

**Integrity Monitor Report
Category 3**

Integrity Monitor Firm Name: CohnReznick, LLP
Quarter Ending: 9/30/2021
Expected Engagement End Date: 9/30/2021

A. General Info

1. Recovery Program Participant:

US Treasury - OMB; Department of Corrections (DOC), New Jersey State Police (DSP), Juvenile Justice Commission (JJC), Department of Military and Veteran's Affairs (DMAVA), and Department of Health (DOH).

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

U.S. Department of Treasury- CARES (Section 5001)

3. State Funding Source (if applicable):

N/A

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

12/30/2021

5. Accountability Officer:

Carisa Marone

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

Federal Grant - Coronavirus Relief Fund (CRF) - Substantially Dedicated Payroll

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") 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 suggests "A Recovery Program Participants

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

The purpose of this Integrity Monitoring is to review the use of Coronavirus Relief Funds (CRFs), as defined in Section 5001 of the Coronavirus Aid, Relief and Economic Security Act, Pub. L. 116-136, for reimbursement of substantially dedicated payroll for Department of Corrections (DOC) Officers, New Jersey State Police (DSP) salaries, Juvenile Justice Commission (JJC) public safety salaries, Department of Military and Veteran's Affairs (DMAVA) public safety employees, and Department of Health (DOH).

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

\$483,255,867.71

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

\$483,255,867.71

10. Amount Provided to Other State or Local Entities:

N/A

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

Complete

12. Completion Status of Integrity Monitor Engagement:

Complete

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

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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 Integrity Monitor conducted a kickoff meeting and made an introduction on 07/21/21 with NJ Treasury - Office of Management and Budget (OMB) and program managers of each participating agency (DOC, DOH, JJC, DSP and DMAVA). Integrity Monitor then held a separate entrance meeting with OMB personnel to confirm engagement scope and objectives, the level of coordination expected during the engagement, the Accountability Officer and primary points of contact, protocol for contacting participating agencies, and other project and administrative expectations.

The Accountability Officer notified the agencies/departments of pending contact from the Integrity Monitor to start risk assessment and review of policies and procedures.

Upon initial meetings, the following tasks were completed:

- Submitted risk matrices to the agencies/departments for self-assessment;
- Compiled and submitted document requests to each participating agency/department;
- Coordinated with agencies/departments to gather required information and to set up walkthroughs of related processes;
- Reviewed risk matrix responses and policies/procedures provided, performed additional research to complete risk matrices;
- Followed up with questions and walked through the internal controls related to agencies/departments' payroll, timekeeping and record management capabilities;
- Evaluated the Internal controls, assessed the risk of each associated process area and identified potential areas of higher risk;
- Drafted risk assessment matrices and submitted to OMB;
- Confirmed responsibilities, processes and controls described by each agency/department with OMB;

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- Remained cognizant of any potential areas of fraud, waste and abuse for communication to Treasury OMB;
- Throughout the engagement, Integrity Monitor held periodic status updates calls with Accountability Officer;
- Walked through and verified the itemized payroll expenditures schedule with OMB;
- Performed sampling procedures and reconciled itemized payroll schedules for each DOC, DOH, JJC, DSP and DMAVA to the total amounts reimbursed with CRF;
- Chose samples and forwarded them to agencies/departments;
- Coordinated with each agency/department to request supporting payroll reports and time reports;
- Followed up and reviewed with agencies supporting documents provided for sample testing;
- Developed procedures to test for compliance of payroll costs with US Treasury guidance related to substantially dedicated payroll;
- Documented results and noted any process variances, gaps, and/or areas of improvement for follow-up discussion;
- Drafted Integrity Monitor and 3Q21 quarterly reports and submitted them to Treasury OMB for review and approval;
- Held a review and discussions of the report items with Accountability Officer;
- Submitted final risk matrices and IM report to Accountability Officer;
- Submitted final Quarterly Report to Treasury

b) Recovery Program Participant Comments

N/A

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:

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a) IM Response

The Integrity Monitor requested policies and procedures, memoranda of understanding, organizational charts, monitoring and oversight plans, internal risk assessments, CARES Act Plans, prior audit and monitoring reports, and Code of Conduct and Conflict of Interest policies and procedures. The documents provided by each participant were reviewed to confirm the existence of internal controls related to the payroll, timekeeping, and record management processes, and compliance with MOUs and federal and state CRF guidance related to substantially dedicated payroll.

OMB provided a schedule of total substantially dedicated Payroll costs by the Department, allocated to CRFs. Integrity Monitor reconciled those total costs to the detailed data by employee, title and pay period for each agency/department, and used the reconciled itemized payroll schedules to draw samples for testing. CohnReznick selected samples of 40 employees for each Department to achieve a high level of assurance for test of compliance. The sampling methodology was in accordance with Audit Sampling Considerations of Circular A-133 Compliance Audits, as published by the AICPA. For each sample Integrity Monitor requested detailed Payroll report for selected pay period, timesheets/time reports and job title description, and tested for the following attributes:

- Job title and description fall under public health and public safety category
- Payroll cost per schedule agrees to the payroll records/pay stubs
- Hours per payroll were supported by the timesheets/time records
- Timesheets/time records are approved by supervisor
- Employee worked during the covered period (March 1, 2020 - December 30, 2021)

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

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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

N/A. It was an accounting transaction to reimburse participating Agencies/Departments for regular payroll costs incurred and paid in the covered period for substantially dedicated activities with CRFs.

b) Recovery Program Participant Comments

N/A

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

a) IM Response

The Integrity Monitor performed risk assessment; walk through of processes and internal controls related to payroll and timekeeping as well as recordkeeping and administration of disaster recovery funds; reviewed policies and procedures; performed sampling procedures and tested a sample of employees from each participating Agency/Department for compliance with the U.S. Treasury guidelines as it relates to the substantially dedicated payroll costs.

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

Based on the results of sample testing, IM did not identify instances of the State's non-compliance with substantially dedicated payroll determination as per U.S. Treasury guidelines. Further, except for the issues outlined below, IM did not determine non-compliance with MOU provisions, federal and/or state CRF

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guidelines. As a result of risk assessment procedures, review of internal controls, and samples testing, CR identified the following deficiencies and issues:

Finding 1: Lack of written policies and procedures for Duplication of Benefits

a) IM Response

Based on memoranda of understanding between OMB and each participating agency/department, the agency/department is responsible “for ensuring the Grant Funds do not constitute a Duplication of Benefits as defined by the Robert T. Stafford Act. The Department shall establish appropriate policies and procedures to prevent Duplication of Benefits and shall cooperate with other State departments and agencies to prevent and rectify Duplication of Benefits”.

The written policies and procedures to prevent Duplication of Benefits were not provided by the participating agencies/departments.

b) Recovery Program Participant Comments

The State, through the Office of Emergency Management (OEM), has procured an integrity monitor that will be tasked with reviewing potential duplication of benefits among CRF programs. OEM’s engagement has been awarded and is currently underway.

Finding 2: Misunderstanding of Responsibilities under MOU

a) IM Response

Based on section 3 “Responsibilities of Grantee” of MOU between OMB and each participating agency/department, the agency/department is responsible for compliance with applicable state and federal laws and regulations and monitoring for such compliance including providing all necessary supporting documentation.

Our initial interviews and risk assessment procedures revealed that agencies/departments were not clear about their grantees’ responsibilities outlined in the MOU and initially deferred compliance and eligibility questions to OMB.

b) Recovery Program Participant Comments

The State reviewed eligibility and communicated applicable compliance requirements to departments/agencies that received CRF funding through the issuance of an MOU and fielded questions from departments/agencies on an as

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needed basis. Moreover, OEM’s integrity monitor will review compliance requirements with all CRF programs.

Finding 3: Insufficient training on Grant Funds and Grant Management

a) IM Response

Agency needs to have experience and staffing capacity to satisfy CARES fund requirements and manage and account for federal grant funds and/or disaster recovery funds.

During the interviews and overview of internal controls with DMAVA, IM identified lack of clear understanding of difference between CRF and other federal funds requirements.

b) Recovery Program Participant Comments

DMAVA was awarded Coronavirus Relief Funds pursuant to its MOU with Treasury which did not include any other sources of federal recovery funds. Throughout DMAVA’s grant term, the State communicated CRF requirements and answered questions concerning the award when necessary. OEM conducted training on NJEM grants, the CRF grant management system, on the following dates:

2020

-October 13, 15, 20 and 27

-November 17

-December 1 and 18

2021

-January 5, 6, 13, and 14

-February 11

-March 9

Finding 4: Compliance issue with documentation to support payroll expenditures

a) IM Response

Based on section 3 “Responsibilities of Grantee” of MOU between OMB and DOH, the department is responsible for compliance with applicable state and federal laws and regulations and monitoring for such compliance including providing all necessary supporting documentation. As clarified in question #80

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of Department of Treasury OIG CRF Frequently Asked Questions (OIG-GA-20-028R), “The recipient of CRF payments must maintain and make available to Treasury OIG upon request, all documents and financial records sufficient to establish compliance with subsection 601(d) of the Social Security Act, as amended (42 U.S.C. 801(d)). Documents/records include payroll records for the covered period March 1, 2020 through December 31, 2021. Records include but are not limited to (1) general and subsidiary ledgers used to account for the receipt of CRF payments and subsequent disbursements; and (2) payroll, time, and human resource records to support costs incurred for payroll expenses.”

During the DOH testing, the department was unable to provide timesheets supporting hours worked for one sampled employee. Although the time was verbally confirmed by a supervisor, the records of it were missing.

b) Recovery Program Participant Comments

In this one instance, the Department completes daily timesheets, but does not complete them for employees on normal scheduled off days, which in the case of the psychiatric hospitals is not always Saturday and Sunday. OEM’s integrity monitor will review CRF compliance requirements, including timekeeping records, to ensure compliance with U.S. Department of the Treasury and Treasury Office of the Inspector General guidelines. Where necessary, the State will provide additional communication and guidance concerning adequate timekeeping records.

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:

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, 2021 through September 30, 2021, the following individuals have expended a total of 500.8 hours:

Name:

Ron Frazier (42 hours)

Amanda Campen (14.5 hours)

Anna Fomina (177.4 hours)

Katrell Starks (43.8 hours)

Viktoria Barrett (175.3 hours)

David Solomon (47.8 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

Recommendations related to:

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Finding 1: It is recommended that DOH, DOC, DSP, JJC, DMAVA create and implement policies and procedures on duplication of benefits prevention for CARES Funds.


Finding 2: It is recommended that OMB set up a formal Grant and Program overview and/or conduct Q and A sessions with agencies/departments to establish clear understanding of MOU requirements under CARES Funds.

Finding 3: IM recommends implementing additional training on funding sources, and specifically CRF state and federal laws and regulations.

Finding 4: IM recommends agency conduct review and adhere to timekeeping policies and procedures to ensure compliance.

b) Recovery Program Participant Comments

The State is pleased that the IM did not identify any instances of the State's non-compliance with substantially dedicated payroll determination as per U.S. Treasury guidelines. N.J. Treasury, in consultation with NJOEM, will address the IM's findings to ensure the departments fully understand and implement the IM's recommendations concerning CRF program requirements.

Name of Integrity Monitor:	CohnReznick, LLP
Name of Report Preparer:	CohnReznick, LLP
Signature:	
Date:	09/30/2021