

**Integrity Monitor Report
Category 3**

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

A. General Info

1. Recovery Program Participant:

New Jersey Department of Education (NJDOE)

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

CRRSA Act

3. State Funding Source (if applicable):

N/A

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

09/30/2023

5. Accountability Officer:

Amanda Schultz

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

Federal Grant - Elementary and Secondary School Emergency Relief Fund (ESSERF II)

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”). 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 suggest, "Recovery Program Participants that have received or will administer a total of \$20 million in COVID-19 Recovery Funds should retain at least one Integrity Monitor."

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The Department of Education (DOE) received \$1.2 billion in federal funds authorized under the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA Act) Elementary and Secondary School Relief Fund (ESSERF II). From these funds, 90% was distributed to local educational agencies (LEAs) to be used in support of allowable expenditures as outlined in the law.

The purpose of this Integrity Monitoring engagement is to work with the DOE's Accountability Officer, other DOE staff, and LEAs to perform initial risk assessments of DOE and sampled LEAs, evaluate internal controls, review applicable reports and specific files to ensure NJ DOE and subgrantees (LEAs) are adhering to the sub-award agreement and applicable federal and State laws and regulations pertaining to the use of ESSERF II funds.

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

ESSER II - \$1,230,971,757

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

\$1,053,814,659.13

10. Amount Provided to Other State or Local Entities:

ESSER II Set aside:

Non-Title I Schools - \$4,619,980

State Agencies - \$960,000

Service Commissions/Jointures - \$1,458,939

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

Complete pending final invoice

12. Completion Status of Integrity Monitor Engagement:

Complete for ESSER II

B. Monitoring Activities

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

a) IM Response

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N/A

b) Recovery Program Participant Comments

N/A

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

The IM performed the following tasks for the period 07/01/2023 through 09/30/2023:

- Conducted status calls with the NJDOE on 7/13/23, 7/27/23, 8/10/23, 8/24/23, 9/7/23, 9/21/23
- Corresponded and followed up with LEAs regarding outstanding documents requests and other questionable items
- Reviewed and cataloged received supporting documentation
- Revised testing procedures when necessary and performed expenditure testing
- Documented testing results and summarized the observations
- Conducted internal quality review of testing results
- Drafted ESSER II Program Completion report
- Drafted 3Q23 Treasury quarterly report
- Drafted the IM Monthly reports – July, August, and September 2023
- Corresponded with NJDOE clarifying items regarding the IM Final Program and quarterly reports
- Submitted final 3Q22 report to Treasury

b) Recovery Program Participant Comments

NJDOE agrees with the above.

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

In the prior reporting periods, the IM reviewed NJDOE's and sampled LEAs' documentation related to their policies and procedures for internal controls and prevention and detection of waste, fraud, as well other program related documentation to complete risk assessment procedures. In the current reporting period, CR reviewed LEAs documentation supporting their reimbursement

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requests to validate costs paid with ESSER funds for eligibility and allowability under the program guidelines. The IM conducted risk assessments and tested the sampled expenditures of 56 LEAs randomly selected for ESSER II monitoring.

b) Recovery Program Participant Comments

N/A

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.

a) IM Response

The IM requested and received the COVID relief payments report generated from NJ Treasury comprehensive financial system (NJCFSS) that shows payment transactions with dates and check/transfer numbers. From this report, the IM selected payment transactions for sampled ESSER II LEAs to perform the expenditure testing. CR then agreed the selected payment transactions with the reimbursement requests in EWEG for each sampled LEA and requested LEAs to provide supporting documentation for their reimbursement requests, including proof of payments for their incurred ESSER II costs.

b) Recovery Program Participant Comments

N/A

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

a) IM Response

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In the previous reporting periods, the IM performed risk assessment procedures to ensure the proper policies and procedures are in place for internal controls and prevention and detection of fraud, waste, and abuse. In the current period, CR tested for eligibility and allowability of ESSER costs under the program guidelines.

b) Recovery Program Participant Comments

N/A

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

a) IM Response

The IM did not note any integrity issues/findings.

b) Recovery Program Participant Comments

N/A

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

a) IM Response

1) As a result of the ESSER expenditure testing of sampled LEAs, the IM had the following findings:

- CR identified a total of \$38,357 of questioned costs for six Districts. Of that amount, \$12,198 was attributable to the variance between actual hours worked reported on the timesheets with the requested for reimbursement hours; \$12,495 of ARP expenditures were applied to support CRRSA reimbursements; \$5,923 of charges incurred for musical services and instruments were inconsistent with the proposed on the application expenditures; \$5,290 was due to potentially unallowable costs for social events/entertainment charged; \$130 was due to providing the same invoice to support two different purchase orders; and \$2,321 was because of unfavorable uncorrected typing error in EWEG.
- Ten districts did not provide sufficient documentation, such as invoices, proof of payment, and timesheets, which resulted in \$2,651,217 in unsupported costs.

2) The IM also noted the following during the risk assessments that individually or in combination escalated the risks for sampled LEAs:

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- Missing and or outdated Internal Controls, Ethics, Procurement, and other Financial and Grants Management policies;
- Unresolved Internal Controls material weaknesses and significant deficiencies reported by external auditors, some of which are repeated from year to year;
- Missing required Financial Disclosures Statements from key school administrators or disclosures identify some potential conflict of interest situations;
- Missing separate Duplication of Benefit Prevention policies or language embedded in other policies describing the DOB prevention procedures;
- Missing fraud prevention policies or specific language in existing policies requiring the organization-wide fraud training and providing for a confidential means for employees to report suspicious activities anonymously;
- Personnel related issues, such as unexperienced resources involved in managing the federal funds and absence of qualified purchasing agents.

Related to the findings above, the IM provided general “best practices” recommendations for LEAs to update and revise their policies to include procedures to guard against duplication of benefits, to update Fraud policies to add the requirement for fraud training district-wide and establish a hot line or other services to report suspicious activities anonymously. Districts should also establish a tracking mechanism for all certifications and necessary disclosures to prevent noncompliance with various federal and state requirements. In addition, the IM recommended NJDOE one district for further monitoring and detailed review based on a combination of risk assessment and expenditure testing findings.

b) Recovery Program Participant Comments

NJDOE is following up with the one district identified for further monitoring and detailed review. Additionally, in October the nJDOE is hosting training on fraud prevention which is open to all LEAs.

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

a) IM Response

N/A

b) Recovery Program Participant Comments

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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 September 30, 2023, the following individuals have expended a total of 915.3 hours:

Name:

- Ron Frazier – (14.0 hours)
- Rochell Cottingham (3.6 hours)
- Anna Fomina – (106.2 hours)
- David Solomon – (140.5 hours)
- Viktoria Barrett – (43.0 hours)
- Andrew Barchenko – (132.2 hours)
- Erin White (134.1 hours)
- Thomas Mammen (155.7 hours)
- Grace Wandling (186.0 hours)

No billable expenses were incurred.

b) Recovery Program Participant Comments


N/A

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:	09/30/2023