.	Immediately Carl Wyhopen (609) 292-8193

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Urban Areas Security Cluster (97.008) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-38 No finding in prior years	Federal Financial Status Reports are now reviewed and signed off by another person prior to their submission.	Immediately Carl Wyhopen (609) 292-8193
Urban Areas Security Cluster (97.008) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-39 No finding in prior years	Increased efforts will be made to ensure that Federal Financial Status Reports are supported by accurate and complete documentation.	Immediately Carl Wyhopen (609) 292-8193
Urban Areas Security Cluster (97.008) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-40 No finding in prior years	The OAG Grants Management Office now reconciles expenditures to the NJCFS ensuring that quarterly filings are completed and that funds reported for drawdown are accurate.	Immediately Carl Wyhopen (609) 292-8193

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Election Reform Payment (39.011) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Defense		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-41 No finding in prior years	<p>All three procurements performed the price competition procedures, as described in Procurement Circular 00-13-DPP (PC-23-I). However, we were only partially compliant as the files for the sole source vendors were missing the appropriate sole source documentation.</p> <p>The appropriate documentation has been updated for these files to include the missing sole source justifications. All future sole source procurements will include a memorandum as outlined in Procurement Circular 00-13-DPP (PC-23-I), Section IX, paragraph E, which states, "a memorandum of sole source justification must be written and signed by the Agency Approval Officer."</p>	August 2006 Carl Wyhopen (609) 292-8193
Election Reform Payment (39.011) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Defense		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-42 No finding in prior years	From this point forward, the Department will include on all subrecipient communications the required Federal award information and applicable compliance requirements set forth by the Election Reform Payment program.	Immediately Carl Wyhopen (609) 292-8193
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 #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-43 04-36 03-46	<p>On April 1, 2006, LWD introduced a new web-based time and leave reporting system. The electronic Cost Accounting and Reporting System (eCATS) eliminates both the Time and Leave Reporting System (TALRS) and the LWD Cost Accounting System (BA-43's).</p> <p>The new eCATS will allow for total synchronization of recordkeeping without the need for two stand-alone systems. The implementation will eliminate the need for time-consuming reconciliations between State payroll and Federal reports.</p>	April 2006 James M. King (609) 292-1885

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Employment Services Cluster (17.207, 17.801, 17.804) State Agency: Department of Labor and Workforce Development Federal Agency: U.S. Department of Labor		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-44 No finding in prior years	To date we have not been able to locate the two missing invoices. We will remind staff of the importance to maintain appropriate records.	Immediate James M. King (609) 292-1885
Workforce Investment Act Cluster (17.258, 17.260) State Agency: Department of Labor and Workforce Development Federal Agency: U.S. Department of Labor		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-45 No finding in prior years	A monitoring system with formal tools and communications methodology has been put into place. Aspects of the system include a published schedule that is posted on a website openly available for review; formal monitoring tools that are being used by staff to review required and other program functions; the posting of said tools to the aforementioned website so that they may be used by organizations to ensure systems are in compliance prior to any such visits; and, a formal communications system for sharing findings that include timeframes for response and required timeframes for corrective action that also includes follow-up within established time frames.	November 2006 James M. King (609) 292-1885
Child and Adult Care Food Program (10.558) State Agency: Department of Agriculture Federal Agency: U.S. Department of Agriculture		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-46 04-24 03-34 02-18 01-26	<p>The underlying cause for the failure of meeting all of its regulatory responsibilities pertaining to the administration of the CACFP is insufficient staffing. Besides the fact that the CACFP is insufficiently staffed, the CACFP has had to manage increased monitoring responsibilities and continues to increase in participation.</p> <p>Note that the recent Interim Rule has now established a more frequent review cycle requirement. We will continue in our efforts to meet the new monitoring requirement of reviewing sponsoring agencies every three years instead of four, as approximately 60 agencies have not been reviewed since 2003. In this effort, we have also requested an exception from the State hiring freeze to backfill positions and to hire staff to meet USDA compliance.</p>	Ongoing Emma Davis-Kovacs (609) 292-4498

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Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559) State Agency: Department of Agriculture Federal Agency: U.S. Department of Agriculture		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-47 No finding in prior years	The Department has requested that USDA send report requests to the program supervisor to ensure that reports are submitted on time. Last year's request was sent to the Department's Chief Fiscal Officer (who retired several years ago) and was not received in the program office until after the due date.	Completed Emma Davis-Kovacs (609) 292-4498
Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-48 04-48	Procedures for processing payments will be reviewed and additional measures will be incorporated to insure that approved payment vouchers and other necessary documentation that supports disbursements are maintained in the fiscal file. Monitoring of that process to ensure that it is being followed, and that the approved vouchers are maintained as documentation, will be initiated.	September 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		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-49 04-46	Divisional grant files are currently under reorganization. Once reorganized and relocated, procedures to ensure availability of individual files when needed will be developed, implemented, and monitored for compliance.	February 2007 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		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-50 04-45 03-25	Program specific procedures to ensure regular, timely, and accurate federal financial reporting (SF-269), including documentation of management review, will be developed, implemented, and monitored for compliance.	October 2006 Anne Vidunas-Gladwell (609) 984-0625

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Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-51 04-47	Program specific procedures to ensure regular, timely, and accurate program and fiscal monitoring, including documentation of management review and completion of monitoring reports for placement in grant files, will be developed, and implemented.	December 2006 Anne Vidunas-Gladwell (609) 984-0625
Weatherization Assistance for Low Income Persons (81.042) Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agencies: U.S. Department of Energy U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-52 04-44 03-24	Program specific procedures to ensure regular, timely, and accurate reconciliations between federal and state data will be developed, implemented, and monitored for compliance.	December 2006 Anne Vidunas-Gladwell (609) 984-0625
Low Income Home Energy Assistance (93.568) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-53 No finding in prior years	Program specific procedures to ensure detailed back-up for every initiated payment voucher, including documentation of management review, will be developed and implemented.	March 2007 Anne Vidunas-Gladwell (609) 984-0625

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Low Income Home Energy Assistance (93.568) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-54 No finding in prior years	Program specific procedures to ensure regular, timely, and accurate financial reporting to the N.J. Dept. of Human Services, including documentation of management review, will be developed, and implemented.	February 2007 Anne Vidunas-Gladwell (609) 984-0625
Low Income Home Energy Assistance (93.568) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-55 No finding in prior years	Program specific procedures to ensure regular, timely, and accurate program and fiscal monitoring, including documentation of management review and completion of monitoring reports for placement in grant files, will be developed, and implemented.	December 2006 Anne Vidunas-Gladwell (609) 984-0625
Weatherization Assistance for Low Income Persons (81.042) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Energy		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-56 No finding in prior years	Staff in the Department's Fiscal Office has been in contact with the U.S. Department of Energy Philadelphia Regional Office concerning the submission of the SF-272. Efforts have been underway at DOE to remove the SF-272 reporting requirement because the required information is already accessible in the Automated Standard Application for Payments (ASAP) system. With the 2006 grant, the SF-272 is no longer required.	Resolved Anne Vidunas-Gladwell (609) 984-0625

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Community Services Block Grant (93.569) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-57 No finding in prior years	All private nonprofit CSBG organizations have a mechanism for meeting the tripartite governing board requirements. From time-to-time board members resign and new members must be appointed. The Department issued Program Policy Bulletin #04-1 in June 2004 that enables the six Public Community Action Grantees to adopt an alternative mechanism to assure decision-making and participation by low-income individuals in the development, planning, implementation, and evaluation of programs funded under the CSBG program. All nonprofit CSBG organizations will be monitored to determine if they meet the tripartite requirements and any organization not in compliance will be required to submit an action plan and timetable for achieving compliance. Program specific procedures for approval of an alternative mechanism for participation by low-income individuals will be developed and implemented for the six Public Community Action Grantees.	December 2006 Anne Vidunas-Gladwell (609) 984-0625
Immunization Grants (93.268) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-58 No finding in prior years	<p>When an annual Financial Status Report (FSR) is submitted to the U.S. Department of Health and Human Services, Center for Disease Control and Prevention, it is accompanied by a transmittal cover letter, which indicates the FSR was prepared with open obligations for the applicable budget period. A timeframe for the liquidation of these obligations is also referenced in this letter. Also, accompanying the FSR and transmittal cover letter, as referenced in the Center for Disease Control and Prevention Guidance Letter Number 202, Dated April 10, 2002: page 2; "How to Handle Unliquidated Obligations", is a detailed listing of each open obligation complete with Vendor Name, Date Obligation Established, Original Amount, Anticipated Date of Liquidation and the Open Obligation Balance as of the date of the FSR.</p> <p>These reports were received and accepted by the U.S. Department of Health and Human Services, Center for Disease Control and Prevention, without consequence. Therefore, we believe our procedures are acceptable.</p>	Ongoing John A. Wozniak (609) 588-7401
Immunization Grants (93.268) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-59 04-39	<p>Site visits were made to Bellco in February and May 2006. A November 2006 visit has been cancelled due to the Center for Disease Control's (CDC's) decision to transition all VFC vaccines to one warehouse nationwide.</p> <p>Since our 2004 corrective action plan was submitted, CDC instructed the VPDP to bring the vaccine order processing system "in</p>	Scheduled transition to new vendor: November 2006 John A. Wozniak (609) 588-7401

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	<p>house.” CDC also informed NJ that they would be putting out an RFP for the distribution of vaccines to VFC providers for ALL VFC programs in the country. Even though our transition date has been scheduled for 11/6/06, CDC has not indicated whom the new distributor will be. Once the distributor has been chosen, the VFC coordinator will make a site visit in cooperation with CDC.</p> <p>All the storage, handling, distribution, and fiscal monitoring of VFC vaccines will be the responsibility of the CDC and no longer in the hands of the individual VFC programs.</p>	
Immunization Grants (93.268) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-60 No finding in prior years	<p>Post audit, the acting Program Manager met with the Assessment Coordinator, her supervisor and the original supervisor of the site visit staff. A decision was made to do the following:</p> <ol style="list-style-type: none"> 1. Update the Feedback Session Checklist. 2. Place the checklist on top of the completed site visit packet. 3. Require that the Assessment Coordinator sign/initial each completed checklist to indicate completion of all tasks on it. 4. Send a copy of the packet and the checklist to the main office for retention. 5. Assign responsibility for reviewing each packet for completeness and filing the documents in the central office to a Public Health Representative. <p>These actions will be a requirement of the NJ VPDP AFIX assessment process.</p>	<p>Immediate John A. Wozniak (609) 588-7401</p>
HIV CARE Formula Grants (93.917) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-61 No finding in prior years	<p>All submitted Annual Financial Status Reports (FSR) to the U.S. Department of Health and Human Services, Health Resources and Services Administration, are accompanied by a transmittal cover letter, which indicated the FSR was prepared with open obligations for the applicable budget period. A timeframe for the liquidation of these obligations is referenced.</p> <p>These reports were received and accepted by the U.S. Department of Health and Human Services, Health Resources and Services Administration, without consequence. Therefore, we believe our procedures are acceptable.</p>	<p>Ongoing John A. Wozniak (609) 588-7401</p>

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Centers for Disease Control – Investigations and Technical Assistance (93.283) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-62 No finding in prior years	<p>When an annual Financial Status Report (FSR) is submitted to the U.S. Department of Health and Human Services, Center for Disease Control and Prevention, it is accompanied by a transmittal cover letter, which indicates the FSR was prepared with open obligations for the applicable budget period. A timeframe for the liquidation of these obligations is also referenced in this letter. Also, accompanying the FSR and transmittal cover letter, as referenced in the Center for Disease Control and Prevention Guidance Letter Number 202, Dated April 10, 2002: page 2; “How to Handle Unliquidated Obligations”, is a detailed listing of each open obligation complete with Vendor Name, Date Obligation Established, Original Amount, Anticipated Date of Liquidation and the Open Obligation Balance as of the date of the FSR.</p> <p>These reports were received and accepted by the U.S. Department of Health and Human Services, Center for Disease Control and Prevention, without consequence. Therefore, we believe our procedures are acceptable.</p>	Ongoing John A. Wozniak (609) 588-7401
Centers for Disease Control – Investigations and Technical Assistance (93.283) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-63 No finding in prior years	<p>Of the six items referenced, four items were still in the shipping boxes when our inventory person was notified they were received. An appointment was made with Labs to decal them but the inventory person could not get to them. He requested that Labs notify him when the supplier came to unpack and set up the equipment, so decals could be placed on the equipment. He was never notified; therefore, the Department will improve the tickler system to ensure that we follow up on a regular basis any items left in boxes to ensure that we do not miss any inventory.</p> <p>One of the items was over \$20,000 and has been inventoried with both our barcode and the Treasury sticker. The inventory person entered the item into the Treasury system as required, but forgot to enter it into the Department system. We have instituted the policy, that each purchase order be doubled checked against the inventory system to ensure that this does not happen in the future.</p> <p>One item could not be decaled since it gives off so much heat and the decal peels off. In this instance, the serial number was entered into the inventory system. Also, the Department has conducted a physical inventory of fixed assets for certain Divisions and will continue to do so.</p>	Ongoing John A. Wozniak (609) 588-7401

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Centers for Disease Control – Investigations and Technical Assistance (93.283) State Agency: Department of Health and Senior Services Federal Agency: U.S. Department of Health and Human Services		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
05-64 No finding in prior years	Our normal practice is to send subrecipients a copy of the Progress Report Evaluation each quarter, which identifies their areas of deficiency, and their areas of accomplishment as applied to the Attachment C objectives that each subrecipient is required to adhere to in order to continue receiving grant funds. Follow-up occurs during the quarters throughout the grant year and at each of the five Progress Report reporting periods. Each Progress Report Evaluation is to be reviewed and signed by management prior to being sent to the subrecipient. The Department will take steps to ensure continued adherence to these procedures.	Ongoing John A. Wozniak (609) 588-7401