

Integrity Monitor Report Category 3

Integrity Monitor Firm Name: CohnReznick, LLP
Quarter Ending: 09/30/2024
Expected Engagement End Date: 09/30/2024

A. General Info

1. Recovery Program Participant:

New Jersey Department of Education (NJDOE)

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

ARP Act

3. State Funding Source (if applicable):

N/A

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

09/30/2024

5. Accountability Officer:

Amanda Schultz

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

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

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

To fulfill its obligation under Executive Order (E.O.) 166 regarding the appointment of independent Integrity Oversight Monitors (“Integrity Monitors” or “IOM”) for any New Jersey State Agency receiving \$20 million or more in COVID 19 Recovery funds, the New Jersey Department of Education (NJDOE or the Agency) engaged CohnReznick LLP (CR or IM) to perform Category 3 Integrity Monitoring services for the implementation of its ESSER programs.

NJDOE received \$2.76 billion in federal funds authorized under the American Rescue Plan Act (ARPA) Elementary and Secondary School Relief Fund (ESSERF III). From these funds, 90% was distributed to local educational agencies (LEAs) to be used in support of allowable expenditures as outlined in the law.

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

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

ESSER III - \$2,766,529,533

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

\$2,190,674,101.02

10. Amount Provided to Other State or Local Entities:

Non-Title I Schools – \$9,239,960

State Agencies - \$1,920,000

Service Commissions/Jointures - \$2,917,878

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 following tasks were completed for the period 7/1/2024 through 9/30/2024:

- Corresponded and followed up with LEAs regarding the outstanding document requests and questionable items;
- Reviewed and cataloged received supporting documentation;
- Tested selected expenditures;
- Documented testing results and summarized observations;
- Performed internal quality review of monitoring activities;
- Conducted status calls with NJDOE on 07/11/2024, 07/25/2024, 08/08/2024, 08/22/2024, 05/30/2024, 09/05/2024, and 09/19/2024;
- Drafted and submitted the IM Monthly reports – July, August, September 2024;
- Drafted and submitted ESSER III Program Completion Report;
- Corresponded with NJDOE to clarify items regarding the completion of IM quarterly treasury reports;
- Finalized 2Q24 Treasury report and drafted 3Q24 Treasury report.

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 period, the IM reviewed documentation received from NJDOE and 50 sampled LEAs related to their policies and procedures, internal controls, and prevention and detection of waste, fraud, and abuse as well other program related documentation to complete risk assessment procedures.

In the current period, the IM obtained and tested expenditure supporting documentation for 50 sampled LEAs and validated costs paid with ESSER funds for eligibility and allowability under the program guidelines.

b) Recovery Program Participant Comments

N/A

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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 the 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 the sampled LEAs to perform the ARP ESSER expenditure testing. CR then agreed the selected payment transactions with the reimbursement requests in EWEG for each sampled LEA and obtained and tested supporting documentation for the selected reimbursement requests, including proof of payments for their incurred ESSER 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

In the previous quarter, 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 proper authorization, eligibility, and allowability of ESSER expenditures under the program guidelines.

b) Recovery Program Participant Comments

N/A

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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 or findings of fraud.

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
 - The IM identified a total of \$30,121 of questioned costs for four districts, that were attributable to erroneously submitted requests for reimbursement expenditures with no proof of correction at conclusion of our testing.
 - Five districts did not provide sufficient documentation, or, in the case of one district, any documentation, accounting for a total of \$275,845 in unsupported costs *.
 - The IM identified a total of \$356,918 in not-fully supported costs for fifteen (15) districts. The non-fully supported costs represent instances where LEAs were responsive and sent some information for review, but either made a trivial mathematical error on reimbursement request(s) or did not include timesheets, purchase order, invoice, proof of payment, or other supporting documents.

** - Three (3) districts provided their supporting documentation past the deadline, so the IM was not able to test the expenditures due to late document submission.*

- 2) Observations of non-compliance: The IM noted, seventeen sampled (17) districts that did not provide any documentation supporting 20% reserve of their total ARPA ESSER allocations to address learning loss. Additionally, two (2) districts did not make their plans for use of ARP ESSER funds publicly available as required by the U.S. Department of Education (USED) rules.
- 3) The IM also noted the following during the risk assessments that individually or in combination did not escalate the risks to high level but emphasize the need for and implementation of more efficient processes and controls over grant management and fraud prevention:

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- Missing and/or outdated Internal Controls, Ethics, Procurement, or other Financial and Grants Management policies;
- Unresolved Internal Controls material weaknesses and significant deficiencies reported by external auditors, some of which were repeated from the prior year;
- Missing required Financial Disclosures Statements from key school administrators or disclosures to identify potential conflict of interest situations;
- Missing separate Duplication of Benefit (DOB) Prevention policies or specific language embedded in current 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, the absence of contingency plans in case coverage is needed due various circumstances, and absence of qualified purchasing agents.

Recommendations: 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 DOB and 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 four districts to NJDOE for further monitoring and detailed review based on a combination of risk assessment and expenditure testing findings.

b) Recovery Program Participant Comments

NJDOE will be following up with the identified districts for further monitoring.

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

N/A

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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, 2024 through September 30, 2024, the following individuals have expended a total of 702.9 hours:

Name:

- Ron Frazier – (19.5 hours)
- Anna Fomina – (235.0 hours)
- David Solomon – (25.0 hours)
- Grace Wandling – (242.0 hours)
- Andrew Barchenko – (169.0 hours)
- Thomas Mammen (1.0 hours)
- Rochell Cottingham (11.4 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

N/A

Name of Integrity Monitor:	CohnReznick, LLP
Name of Report Preparer:	CohnReznick, LLP
Signature:	
Date:	9/30/2024