

**Integrity Monitor Report
Category 3**

Integrity Monitor Firm Name: CohnReznick, LLP
Quarter Ending: 9/30/2022
Expected Engagement End Date: 9/30/2022

A. General Info

1. Recovery Program Participant:

New Jersey Department of Education (NJDOE)

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

CARES Act; CRRSA

3. State Funding Source (if applicable):

N/A

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

For ESSER I, deadline is 09/30/2022.
For ESSER II, deadline is 9/30/2023.

5. Accountability Officer:

Amanda Schultz

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

Elementary and Secondary School Emergency Relief (ESSER I) and ESSER II Programs

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

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

On May 5, 2020, NJDOE received \$310 million in federal funds authorized under Section 18003 of the CARES Act (ESSER I). From these funds, \$293,797,379 (or 94.72%) was distributed to LEAs to be used in support of the twelve (12) allowable uses as outlined in the law. From the remaining amount, \$15,697,851 (or 5%) of funds was used by the NJDOE for set-aside programs and \$875,983 (0.28%) for administrative costs.

On January 5, 2021, the NJDOE 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% will be distributed to LEAs to be used in support of allowable uses 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 Local Education Agencies (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 ESSER and ESSER II funds.

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

ESSER I - \$310,371,213
ESSER II - \$1,230,971,757

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

ESSER I - \$287,488,234.77
ESSER II - \$600,035,270.91

10. Amount Provided to Other State or Local Entities:

ESSER I Set aside - \$15,697,851
ESSER II Set aside - \$121,221,629

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

ESSER I - Completed
ESSER II - In process

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12. Completion Status of Integrity Monitor Engagement:

ESSER I - Completed
ESSER II - In process

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

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 7/1/2022 through 9/30/2022:

- Developed expenditure monitoring and testing procedures for sampled LEAs (including LEAs for set aside programs) and state agencies received funds under ESSER I.
- Reviewed specific files (reimbursement requests, interim and performance reports) through the Electronic Web Enabled Grant (EWEG) system.
- Followed up with NJDOE regarding the required Program reporting and the most current NJCFS payment report.
- Performed the expenditure testing by reviewing and cataloging supporting documentation provided by the Districts and Agencies.
- Corresponded and followed up on outstanding supporting documentation requests with LEAs and agencies.
- Documented testing results and summarized ESSER I findings, recommendations, and conclusions.
- Conducted internal quality review of testing results.
- Conducted bi-weekly status calls with the NJDOE on 7/14/22, 7/28/22, 8/11/22, 8/25/22, 9/8/22, 9/22/22.
- Provided various periodic updates on status of documentation receipt and lists of unresponsive Districts to NJDOE.
- Selected the sample for ESSER II and discussed with NJDOE.
- Drafted 3Q22 quarterly report.

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- Drafted the IM Monthly reports – July, August, September 2022, IM Final Program Report and Quarterly report.
- Corresponded with NJDOE clarifying items regarding the IM Final Program and quarterly reports.
- Held a conference call to discuss findings and recommendations.
- 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

IM obtained and reconciled the expenditure reports for the sampled LEAs to costs per reimbursement requests in EWEG and then requested and examined the supporting documentation:

- o to verify that the expenditures are for allowable uses per legislation and incurred during the covered period.
- o to ensure that subgrantees are retaining appropriate documentation, based on federal and state regulations, to support reimbursement requests submitted to NJDOE under ESSERF I (proper payroll and timekeeping reports; purchase orders, invoices, etc.).
- o to verify the proper authorization and segregation of duties of purchases.
- o to verify that actual expenditures are consistent with the proposed spending as outlined in the grant application, and are the same as requested for reimbursement, and reported in interim reporting.
- o to ensure LEAs are providing required reports and complying with EWEG system requirements.
- o to verify that costs were not reimbursed from other funding sources or previous allocations

Testing attributes were adjusted to include specific requirements for each program, including set-aside – ESSER I, Digital Divide, Learning Loss and Non-Title I.

In the previous reporting period, IM performed sampling, walk-through of processes and internal controls, and assessed the risks for sampled LEAs as well NJDOE.

- 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

IM requested and received COVID relief payments report from Treasury (from NJCFS) that shows payment transactions with check numbers. Before the conclusion of ESSER I work, the most current report was also requested and received. The IM reviewed these reports and verified that the requests submitted by LEAs were reimbursed. Additionally, expenditure payments were reviewed for each sampled LEA during the testing phase by examining checks information obtained through expenditure reports or general ledgers and/or copies of checks.

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 previous reporting period, the IM performed risk assessment procedures and reviewed NJDOE's and LEAs' policies and procedures for internal controls and prevention and detection of waste, fraud, and abuse. The IM also conducted meetings with LEAs and NJDOE to walk through their policies and procedures and internal controls. In current period, CohnReznick tested requested for reimbursements costs by examining LEAs supporting documentation and verifying whether the expenditures are for allowable uses, consistent with the proposed spending and are the same as requested for reimbursement, properly authorized, and were not reimbursed from other funding sources. In addition, IM performed procedures to ensure that Districts adhere to purchasing guidelines, maintain segregation of duties and retain appropriate documentation as per federal and state regulations, to support reimbursement requests submitted under ESSER I.

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 waste, fraud, or abuse.

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

Findings - Risk Assessment

A. Findings noted during the risk assessment that led to medium risk:

#	Findings	# of LEAs/ Agencies
IM.01	There was no formal fraud training district-wide, and employees are not always made aware of the options to report suspected fraud, waste, and abuse. The districts do not have a confidential service for employees to report suspicious activities anonymously.	All 64 LEAs
IM.02	Although sampled districts and state agencies have some procedures in place for prevention of duplication of benefits (as per inquiries with administrators), formal Duplication of Benefits Prevention Policies were not provided.	All 64 LEAs; NJDOE
IM.03	Several districts provided outdated Internal Control, Ethics and other Financial and Grant Management policies, and IM was not able to verify whether there were any recent updates. Some districts did not provide their related policies.	14 LEAs
IM.04	Inventory Policies for districts were not available at the time of our review; IM was unable to establish if the districts have procedures for inventory loss or theft prevention in place.	5 LEAs
IM.05A	Observed the following personnel related issues: Business Office Personnel Turnover; unqualified or unexperienced resources, insufficient staffing and as a result, potential inadequate segregation of duties, absence of qualified purchasing agent.	10 LEAs
IM.06A	During the review of audit results reported in Annual Comprehensive Financial Reports (ACFRs) and Annual Management Reports (AMRs), IM noted that some audit findings are still pending resolutions for a few districts.	4 LEAs
IM.07A	The most recent Conflict of Interest and Financial disclosure statements for School Administrators were not filed with State Ethics Commission as required by N.J.S.A. 18A:12-25 and 18A:12-26, or potential conflict of issues noted.	5 LEAs

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B. Findings noted during the risk assessment that escalated to high risk:

#	Findings	# of LEAs/ Agencies
IM.05B	Noted personnel related issues and, therefore, inadequate segregation of duties.	1 LEA
IM.06B	Noted unresolved audit findings per ACFRs and AMRs, some of which are repeated from year to year; reported I/C material weaknesses and significant deficiencies.	6 LEAs
IM.07B	Potential conflict of interest issues based on the information disclosed on Conflict of Interest and Financial disclosure statements for School Administrators filed with State Ethics Commission.	2 LEAs

Findings – Expenditure Testing

CR had the following findings as a result of ESSER expenditure testing:

- CR identified a total of \$34,788.90 in questionable costs, of which \$32,937.89 is due to the expenditures being initially applied to a different funding source without evidence of adjustments in provided internal reports. The remaining \$1,851.01 deemed questionable because the School Business Administrator (SBA) issued and authorized the purchase order for certain supplies payable to himself. This presents a potential conflict of interest issue and noncompliance with purchasing guidelines.
- Nine districts did not provide sufficient documentation (invoices, proof of payments, timesheets) to support all their expenditures, which resulted in a total of \$2,950,519.88 of unsupported costs.
- Two districts provided additional support past the deadline, so the IM was not able to test the remaining amount of \$2,777,206.53 for one district and \$56,935 for another.
- IM reviewed applicable federal, state, and local policies and procedures related to procurement. Upon review of these guidelines and the sampled expenditures, CR noted that some purchase orders for four (4) districts did not have approver's signature. The procurement process requires that a purchase order is created and approved and then is sent to the appropriate vendor. A robust system of internal control requires policies and procedures written by management to ensure proper safeguards and segregation of duties.
- IM also reviewed policies and procedures related to CARES budget modifications requirements. Upon review of these guidelines and performance of the sampled testing, CR noted one District did not file the required amendment for instances where actual expenditures exceeded budgeted amounts outside of the allowable 10% of reallocation to other expense categories. Improperly documented or reported budget modifications may lead to the risk of non-compliance and errors in monitoring of the Program and financial activity.

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Findings – Expenditure Testing – Set-Aside Programs

The IM performed expenditure testing for Digital Divide, Learning Loss, and Non-Title I entities, as well as State Agencies and noted:

- There were several instances where a district, charter school, or agency provided partial documentation, components of which included invoices, purchase orders, and/or approvals/authorizations, but provided documentation to substantially validate that the expenditures were allowable. There were three districts, one school and one agency, which provided partial packages to support ESSER I costs.
- For three entities under Digital Divide, IM requested but did not receive documentation regarding criteria for the distribution of services and goods.
- Additionally, CR noted one LEA expended funds for potentially ineligible goods or services. That District provided documentation for \$15,949.35 under three POs for MiFi hotspots and software licenses that were not a part of the bundle.

b) Recovery Program Participant Comments

NJDOE has updated the “Determining the Allowability of Costs Charged to Federal Grants” policy to include Duplication of Benefits. Additionally, NJDOE requires grantees to sign off as part of their general assurances in their grant application that they agree to follow all the Federal Uniform Grant Guidance (2 CFR 200) regulations which includes the prohibition of including one cost in multiple federal programs in either the current or a prior period. The revised policy was provided to IM.

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

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, 2022 through September 30, 2022, the following individuals have expended a total of 1,305.0 hours for ESSER I:

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Name:

- Ron Frazier – (67.5 hours)
- Rochell Cottingham – (26.7 hours)
- Anna Fomina – (243.5 hours)
- Skyler Akins – (0 hours)
- David Solomon – (135.0 hours)
- Viktoria Barrett – (390.5 hours)
- Andrew Barchenko – (193.5 hours)
- Elsie Guevara (115.8 hours)
- Noah Zigelbaum (132.5 hours)

Total of 22.7 hours were spent for ESSER II by:

- Anna Fomina (22.4 hours)
- Rochell Cottingham – (0.3 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

In response to identified risk assessment findings enumerated in section #20 above, the IM recommends the following:


Finding #	Recommendations
IM.01	CR recommends updating Fraud policies to include the requirement for fraud training district-wide and establishing hot line or other service to report suspicious activities anonymously.
IM.02	IM recommends developing policies and procedures to guard against duplication of benefit and certify that the claimed expenditures or portion of them have not been or will not be reimbursed by from another source.
IM.03	IM recommends updating internal controls, standard operating procedures, and other related grant management policies should be assessed annually and updated as necessary to ensure they reflect current processes. Districts should also upload policies to the policies library and ensure that personnel are trained on policy changes.
IM.04	IM recommends that districts develop or update policies for managing the receipt, tracking, maintenance, protecting from loss or theft, and disposition of inventory. Policies should be uploaded to the policies library.
IM.05A/B	IM recommends hiring additional qualified staff to oversee the administration of grants; if the hiring is not feasible, to implement a compensatory process where authorized staff reviews the systems' audit trail to ensure the proper activities were performed.

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IM.06A/B	IM recommends LEAs to follow up and continue to remediate identified audit and administrative finding.
IM.07A/B	Recommendation for LEAs is to file necessary disclosures on time and establish a tracking mechanism to prevent noncompliance with state law. IM also recommends reviewing conflict of interest policies and employees' records to verify if prohibited relationship exists and remediate accordingly if needed.

In addition, based on the evaluation of a combination of findings resulted from the risk assessment and expenditure testing, CR recommends five (5) districts for further on-site monitoring.

- b) Recovery Program Participant Comments
N/A

Name of Integrity Monitor: CohnReznick, LLP
Name of Report Preparer: CohnReznick, LLP
Signature: 
Date: 9/30/2022