

**Integrity Monitor Report
Category 3**

Integrity Monitor Firm Name: CohnReznick, LLP
Quarter Ending: 09/30/2023
Expected Engagement End Date: 07/31/2023

A. General Info

1. Recovery Program Participant:

New Jersey Department of Community Affairs (DCA), Division of Housing and Community Resources (DHCR)

2. Federal Funding Source (e.g., CARES, HUD, FEMA, ARPA):

American Rescue Plan Act (ARPA)

3. State Funding Source (if applicable):

N/A

4. Deadline for Use of State or Federal Funding by Recovery Program Participant:

The funds appropriated for this program must be obligated by December 31, 2024 and expended by December 31, 2026.

5. Accountability Officer:

John Alexy

6. Program(s) under Review/Subject to Engagement:

Utility Arrearage Assistance Program (the "UAP" or the "Program")

7. Brief Description, Purpose, and Rationale of Integrity Monitor Project/Program:

On July 17, 2020, Governor Murphy signed Executive Order 166 ("EO 166"), which established the COVID-19 Compliance and Oversight Task Force (the "Taskforce") and the Governor's Disaster Recovery Office (GDRO). Pursuant to EO 166, the Taskforce has issued guidelines ("IOM Guidelines"), which have been updated as of June 2021, regarding the appointment and responsibilities of COVID-19 Integrity Oversight Monitors"). Integrity Monitors are intended to serve as an important part of the State's accountability infrastructure while working with Using Agencies in developing measures to prevent, detect, and remediate inefficiency and malfeasance in the expenditure of COVID-19 Recovery Funds. IOM Guidelines further suggests "A Recovery Program Participants that have received or will administer \$20

**Integrity Monitor Report
Category 3**

million in COVID-19 Recovery Funds should retain at least one Integrity Monitor".

The purpose of this Integrity Monitoring engagement is to work with DCA's Accountability Officer and other DCA staff to conduct a risk assessment and review applicant data to ensure that DCA/DHCR is adhering to the Memorandum of Understanding (MOU) and applicable state and federal laws and regulations for ARPA's UAP.

8. Amount Allocated to Program(s) under Review:

\$250,000,000

9. Amount Expended by Recovery Program Participant to Date on Program(s) under Review:

\$250,000,000

10. Amount Provided to Other State or Local Entities:

N/A

11. Completion Status of Program (e.g., planning phase, application review, post-payment):

Post-payment

12. Completion Status of Integrity Monitor Engagement:

Completed

B. Monitoring Activities

13. If FEMA funded, brief description of the status of the project worksheet and its support:

a) IM Response

N/A

b) Recovery Program Participant Comments

N/A

Integrity Monitor Report
Category 3

14. Description of the services provided to the Recovery Program Participant during the quarter (i.e., activities conducted, such as meetings, document review, staff training, etc.):

a) IM Response

During the period of July 1 through July 31, 2023 (the engagement completion date), IM performed the following:

- Held various follow-up calls with Program Leads to discuss and finalize report items;
- Performed engagement and final reports internal quality reviews;
- Submitted monthly IM reports for July 2023;
- Completed 3Q23 Treasury quarterly report;
- Finalized and submitted Project Completion Report.

b) Recovery Program Participant Comments

15. Description to confirm appropriate data/information has been provided by the Recovery Program Participant and description of activities taken to review the project/program:

a) IM Response

N/A. The IM performed all activities to review the Program in prior periods. In the current period, the IM performed follow-up testing, additional QC, and project close out activities and finalized program reports.

b) Recovery Program Participant Comments

16. Description of quarterly auditing activities conducted to ensure procurement compliance with terms and conditions of contracts and agreements:

a) IM Response

N/A

b) Recovery Program Participant Comments

N/A

17. If payment documentation in connection with the contract/program has been reviewed, provide description.

**Integrity Monitor Report
Category 3**

a) IM Response

N/A. IM reviewed DHCR's reconciliations of applicant and payment data (payment extracts and Master sheet) to the Treasury Expenditure report provided by DCA/DHCR in the previous reporting period.

b) Recovery Program Participant Comments

18. Description of quarterly activity to prevent and detect waste, fraud, and/or abuse:

a) IM Response

The IM performed follow-up testing, additional QC, and project close out activities in this reporting period. No issues of fraud, waste, or abuse were detected.

b) Recovery Program Participant Comments

19. Details of any integrity issues/findings, including findings of waste, fraud, and/or abuse:

CR did not find evidence of fraud, waste or abuse. However, as a result of risk assessment procedures, review of internal controls and sample testing there were several operational, financial, and/or compliance observations.

Observation 1: Internal Control weaknesses related to data management.

a) IM Response

The IM noted instances of discrepancies with assistance awarded between provided master payment files and the system of record (D365), and potentially income ineligible applicants that received assistance from the Program. Additionally, the IM noted several modifications over time to the payment extracts provided, and supplemental allocations that the IM was unable to reconcile to total Program expenditures.

The IM recommends that DHCR review and strengthen the processes and controls to ensure the program data supports the payments and expenditures are reconciled periodically. In addition, the IM recommends that DHCR perform analysis of payment information across extracts and against the system of record to ensure income eligibility of applicant IDs receiving assistance, review identified

Integrity Monitor Report Category 3

instances of potentially ineligible applicant IDs, and finalize the payment reconciliation to include adjustment amounts.

b) Recovery Program Participant Comments

As recommended, NJDCA will review and strengthen processes and controls to ensure the program data supports the payments and expenditures. DCA will continue its ongoing analysis of payment information with the utility vendors.

Observation 2: Internal Control weaknesses related to payment processing.

a) IM Response

The IM tested the sample of 100 applicants and noted assistance exceeded the maximum allowable threshold amounts for 17 applicants; payment for 5 applicants differed from the confirmed by utility company balances; and the identical payments were made to 15 applicants in different periods/extracts.

The IM recommends that DHCR review and enhance its procedures and controls to ensure that only payments for confirmed customer outstanding balances, within established thresholds, are made to utility providers and that the payments are not duplicative.

b) Recovery Program Participant Comments

DHCR will review its procedures and controls to ensure only payments are made for confirmed customers with outstanding balances and payments are not duplicative, if applicable. In the future, if DCA engages vendors to run similar programs, we will request they ensure a method of identifying duplicative payments for new and/or existing programs. DCA is also planning to purchase or engage a consultant to design a software system to address the identification of duplicate payments.

Observation 3: Compliance issues.

a) IM Response

The IM noted inconsistencies regarding the types of services eligible for the Program as well as the absence of QA/QC policies and procedures related to verification of outstanding balances from utility companies, internal policies and procedures to prevent Duplication of Benefits, policies and/or action plans related to overpayments, duplicate payments, and recoupment of funds.

**Integrity Monitor Report
Category 3**

The IM recommends that DHCR draft and implement policies and procedures specific to QA/QC, DOB, Overpayment, Duplicate Payment, and Recoupment. Additionally, DHCR should ensure that only the latest versions are followed to avoid inconsistencies in the implementation of internal policies.

b) Recovery Program Participant Comments

NJDCA is currently drafting policies and procedures specific to quality assurance, quality control, duplication of benefits, overpayments, duplicate payments, and recoupment.

Observation 4: Data analytics.

a) IM Response

CR used data analytics and other testing methods to identify anomalies, patterns, duplications, and other discrepancies, and noted 1,179 potential duplicate payments out of the entire population of 322,712 payments. Additionally, from the list of active applicant IDs in D365, the IM noted several potential duplicate applications with overpayments.

The IM recommends that DHCR perform an analysis of applicant and payment data to verify and remediate instances of possible overpayment.

b) Recovery Program Participant Comments

NJDCA will perform a sample analysis of population of applicants and payment data to verify and/or remediate instances of any potential overpayments. As noted under the conditions, 1,179 potential duplicate payments represents less than a 1% error rate of the total population of 322,712 payments.

20. Details of any other items of note that have occurred in the past quarter:

a) IM Response

N/A

b) Recovery Program Participant Comments

N/A

21. Details of any actions taken to remediate waste, fraud, and/or abuse noted in past quarters:

**Integrity Monitor Report
Category 3**

a) IM Response

N/A

b) Recovery Program Participant Comments

N/A

C. Miscellaneous

22. List of hours (by employee) and expenses incurred to perform quarterly integrity monitoring review:

a) IM Response

For the period July 1, 2023 through July 31, 2023, the following individuals have expended a total of 450.4 hours:

Name:

- Ron Frazier (21.0 hours)
- Anna Fomina (37.5 hours)
- David Solomon (36.0 hours)
- Viktoria Barrett (84.5 hours)
- Andrew Barchenko (90.0 hours)
- Thomas Mammen (90.8 hours)
- Grace Wandling (90.1 hours)
- Rochell Cottingham (0.5 hours)

No billable expenses were incurred.

b) Recovery Program Participant Comments


N/A

**Integrity Monitor Report
Category 3**

23. Add any item, issue, or comment not covered in previous sections but deemed pertinent to monitoring program:

a) IM Response
N/A

b) Recovery Program Participant Comments

Name of Integrity Monitor:	CohnReznick, LLP
Name of Report Preparer:	CohnReznick, LLP
Signature:	
Date:	7/31/2023