

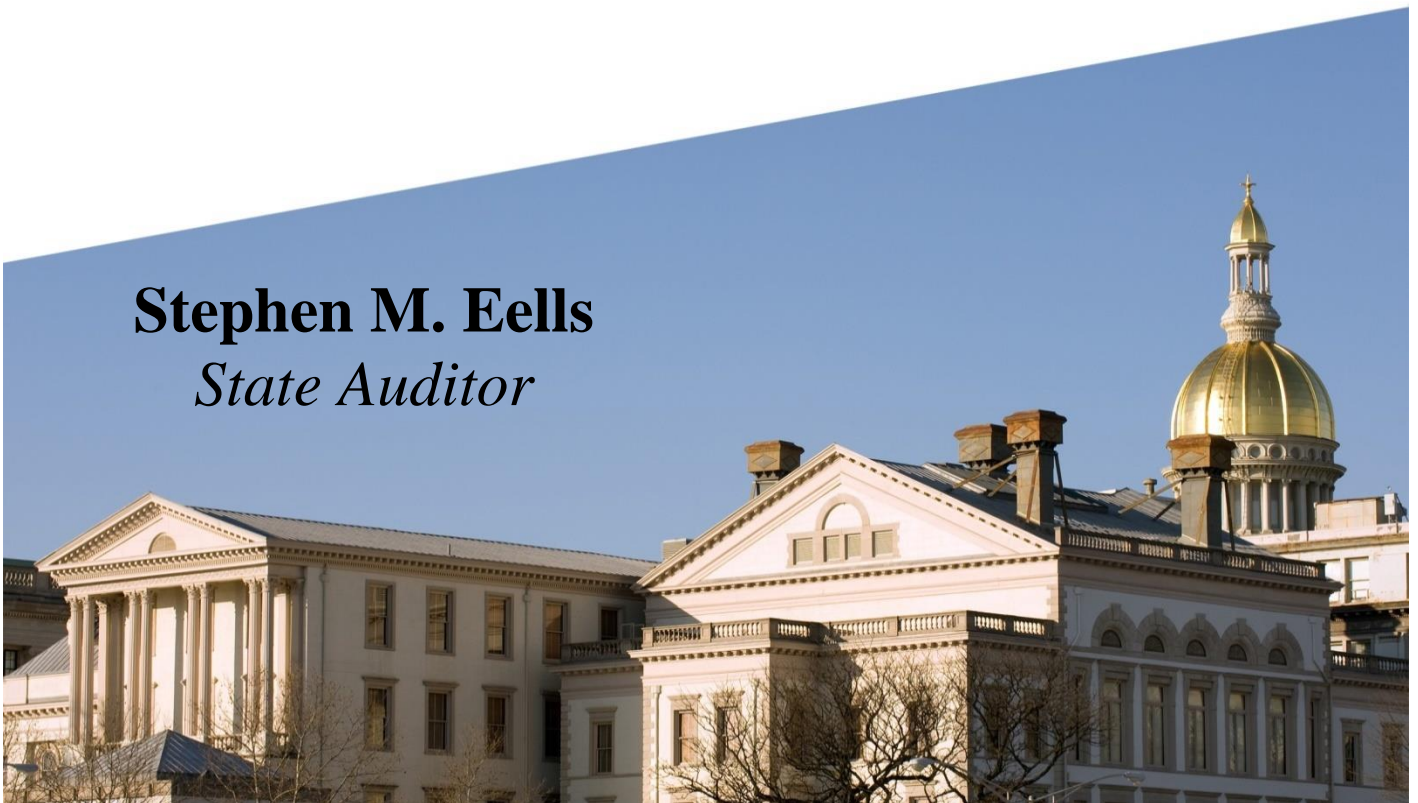


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

Compliance Review

July 1, 2018 to June 30, 2019

Stephen M. Eells
State Auditor



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The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

Ms. Peri A. Horowitz
Executive Director
Office of Legislative Services

Pursuant to the State Auditor's responsibilities set forth in N.J.S.A. 52:24-4, we have completed a review of compliance with recommendations made in our audit reports issued during the period July 1, 2018 through June 30, 2019. This review encompassed 17 audit reports containing 202 recommendations. We also reviewed the status of 74 unresolved recommendations from the audit reports included in last year's compliance review for fiscal year 2018 for which we had determined that the agencies had not achieved full compliance. This review did not include those reports completed on an annual basis, which includes the Pinelands Commission, the Department of Community Affairs – Section 8 Housing Program, and the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the state's Comprehensive Annual Financial Report.

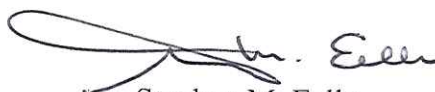
We found that 75 percent of the recommendations presented in our audit reports have been complied with or management has taken steps to achieve compliance during our review period. There are instances where insufficient time has elapsed to make a final assessment of the effectiveness of management's changes. Over a two-year period, the rate of compliance for fiscal year 2018 recommendations rose from 67 percent to 85 percent.

We have characterized issues as items of continuing concern because of noncompliance with our recommendations. All issues of noncompliance have been communicated to the auditees. Unresolved issues relating to our fiscal year 2019 audit reports are presented on pages 2 to 27. Unresolved issues relating to our fiscal year 2018 audit reports are presented on pages 29 to 42. Auditee responses to our follow-up review results, if received, begin on page 43.

The Department of Law and Public Safety, Division of Law's eleven reportable conditions were excluded from this review. The agency was unable to respond and provide us with adequate evidence of compliance due to issues related to the current COVID-19 crisis. The eleven reportable conditions will be followed up on in our fiscal year 2020 compliance review.

The original audit reports containing full details on the unresolved issues can be found on our website: www.njleg.state.nj.us/legislativepub/auditreports.asp

If you would like a personal briefing, please call me at (609) 847-3470.



Stephen M. Eells
State Auditor
June 11, 2020

- c Elizabeth Maher Muoio, State Treasurer
David Ridolfino, Acting Director, Office of Management and Budget

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Unresolved Issues from Fiscal Year 2019 Audit Reports

Casino Reinvestment Development Authority

Boardwalk Hall Roof Projects

Background: The authority's procurement protocol was developed in accordance with a 2006 executive order (EO 37), which specifically addresses the procurement process for state authorities, includes limited circumstances in which exception to public advertising and a competitive process shall apply, and additionally requires specific documentation and procedures when an exception is invoked.

Boardwalk Hall, constructed in 1929, is a multi-purpose facility located on the Atlantic City Boardwalk. It underwent a major restoration in 2001 and was transferred to the CRDA in 2013. In October 2014, a five-year maintenance plan was prepared, identifying the need for roof repair and replacement. The lapse of time between identifying the need for roof repair and replacement, and the questionable application of multiple emergency procurements which circumvented requirements set forth in EO 37, resulted in all roof work being awarded to one vendor at an additional cost to the authority of up to \$2.1 million.

Summary: The continuous and inconsistent application of emergency procurement resulted in additional costs.

Report Recommendation: We recommended the authority ensure compliance with its own procurement guidelines and EO 37. In addition, when applying emergency procurement procedures, the authority should limit the purchase to those services or products necessary to mitigate the emergency and ensure proper application and approval of the exception to competitive procurement.

Management Corrective Action Response: The Authority, through its Legal department, has reviewed the procurement policies and procedures provided to the Authority's facilities manager and will continue to monitor its procurement practices to ensure compliance with state statutes, regulations, and EO 37. Additionally, the Authority's procurement policies and procedures allow for an award of contracts on an emergent basis without procurement, and the Authority makes every effort to minimize the invocation of such emergencies.

Casino Reinvestment Development Authority (continued)

Follow-Up Review Results: Our follow-up review of a recent emergency procurement found no significant improvement as the authority did not ensure the proper application of emergency procurement procedures.

Beach and Boardwalk Hall Events

Background: The authority contracted with a national events promoter to book, present, and produce beach concerts and Boardwalk Hall events. Certain contract terms were amended by authority management in a manner not consistent with the board's authorizing resolution resulting in unauthorized payments.

The authority agreed to pay the promoter a sponsorship fee based on the number of events booked. During the 2015-2016 contract year, the promoter produced seven events but the fee was based on eight events resulting in an \$80,000 overpayment.

Summary: Amendments and non-compliance with the beach and Boardwalk Hall contract resulted in \$1.75 million in unauthorized payments and overpayments.

Report Recommendation: We recommended the authority implement controls to ensure that contracts are executed in accordance with the financial provisions authorized by board resolution. Contract terms and subsequent amended terms that are not consistent with the authorizing resolution should be presented to the board for approval and transparency. Additionally, the board should evaluate the propriety of payments to the promoter and ensure management recovers any overpayments. Management should also ensure accuracy of any sponsorship fee payments and seek recovery of the \$80,000 overpayment.

Management Corrective Action Response: The Authority will be reviewing contracts and the related authorized resolutions to ensure consistency. The Authority is also investigating the calculation of the sponsorship fee.

Casino Reinvestment Development Authority (continued)

Follow-Up Review Results: Our follow-up review found no significant changes with regard to these matters. In addition, the authority has not recovered any overpayments.

Miss America Organization Contract

Background: In May 2013, after a nine-year absence, the CRDA entered into a three-year contract with the Miss America Organization (MAO) to return the pageant to Boardwalk Hall. The CRDA agreed to pay a maximum of \$2,267,000 annually for expenses including production and building operations costs. The MAO was required to provide written reports every 90 days to support the production costs incurred. In February 2016, the CRDA entered into another three-year contract with the MAO that guaranteed payments of \$12,536,000 over the life of the contract representing an 80 percent increase from the prior contract cost. Production costs no longer had to be supported in this contract. In addition, both contracts required the MAO to promote Atlantic City.

Summary: The CRDA did not monitor actual costs, contract deliverables, and economic impact when negotiating a second contract with the Miss America Organization.

Report Recommendation: We recommended the authority develop and institute monitoring controls to determine if all parties perform in accordance with contract terms and deliverables. Performance should be measured, when applicable, and reviewed to determine whether funds were spend in an efficient and effective manner and used as a basis for future contracts.

Management Corrective Action Response: The Authority assigns a project-specific manager who is responsible for monitoring contract terms. Additionally, The Authority considers various factors when awarding contracts, including return on investment.

Follow-Up Review Results: Our follow-up review found no significant improvement with contract monitoring procedures.

Casino Reinvestment Development Authority (continued)

Agreement Modifications

Background:	In 2000, the CRDA partnered with a company to develop, lease, and manage the Walk, which is the shopping district located at the foot of the Atlantic City Expressway. The land is owned by the CRDA. Project financing consisting of a \$12 million dollar loan funded through the issuance of casino license bonds, and annual grants totaling \$10 million was authorized by the board. The Executive Director was authorized to negotiate amendments to the Phase Two Master Development Agreement that were consistent with the board's authorizing resolutions.
Summary:	CRDA management materially modified an agreement that will now require the authority to pay a developer up to \$18.7 million in excess of the board authorized terms.
Report Recommendation:	We recommended that the board evaluate the propriety of terms added to the amended stage development agreement and payments issued to the developer, and the authority should seek a return of any unauthorized payments. All contracts should be executed in accordance with board resolutions. In addition, any terms recommended by the Executive Director that are not in accordance with board resolutions should be placed on the board agenda to ensure a public session vote and the required board approval, which would be memorialized in the board minutes and subject to review by the Governor.
Management Corrective Action Response:	The Board was involved in all of the discussions of material contract terms and this is reflected in the agreements executed by the Executive Director. With regard to payment, if retail sales had met projections, the Authority would have received full payment on its loan and/or half of the rental. The Authority is also ensuring that resolutions and contract terms are consistent at the time of drafting. Additionally, board resolutions authorize the Executive Director to negotiate contracts within the general parameters set in the resolution.
Follow-Up Review Results:	No action has been taken by the authority on these matters.

Casino Reinvestment Development Authority (continued)

Direct Investment Project

Background:	In January 2016, a casino licensee requested an additional \$6 million in funding from the CRDA for redevelopment of existing space to be utilized as food and beverage outlets at the property. The casino submitted a market study which specified that the project complied with the direct investment requirement of N.J.S.A. 5:12-178 in that the project did not directly and exclusively benefit, improve or increase the assessed value of a casino hotel or related facility. In April 2016, the casino requested an additional \$2 million for the project to renovate its ballroom, meeting rooms, and retail corridor and lobby which was approved by the board. However, no additional documentation was provided to support compliance with N.J.S.A. 5:12-178.
Summary:	The board approved an additional \$2 million direct investment project for a casino without supporting documentation.
Report Recommendation:	The authority should obtain independent assurance that the \$2 million investment was in compliance with the N.J.S.A. 5:12-178 and if determined noncompliant, it should seek return of the \$2 million from the licensee.
Management Corrective Action Response:	Resolution 16-39, adopted on April 19, 2016, states that the licensee provided further independent written and oral testimony as set forth in the market study and assessment of nongaming development and its impact on Atlantic City and the State of New Jersey, dated January 22, 2016, by Morowitz Gaming Advisors, LLC and that the amended project satisfies the requirements of N.J.S.A. 5:12-178 and will result in new, unique destination attractions with differentiated amenities. The related April Board meeting minutes stated that Mr. Corey Morowitz identified the economic impacts of the proposed additional amenities, and presented testimony that these new non-gaming elements satisfied N.J.S.A. 5:12-178 and the Authority's adopted Master Plan.
Follow-Up Review Results:	No action has been taken by the authority to obtain independent assurance with regard to this matter.

Casino Reinvestment Development Authority (continued)

Space Utilization

Background:	<p>In December 2011, the CRDA paid \$3.1 million for a two-floor office building and parking lot located next to a previously owned CRDA parking lot, and entered into a lease in a neighboring building for additional office space. In 2013, the CRDA acquired Boardwalk Hall and the Atlantic City Convention Center (Convention Center) which both include office space. As of October 2017, the CRDA had 70 full-time employees assigned to these locations. The office building measures 12,260 square feet and contains 25 offices, 21 cubicles, and the board room. Only 29 employees are assigned to this building.</p> <p>The Convention Center has 45 meeting rooms available for rent. The usage of these event rooms, however, is not tracked. Underutilized rooms could potentially be repurposed for office space.</p>
Summary:	<p>Building assets of the CRDA should be reevaluated for employee occupancy utilization.</p>
Report Recommendation:	<p>We recommended the CRDA evaluate usable office space throughout authority-owned properties and determine where efficiencies could be achieved by consolidating operations into fewer buildings, ending a lease of excess office space, and potentially disposing of excess administration properties. Additionally, the authority should ensure the use of Convention Center meeting rooms is recorded to properly analyze usage.</p>
Management Corrective Action Response:	<p>The authority recognizes the need to reduce operating expenses and be cost effective. The authority is considering office consolidation and space utilization at the Convention Center, Boardwalk Hall, the Firehouse, Annex and SID Warehouse. In addition, all meeting space activities at the Convention Center are recorded by Spectra management, including authority usage.</p>

Casino Reinvestment Development Authority (continued)

Follow-Up Review Results: Our follow-up review found that no action has been taken to consolidate operations into fewer buildings. In addition, documentation was not provided to substantiate record keeping for rented Convention Center meeting rooms.

Accounting Practices – Special Improvement District Assessment

Background: A Special Improvement District (SID) assessment is charged to businesses within the Tourism District. The assessments are due quarterly and payable to the CRDA. The authority's Special Improvement Division is responsible for collection efforts. The authority's Finance division prepares a multi-step calculation to arrive at year-end amounts related to this revenue source which are recorded in the accounting system. The Special Improvement Division, however, is not involved in the year end close process.

Summary: The authority does not have a formal policy for the write-off of uncollectable accounts.

Report Recommendation: We recommended the authority develop a policy regarding write-off of uncollectible accounts. Since the Special Improvement Division is responsible for the accounting of SID assessments, it should be included in the year-end close process to ensure accuracy.

Management Corrective Action Response: The authority has a policy for recording an allowance for uncollectible accounts for SID assessments for year-end. This policy is reviewed at every year-end.

Follow-Up Review Results: CRDA management provided a draft policy at the end of our follow up review, and we were unable to verify its implementation. In addition, our follow up review found the authority's Special Improvement Division is still not involved in the year-end close process.

Casino Reinvestment Development Authority (continued)**Accounting Practices – Procurement and Accruals, Convention Center Division**

Background:	The Convention Center Division’s actual purchasing practices did not follow the authority’s accounting manual. Additionally, the authority continues to record a monthly liability to New Jersey Transit “in an abundance of caution”. We reviewed the agreement and could not determine that a \$190,000 annual payment is due.
Summary:	Significant internal control weaknesses over procurement exist.
Report Recommendation:	We recommended the authority ensure that all its divisions follow the same procurement policies and procedures. Additionally, the authority should resolve the \$190,000 payment issue with New Jersey Transit.
Management Corrective Action Response:	The authority consolidated and upgraded its financial systems in 2018. All divisions within the authority now use the same processes. In addition, the authority has requested, and continues to request, back-up from New Jersey Transit as to any agreement supporting this payment. To date, New Jersey Transit has not provided any such documentation.
Follow-Up Review Results:	Our follow-up review found no significant improvement with regards to procurement practices. In addition, the authority did not provide any documentation to support an effort to resolve the issue with New Jersey Transit.

Marketing and Communication – Software

Background:	In December 2014, the Marketing and Communications division contracted for a new customer relationship management computer application without board approval. After our review of the services and modules provided under the contract, it appeared, and was confirmed by management that the software capabilities were underutilized and not necessary for the limited functions of this division.
Summary:	Resources related to the Marketing and Communications division are not being used in an efficient and effective manner.

Casino Reinvestment Development Authority (continued)

Report Recommendation:	We recommended the authority evaluate the customer relationship marketing software to determine if its capabilities are necessary and procure and future contract properly.
Management Corrective Action Response:	The authority has evaluated this software and is satisfied as to its necessity. With the consolidation of the authority's financial systems and additional purchasing resources, contracts are procured in conformity with the authority's purchasing policies and procedures.
Follow-Up Review Results:	The authority did not provide any documentation to support its review and evaluation of the software.

Marketing and Communication – Restaurant Week

Background:	The CRDA organizes a one-week event at which participating Atlantic City and Atlantic County restaurants offer fixed price, three-course meals at a reduced cost. CRDA Marketing and Advertising expenses for the event totaled approximately \$146,000 in 2017. A preview event was also held at a cost of \$21,090. The CRDA sets a budget for restaurant week but has not performed a formal analysis to substantiate if the overall level of spending resulted in increased patronage.
Summary:	Performance metrics should be utilized to evaluate the overall level of spending.
Report Recommendation:	We recommended events have clear objectives with performance metrics, and budgets be adjusted accordingly.
Management Corrective Action Response:	The objective of Atlantic City Restaurant Week (ACRW) is to drive incremental visitation to Atlantic City and Atlantic City restaurants during the mid-week off-season and increase economic impact for the destination(s) through hotel room bookings, shopping and entertainment – in addition to dining. Many of the participating restaurants yield the highest number of covers in one single week during ACRW. In addition, a complete executive summary is generated and distributed to all participating restaurants and sponsors at the conclusion of the ACRW.

Casino Reinvestment Development Authority

Follow-Up Review Results: Our follow-up review found no significant improvement with this regard to these matters. An executive summary was provided but it lacked performance metrics.

Legal Expenditures

Background: The authority employs two attorneys and two paralegals and also engages outside counsel for various needs. Our review of outside counsel invoice charges found the authority paid one firm a two percent administrative fee on professional fees which was not authorized by contract. We presented this issue to management, and as a result the firm refunded the authority \$21,300. Additional overpayments were also noted.

Summary: Legal expense payments were not in accordance with contract terms.

Report Recommendation: We recommended the authority recover any additional overpayments noted as a result of our review.

Management Corrective Action Response: The authority has implemented measures to proactively monitor billing and ensure outside counsel billing practices are in compliance with the terms of their contracts.

Follow-Up Review Results: No action has been taken by the authority on this matter. The authority did not provide documentation to support their claim that there were no additional payments reviewed for recovery.

Parking Garage Revenue

Background: In 2012, the authority opened the Wave Parking Garage, a five-story structure with 1,180 parking spaces and approximately 16,000 square feet of retail space on the first floor which is leased to a university for one dollar per year. Under the terms of the lease, the authority should receive additional rent from the university in the form of a pro-rata share of the garage's operating costs and 20 percent of net revenues generated from the leased space. The authority's Finance division was unaware of the lease terms.

Summary: Revenue generating activities are not properly monitored.

Casino Reinvestment Development Authority (continued)

Report Recommendation	The authority should monitor the terms of all contracts.
Management Corrective Action Response:	The authority assigns a project-specific manager who is responsible for monitoring contracts. The authority is also developing a system whereby contract terms/expiration dates will be monitored to ensure timely renewals when necessary, the initiation of the procurement process, and/or other appropriate action as determined by the Authority.
Follow-Up Review Results:	Our follow-up review found no significant improvement with regard to this matter.

Human Resources and Payroll – Board Compensation and Executive Director Severance

Background:	<p>In accordance with N.J.S.A. 5:12-156, each appointed and voting public member of the CRDA, with the exception of casino industry representatives, shall receive compensation. Board members, however, who initially waived their compensation were retroactively paid up to a full year of compensation upon request.</p> <p>In accordance with the employment agreement, the Executive Director shall receive a severance equal to one year of his base salary. The severance shall be paid for a “Termination without Cause” or “Resignation for Good Reason” and any termination shall be communicated by written notice which indicates the provision relied upon.</p>
Summary:	The authority has not established a standard procedure regarding waiver of board compensation and ensured compliance with employment contracts.
Report Recommendation:	The authority should develop a standard procedure for waivers of board compensation with any reinstatement effective prospectively from the date of request. Additionally, the board should review the propriety of the former Executive Director’s severance payment.
Management Corrective Action Response:	The Authority is considering a waiver request/implementation procedure. Additionally, the severance payment was made in accordance with the terms of the Executive Director’s employment contract and board action.

Casino Reinvestment Development Authority (continued)

Follow-Up Review Results: No action has been taken by the authority on these matters.

Redevelopment Project

Background: In 2003, the authority entered into an intergovernmental agreement with the Camden County Improvement Authority (CCIA) to provide \$24 million in funding towards a property redevelopment project. The amount provided by the CRDA was subsequently reduced to \$16.5 million which was paid in full to the CCIA in September 2007. The CCIA failed to secure a development agreement until 2016 which included the sale of the property. The CRDA received \$3.2 million, as per the amended agreement, and currently has a net investment of \$13.3 million in the project.

Summary: The authority should actively monitor redevelopment projects.

Report Recommendation: We recommended the CRDA develop controls to monitor projects through completion to ensure that deadlines are achieved, and its funds are utilized as intended and in an efficient and effective manner. Additionally, the authority should establish criteria to recover funds in a timely manner when a project is not materializing as approved.

Management Corrective Action Response: The Authority assigns a project-specific manager who is responsible for monitoring contracts. In addition, the authority is considering the viability of establishing such a criteria.

Follow-Up Review Results: No action has been taken by the authority on these matters.

Casino Reinvestment Development Authority (continued)CRDA/ACCVA Foundation

Background:	The Atlantic City Convention and Visitors Authority Foundation (foundation) was established in 2004 to support appropriate benevolent causes. The CRDA assumed responsibility for the foundation in 2013 and it was renamed the CRDA/AVVVA Foundation. Based on available documentation, the foundation had a fund balance of \$120,000 as of March 2017 with no distributions since October 2013 except for monthly services charges for accounting software that has not been utilized since January 2013.
Summary:	The CRDA/ACCVA Foundation lacks a governing board necessary to expend the nearly \$120,000 fund balance that has been available for over three years.
Report Recommendation:	We recommended a new board be appointed to the ACCVA/CRDA Foundation to ensure the remaining funds are utilized as originally intended. Additionally, the unused accounting software services should be cancelled if determined unnecessary.
Management Corrective Action Response:	The Authority is working with special counsel to address the first recommendation. Additionally, there is no ongoing software maintenance contract.
Follow-Up Review Results:	Documentation was not provided to substantiate the indicated corrective action regarding the fund balance. Our follow up review also found the authority continues to pay for the unused accounting software services.

City of Camden School District

Early Childhood Program

Background:	The district offers full-day preschool programs to all resident three and four year old children at no cost. Preschool programs are also offered by private providers who receive funding from the district. Providers must maintain an average daily enrollment for the month of at least fourteen –fifteenths (14/15) of the number of contact slots to receive full contract funding.
Summary:	The Early Childhood Program procedures and controls over review and approval of contract payments need improvement.
Report Recommendation:	We recommended the district properly adjust its payments to preschool providers when their enrollment is less than required under contract and recover all overpayments.
Management Corrective Action Response:	All preschool providers are subject to enrollment deductions based on their contractual agreement with the district which states that the provider must enroll on a monthly basis at least 14/15ths of our agreed upon enrollment capacity. Anything less will result in a monthly deduction.
Follow-Up Review Results:	Our follow-up review disclosed that the district is still not calculating payment adjustments in accordance with the terms of the provider contracts. Overpayments totaling \$281,921 that were identified during the initial audit have still not been recovered.

Department of Corrections Northern State Prison

Employee Overdrawn Leave Balances

Background:	The Time and Leave Recording System (TALRS) credits employees with a full-year leave allotment at the beginning of the calendar year under the assumption that they are going to work the entire year. However, some employees overdraw their leave balances when they do not work enough days during the year to earn the time credited. This creates a debt that the employee owes to the state for the value of the overdrawn leave. For terminated employees who have not made repayment within 90 days, the debt should be submitted to the Department of the Treasury, Division of Revenue and Enterprise Services (DORES) for further collection efforts in accordance with Department of the Treasury Circular No. 13-11-OMB.
Summary:	Procedures regarding employee overdrawn leave balances need to be strengthened.
Report Recommendation:	We recommended the prison's regional personnel unit submit employees' debt to DORES timely as required by the circular.
Management Corrective Action Response:	HR Standard Operating Procedure (SOP) #5 has been amended to include language regarding payroll deductions, which includes the timely submission of employee debt to DORES. SOP #5 and all attachments have been distributed for use to all regions.
Follow-Up Review Results:	Our follow-up review found some improvement with regard to this matter. However, the last employee debt submitted to DORES was on August 28, 2014 which is the same date noted in our original audit report.

Department of Corrections
Northern State Prison (continued)

Outside Activity or Employment Questionnaire

Background:	In accordance with Department of Corrections Policy Statement No. ADM.013.001, all department employees, when initially hired, every three years, or when there is a change in outside activity or employment, must complete the New Jersey Department of Corrections Questionnaire for Approval for Outside Activity or Employment form.
Summary:	Approximately 27 percent of the prison's employees did not submit a completed Outside Activity or Employment Questionnaire.
Report Recommendation:	We recommended the department and the prison enforce the policy over outside activity or employment.
Management Corrective Action Response:	A memorandum was sent to all institutions advising staff of the policy over outside activity or employment.
Follow-Up Review Results:	Our follow-up review found no significant improvement with regard to this matter. Documentation showing that the percentage of prison employees who have properly completed the questionnaire has improved was not available.

Internal Controls

Background:	Proper segregation of duties and maintenance of accurate and complete documentation are necessary to assure the proper use of resources.
Summary:	Internal controls over procurement need improving.
Report Recommendation:	We recommended the prison strengthen internal controls over procurement by not allowing the same person to request items and/or services and directly receive them. We also recommended the prison's maintenance department analyze and approve the monthly water bills to determine the reasonableness of water usage.

Department of Corrections
Northern State Prison (continued)

Management Corrective
Action Response:

All prison staff have been advised of this finding and will ensure that any individual signing for the request of goods or services will not be the individual to sign for the receipt of said goods or services. This will ensure proper segregation of duties. Additionally, the Business Office has reviewed, and continues to review, all water and sewage bills with the appropriate maintenance staff to ensure the usage billed for the water consumption is appropriate and consistent with previous invoices. An electronic spreadsheet has been developed and implemented to accurately record and track the monthly consumption as well as associated charges.

Follow-Up Review
Results:

Our follow-up review found no significant improvement with regard to these matters.

Department of Education
Renaissance Schools*Renaissance Schools Oversight*

Background:	In accordance with the Urban Hope Act, renaissance school projects are authorized for a period of ten years from the date of opening. Every ten years, the Commissioner of Education (commissioner) shall conduct a comprehensive review of a renaissance school project prior to granting renewal. The commissioner shall periodically assess whether each renaissance school project is meeting its goals and improving student achievement.
Summary:	The department's oversight of renaissance schools needs improvement.
Report Recommendation:	We recommended the department specify a timeframe for conducting periodic reviews.
Management Corrective Action Response:	The Department respectfully disagrees with the recommendation. A structured timeframe for review would be inconsistent with the Urban Hope Act and accompanying regulations at N.J.A.C. 6A:31-1.1 et seq., as amended in January 2018. Had the legislature intended to quantify the timeframe for conducting reviews, beyond "periodic" reviews, it would have explicitly stated the requirement in the statute.
Follow-Up Review Results:	The department has not specified a timeframe for conducting periodic reviews. A renaissance school project could potentially go several years without a review.

**Department of Human Services
Division of Medical Assistance and Health Services
NJ FamilyCare Eligibility Determinations**

Redetermination and End-Date Issues

Background:	The Division of Medical Assistance and Health Services (DMAHS) administers the NJ FamilyCare (NJFC) program which provides health insurance to eligible individuals and families based on specific criteria, including their income levels and household size. The Medicaid Eligibility System maintains the annual redetermination date of recipients as well as the date their benefits should be terminated (end-date).
Summary:	End-dates are not being utilized for the termination of benefits.
Report Recommendation:	We recommended the division ensure that the end-dates are entered in the system for all recipients.
Management Corrective Action Response:	Entering end-dates at this time would cause certain recipients to be dis-enrolled for reasons beyond their control. DMAHS continues to work with the county boards of social services on their corrective action plans to ensure that all redeterminations are completed in a timely manner. DMAHS will revisit this recommendation in the future.
Follow-Up Review Results:	No action has been taken by DMAHS on this matter.

Income Eligibility

Background:	The general information necessary to determine which NJFC program an individual qualifies for includes their income. Periodic matches to New Jersey's wage reporting system would identify recipients who potentially do not qualify based on income.
Summary:	Periodic matches with the New Jersey wage reporting system should be performed.

Department of Human Services
Division of Medical Assistance and Health Services
NJ FamilyCare Eligibility Determinations (continued)

Report Recommendation: In addition to the annual eligibility redeterminations, we recommended the division require periodic matching of NJFC recipients to New Jersey's wage reporting system.

Management Corrective Action Response: Federal rules require redeterminations annually and whenever there is a change in circumstances. Beneficiaries are legally required to report changes in circumstances, including income changes to the Eligibility Determination Agencies (EDAs). DMAHS will continue to enforce these requirements. If it is discovered that there was a period of ineligibility at the time of a redetermination, the EDA will require the beneficiary to pay incorrectly paid benefits.

Follow-Up Review Results: No action has been taken by DMAHS on this matter.

Income Eligibility

Background: The U.S. Department of Health and Human Services Office of Inspector General's List of Excluded Individuals/Entities (LEIE) provides information to the healthcare industry, patients, and the public regarding individuals and entities currently excluded from providing and billing federally funded healthcare programs due to convictions for program-related crimes.

Summary: Periodic matches with LEIE database should be performed.

Report Recommendation: We recommended the division require periodic matching of recipients with the (LEIE) database to identify potentially ineligible recipients.

Management Corrective Action Response: DMAHS considered this recommendation. Because inclusion on the LEIE database is about service providers, it does not affect NJ FamilyCare eligibility. DMAHS already uses various methods and sources to verify eligibility and does not believe that periodic matching of recipients with the LEIE database would be a beneficial use of resources.

Department of Human Services
Division of Medical Assistance and Health Services
NJ FamilyCare Eligibility Determinations (continued)

Follow-Up Review
Results:

No action has been taken by DMAHS on this matter.

Department of Human Services
Division of Mental Health and Addiction Services
Addiction Services

Service Capacity Management System (SCMS)

Background:	The division's SCMS allows providers to update their availability for all licensed levels of care. Having access to the SCMS could help providers with referrals when they lack capacity or do not offer the level of service that an individual needs.
Summary:	The division should require providers to update treatment availability more frequently.
Report Recommendation:	We recommended the division make the SCMS available to providers.
Management Corrective Action Response:	The Division of Mental Health and Addiction Services (DMHAS) is developing a real time Capacity Management System that utilizes the New Jersey Substance Abuse Monitoring System (NJSAMS) and will begin roll out phases in the new year. DMHAS will make the Capacity Management System available to providers. Upon implementation of the Capacity Management System, SCMS will be eliminated for this purpose.
Follow-Up Review Results:	Our follow-up review found that the division has not implemented the new Capacity Management System yet and SCMS has not been made available to providers.

Monitoring of Mobile Medication Units

Background:	The mobile medication units (MMU) provide medication-assisted treatment and counseling to indigent New Jersey residents with an opiate addiction. Providers operating MMUs are contractually required to serve at least 200 clients daily and must go out in the community six days each week. Providers must maintain a utilization rate of 95 percent to receive full contract funding.
Summary:	The division should improve its monitoring of MMU providers.

Department of Human Services
Division of Mental Health and Addiction Services
Addiction Services (continued)

Report Recommendation:	We recommended the division improve its monitoring of the levels of service of the MMUs.
Management Corrective Action Response:	Contract monitors continue to collect information during the annual site visit regarding the operations of the mobile units, including number of days in service, the reasons for any suspended service, distance traveled and destination, and number of clients served. DMHAS' Program Monitoring unit continues to collect monthly rosters from the Medication Assisted Treatment Initiative (MATI)-contracted agencies. On a quarterly basis, DMHAS' Contract Monitoring Unit reviews MATI contract utilization charts which indicate monthly utilization rates and average utilization rates for each quarter. From these reports, the Contract Monitoring Unit assesses whether agencies are meeting contractual requirements of at least a 95 percent utilization rate. If agencies do not meet the contractual requirements, DMHAS will either reduce individual agency contract ceilings or seek recoupment of funds.
Follow-Up Review Results:	Our follow-up review found that the division has not made any significant improvement with its monitoring of MMUs. Our review found that three of the five providers did not meet the required 95 percent utilization rate for level of service and, on average, the mobile units were only operational 63 percent of the required time during calendar year 2019.

Department of Human Services
Division of Mental Health and Addiction Services
Addiction Services (continued)

Drug Screenings and Criminal Background Checks

Background:	The New Jersey administrative code requires employees of licensed addiction treatment providers to be drug-screened and submit to a state-level criminal background check prior to employment. In addition, the administrative code prohibits providers from hiring staff that have been convicted of a crime that adversely affects the person's ability to provide care or interact with clients and families unless rehabilitation has been demonstrated. Such crimes include, but are not limited to, homicide, drug-related offenses, sexual offenses and robbery. Inspectors employed by the Department of Health's Office of Licensing – Mental Health and Addiction Services (OOL) check for evidence of a state-level background check but do not look at the results of the background check and therefore the division is unaware if any employees have a disqualifying criminal history.
Summary:	Monitoring of drug screenings and criminal history background checks for employees of licensed addiction treatment providers should be improved.
Report Recommendation:	We recommended the division should collaborate with the Department of Health's OOL to ensure all provider employee files are reviewed and determine whether there are any disqualifying offenses, and if so, whether rehabilitation has been properly demonstrated and documented. Furthermore, all employees should be subject to a national background check.
Management Corrective Action Response:	DMHAS continues to work collaboratively with the Department of Health to ensure that providers are reviewing background check results to determine fitness for employment. DOH inspectors continue to review records of all employees to verify that they have received the required background checks. Additionally, DMHAS cannot subject employees to a national background check without authorization by state statute.

Department of Human Services
Division of Mental Health and Addiction Services
Addiction Services (continued)

Follow-Up Review
Results:

Our follow-up review found that the Department of Health's OOL is still not reviewing the results of employee background checks. Our follow-up review also found that employees of licensed addiction treatment providers are still not subject to a national background check.

**Office of Information Technology
Enterprise Data Warehouse**

Items Reported Under Separate Cover

Background:	Our audit disclosed nine reportable conditions deemed confidential in nature.
Summary:	These reportable conditions/recommendations were communicated in a confidential management letter provided to agency management only.
Management Corrective Action Response:	Due to the confidential nature of the reportable conditions, the management response to the items is not presented.
Follow-Up Review Results:	Our follow-up review of the nine reportable conditions found four that were considered non-compliant with our recommendation.

Unresolved Issues from Fiscal Year 2018 Audit Reports

Belleville Public Schools

Security System, Telecommunication, and Information Technology (IT) Contracts – Other Purchases

Background:	Public School Contracts Law, N.J.S.A. 18A:18A establishes specific rules and regulations over the procurement of goods and services by school districts.
Summary:	The district awarded contracts without proper competition.
Report Recommendation:	We recommended the district adhere to the provisions of N.J.S.A. 18A:18A when procuring goods and services by exercising proper regard for bidding, competition, and cost.
Management Corrective Action Response:	Security system upgrades have been completed, and the district adheres to all state statutes when procuring goods and services specific to bidding and compliance.
Follow-Up Review Results:	Our follow-up review found no significant improvement as the district purchased security equipment without following proper bidding procedures.

Information System Security

Background:	The district utilizes budgetary accounting and payroll modules of SMARTS-Computer Solutions Inc. (CSI) system. Levels of access to the CSI system were assigned by the district's system administrator who also works with accounts payable.
Summary:	Reassigning duties of the system administrator will strengthen controls over all computerized systems.
Report Recommendation:	We recommended the district reassign duties of the system administrator to someone independent of any transaction process.
Management Corrective Action Response:	The district has reassigned duties of the system administrator and restricted access with regard to specific computer resources to strength controls over all technology, information systems, and employees.

Belleville Public Schools (continued)

Follow-Up Review Results: Our follow-up review found that the district has not reassigned the duties of the system administrator to someone independent of any transaction process. We found the system administrator still had full access to both the personnel and budgetary modules of the CSI system.

Procurement – Internal Controls

Background: The purpose of internal control is to provide adequate checks and balances and to ensure financial transactions are properly authorized and recorded.

Summary: The district's procurement process needs to be strengthened.

Report Recommendation: We recommended the district review and strengthen internal controls over the procurement process to ensure proper segregation of duties and compliance with applicable laws.

Management Corrective Action Response: Internal controls continue to be strengthened with regard to procurement in compliance with all applicable laws and statutes. This had become an ongoing procedure for appropriate checks and balances. All equipment and supplies are purchased in conjunction with established purchasing protocols and in conjunction with an education purpose.

Follow-Up Review Results: Our follow-up review found that the district has not strengthened internal controls over the procurement process to ensure proper segregation of duties and compliance with applicable laws.

Procurement – Cellular Phones

Background: The district's technology device policy, which includes cellular phones, requires a designated staff member to administer the issuance of devices and to maintain direct oversight of inventory, service contracts, and internal controls.

Summary: The district needs to strengthen internal controls over cellular phone issuance and usage.

Belleville Public Schools (continued)

Report Recommendation:	We recommended the district adhere to its cellular phone policy and develop an accurate list of the cellular phone users and monitor their usage.
Management Corrective Action Response:	The district has a new cellular provider, and all accounts are monitored regularly on a monthly basis by the IT department and business office. Each cellphone is labeled with the appropriate staff name and the individual employee is verified for employment during that monthly check. A list of all active accounts is located on the Sprint portal which is monitored by the IT Coordinator.
Follow-Up Review Results:	Our follow-up review of the district's active cellular phone accounts as of January 9, 2020 found no significant improvement, as two listed users had terminated employment. We also found the district did not know the accurate number of push-to-talk devices included under the contract.

Department of Banking and Insurance Administration

Underutilized Office Space

Background:	The department occupies six floors in the state-owned Mary Roebing Building. The department's current space requirements are the equivalent of four substantially-occupied floors. Taking into consideration other design restrictions, the department should be able to reduce its total space requirements by at least one floor.
Summary:	The state-owned building housing the department has underutilized office space.
Report Recommendation:	We recommended the department work with the NJ Division of Property Management and Construction to determine its needs and ensure building space is allocated to maximize use and efficiently utilize department funds.
Management Corrective Action Response:	P.L. 2019 Chapter 141 authorized the Department to develop a State Based Health Exchange (Exchange). A new division within the Department is being created to develop and operate the Exchange. The Exchange staff, along with certain staff from the vendors will be housed in space at the Mary G. Roebing Building. Existing staff will be consolidated and relocated into current vacant space in the Mary G. Roebing Building. In addition to the Exchange, the Department is in the process of hiring sixty-one new staff members who will be housed in existing space in the same building.
Follow-Up Review Results:	Our follow-up review found little change in the level of occupancy in the state owned Mary G. Roebing Building where the department is housed.

Benefit Leave Time Overpayments

Background:	In accordance with the New Jersey Administrative Code (N.J.A.C. 4A:6-1.5), when an unpaid leave occurs the employee's benefit leave time needs to be reduced to account for leave time not earned.
Summary:	The department's efforts to recover the value of overdrawn leave need to be improved.

**Department of Banking and Insurance
Administration (continued)**

Report Recommendation: We recommended the department continue its efforts to recover the value of overdrawn leave in the most cost effective and timely manner.

Management Corrective Action Response: The former Department of Banking and Insurance (department) Human Resources (HR) staff that were present during the audit are no longer employed with the department. All have been replaced with HR staff that are new to the department and have several years of HR experience and training, especially with handling of the Electronic Cost Accounting and Timekeeping System (eCATS). The current HR staff abides by the rules of N.J.A.C. 4A, and in the event they have questions or problems, they email the Office of Information Technology eCATS support for NJ Civil Service Commission for guidance. Our current policy requires that overdrawn leave be recouped from employees pay where possible and if not, we begin collection efforts in accordance with Division of Revenue policy.

Follow-Up Review Results: Our follow-up review found no significant improvement with the department's efforts to recover the value of overdrawn leave.

Department of Human Services
Division of Medical Assistance and Health Services
Transportation Broker Services Contract – Utilization

Liquidated Damages

Background:	The division entered into a contract with a transportation broker to provide non-emergency medical transportation services to Medicaid recipients. The division can assess liquidated damages against the broker for failure to meet any of the 12 performance standards defined in the contract in an effort to promote improved performance. This includes a Member Complaints standard for which the broker is assessed liquidated damages of at least \$7,500 per month if greater than one percent of recipients file a complaint. The broker, however, receives the complaints directly and reports the results to the division monthly.
Summary:	Procedures for assessing liquidated damages need to be strengthened.
Report Recommendation:	We recommended the division comply with all contract requirements and properly follow the methodology contained in the contract for assessing liquidated damages. In addition, recipient complaints should be received and catalogued by a third party.
Management Corrective Action Response:	In compliance with the contract, the Division of Medical Assistance and Health Services (DMAHS) produces a preliminary liquidated damages report on a monthly basis, and the broker may submit data in response which could impact the assessment of liquidated damages. Additionally, DMAHS considered third party cataloging, but the majority of complaints are filed during consumer contact with the “where’s my ride” service and the loss of those complaints could have an unintended consequence of a complaint reduction.
Follow-Up Review Results:	Our follow-up review found the division is still not in compliance with all the requirements contained in the contract for assessing liquidated damages, and recipient complaints are still being received directly by the broker.

Department of Human Services
Division of Medical Assistance and Health Services
Transportation Broker Services Contract – Utilization (continued)

Mileage Reimbursements

Background:	The transportation broker services contract provides a mileage reimbursement of 50 cents per mile to individuals who transport Medicaid recipients to or from a Medicaid-covered service. Multi-loading occurs when a driver transfers two or more recipients to the same destination at the same time. Although the contract requires the broker to limit excessive multi-loading, it does not specify a lower reimbursement rate for multi-load trips. As a result, drivers were reimbursed as though they provided separate trips for each recipient and for more miles than they actually drove.
Summary:	Controls over mileage reimbursements need to be strengthened to avoid improper payments and reduce costs.
Report Recommendation:	We recommended the division modify the contract and limit mileage reimbursements for multi-load trips to the actual distance traveled. The division should also implement procedures or system edits to ensure mileage reimbursements are supported by a Medicaid-covered service on the date of transportation.
Management Corrective Action Response:	DMAHS considered this recommendation but determined that it is not practical to calculate the exact mileage for multi-load trips. Mileage is established when the beneficiary books the trip and the system is not designed to calculate mileage between pick-up locations. The driver may also multi-load with other non-Medicaid payment sources. Multi-load trips result in a savings for the State as they reduce the need for additional drivers. Additionally, as part of its contract compliance, the broker conducts random monitoring of trips. When a trip is entered into the system, providers are called at random to determine if the beneficiary has an appointment. Suspicious trips are reported to an observation team which will confirm that a provider is located at the drop-off address. The broker also provides DMAHS and the Medicaid Fraud Division a report with the names and addresses of all suspected fraudulent trips. The broker also maintains a list of known non-eligible addresses.

Department of Human Services
Division of Medical Assistance and Health Services
Transportation Broker Services Contract – Utilization (continued)

Follow-Up Review Results: Our follow-up review found the division has not made any changes to the contract regarding multi-load trips. Our follow-up review also found that the division is now capable of performing a manual match of the broker's data to Medicaid claims data, but they have yet to use this capability to ensure mileage reimbursements are supported by a Medicaid-covered service on the date of transportation.

Duplicate Capitation Payments

Background: The transportation broker is paid a set monthly capitation fee for each eligible Medicaid recipient. Each month the division provides the broker with a list of all current Medicaid recipients, which is used to generate the capitation payment. Our review of capitation payments (initial audit) from July 2014 through August 2017 disclosed 14,058 duplicate payments totaling \$127,084. The division paid the monthly capitation fee two or more times for some recipients resulting in overpayments totaling approximately \$336,000 dating back to July 2009.

Summary: The monthly capitation fee was paid multiple times for some Medicaid recipients.

Report Recommendation: We recommended the division implement procedures to periodically review monthly capitation payments for duplication and recover improper payments.

Management Corrective Action Response: Duplicated capitation claims are monitored and corrected when beneficiary MEINs are identified and linked. This is a AHS process to reduce duplicate payments across all capitation payments including the Non-Emergency Medical Transportation program.

Follow-Up Review Results: Our follow-up review found the division has not recovered any duplicate payments, which have subsequently increased approximately \$96,000 since our audit.

Department of Labor and Workforce Development
Division of Workforce Development

Eligible Training Provider List

Background:	The Eligible Training Provider List (ETPL) is a comprehensive listing of all schools and organizations offering occupational education and job training programs that are eligible to receive publicly funded tuition assistance. Pursuant to N.J.S.A. 34:1A-86, the division's Center for Occupational Employment Information is responsible for producing a Consumer Report Card (CRC) for each ETPL training program. Each CRC is required to contain training provider performance data such as the number of enrollees, completion rate, placement in employment, long-term success of former trainees in obtaining permanent employment, and wages following the completion of training. As required by N.J.S.A. 34:15C-8, the performance statistics should represent only participants who obtained employment in a training-related field.
Summary:	The division does not adequately monitor training provider performance.
Report Recommendation:	We recommended the division update the performance data methodology to ensure the CRC accurately reflects full-time employment and wages related to the training program.
Management Corrective Action Response:	Please note, there is no way to update the performance data so that it reflects employment related to the training program, nor is there any way to ensure that only full-time wages are included. By law, wage records only include: total wages paid in the quarter, the number of weeks worked, and the industry in which the work took place. There are no hours or occupational data on wage records. This would require a concerted effort to enhance wage records. Until such time, the Office of Research and Information will work with the Department's Policy Office to ensure that the statute is revised to reflect what is possible.
Follow-Up Review Results:	No action has been taken by the division on this matter.

Department of Labor and Workforce Development
Division of Workforce Development (continued)

Skills Partnership Training Grants

- Background:** The Division of Workforce Development (division) offers Skills Partnership Training Grants for eligible employers to upgrade the skills of current employees and/or new employees to meet current and future skill requirements of available high skill/high wage jobs in New Jersey. Following the completion of the grant period, each grantee is required to submit a self-reported closeout report within 30 days. The closeout report provides a comparison of the employment projections to the actual number of jobs retained and/or created. Per N.J.A.C. 12:23-2.8, the division is required to impose a \$500 fine for each incident in which the grantee did not submit a closeout report.
- Summary:** The division does not verify information reported on closeout reports for training grants.
- Report Recommendation:** To enforce compliance with the timely filing of closeout reports, we recommended the division impose fines as per the administrative code. We further recommended the division verify the reported information and hold grantees accountable to their employment projections.

Department of Labor and Workforce Development
Division of Workforce Development (continued)

Management Corrective
Action Response:

Management believes that imposing fines for noncompliance would be counter-productive to achieving the goal of receiving a timely closeout report from the NJDOL's business partners. Additionally, the Business Unit does verify reported information. At the heart of the program is the principle of cost reimbursement. Therefore, the grantee must prove activity took place prior to receiving reimbursement. The documentation provided as part of the payment authorization process is verified prior to payment authorization. No payment for training reimbursement is approved until/unless the training aligns with training outlined within the contract. Furthermore, each grantee is awarded a one-year grant. Upon commencement of the one-year contract, the Business Services Unit staff are in quarterly contact with the business to ensure progress is being made toward achieving the identified training goals and, if so, reimbursement is authorized, accordingly. As the grant concludes, the Business Unit staff finalizes all payments and requests an activity closeout (capstone) report. It is important to note that much of the information requested in the closeout report has already been captured as part of the quarterly contact/training reimbursement verification process.

Follow-Up Review
Results:

No action has been taken by the division on these matters. The division believes that it would be counter-productive to impose fines, and that their procedures to verify information in closeout reports are adequate.

Department of Labor and Workforce Development
Division of Workforce Development (continued)

NJBUILD

Background:	Pursuant to N.J.S.A. 52:38-7 (NJBUILD), any state or local public body, upon entering into any public works contract in excess of \$1 million funded, in whole or in part, by funds of the public body, shall transfer an amount equal to one half of one percent (0.5 percent) of the contract amount to the Department of Labor and Workforce Development (department). The department is required to use the transferred funds to provide outreach and training programs for minority group members and women in construction trade occupations. Since the inception of the NJBUILD statute in 2009, the Division of Workforce Development (division) has collected \$31 million in receipts. The division has not been able to utilize NJBUILD funds as intended by the legislature, and the excess funds have frequently been redirected to the unrestricted balance of the General Fund. As of December 31, 2016, a total of \$19.9 million, or 64 percent of NJBUILD revenues, had been redirected.
Summary:	NJBUILD funds, intended for training of women and minorities in construction trades, are being redirected to the unrestricted balance of the General Fund.
Report Recommendation:	We recommended the division use all funds collected as prescribed by the NJBUILD statute or communicate to the New Jersey State Legislature that the NJBUILD percentage of public contracts be decreased.
Management Corrective Action Response:	The NJDOL does not recommend that the NJ BUILD percentage of public contracts be decreased; it is the NJDOL's intention to use all funds collected as prescribed by the NJ BUILD statute.
Follow-Up Review Results:	No action has been taken by the division on this matter.

Information Technology Governance

Information Technology Governance Framework

Background:	Information Technology (IT) governance is defined as the processes that ensure the effective and efficient use of IT in enabling an organization to achieve its goals. In accordance with the Office of Information Technology Reorganization Act, the Chief Technology Officer and Office of Information Technology (OIT) has the authority to coordinate and conduct all information technology operations in the Executive Branch of State Government, including agency technology operations.
Summary:	Neither the Executive Branch as a whole, nor many of its individual agencies, have a current IT strategic plan.
Report Recommendation:	We recommended the OIT create Information Technology Governance Framework implementation guidance for agencies, including guidance for agencies to establish a representative group charged with agency IT governance as well as a monitoring process for compliance with the governance framework.
Management Corrective Action Response:	The new Chief Data Officer (CDO) has been charged with heading up the project to complete the Information Technology Governance framework. Using information from the previous CDO, as well as input from all of OIT and agency management, this process is underway.
Follow-Up Review Results:	The Information Technology Governance Framework is currently in development by OIT. The OIT has stated that they will be creating this guidance and a monitoring process for compliance with the governance framework as the framework is completed.

Kean University

Procurement and Receiving

Background:	A confirming order is the ordering of goods or services before an authorized purchase order is approved, thus bypassing the university's procurement process.
Summary:	Internal controls over purchasing need improving.
Report Recommendation:	We recommended the university avoid the use of confirming orders.
Management Corrective Action Response:	Starting in 2018, the university redesigned and started offering new, consistent training regarding the university's procurement policies to both administrative and academic staff. This training is offered during professional development days as well as periodically throughout the year. A key part of this training is a section entitled "Unauthorized Orders", which clearly indicates that items are not to be purchased prior to the creation of a purchase order.
Follow-Up Review Results:	Our follow-up review found no significant improvement. We tested 15 purchasing transactions and found 4 transactions were confirming orders. These four transactions did not appear to be for emergencies.



Philip D. Murphy
Governor

May 20, 2020

Robert E. Mulcahy, III
Chairman

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Re: The Casino Reinvestment Development Authority's ("CRDA") Response to the Office of Legislative Services' ("OLS") Audit Summary

Sheila Y. Oliver
DCA Commissioner

Dear Mr. Troutman:

James T. Plousis
Casino Control Commission

Attached please find the CRDA's Response to the OLS Compliance Audit Summary. Also attached are Exhibits A – D, which are referenced in the Authority's response.

Mayor Marty Small, Sr.
City of Atlantic City

Modia Butler

Debra P. DiLorenzo

Very truly yours,
Monica E. de los Rios
Monica E. de los Rios
General Counsel

Edward H. Gant

Mark Giannantonio

Michael I. Hanley

Gary L. Hill

Howard J. Kyle

William T. Mullen

Matthew J. Doherty
Executive Director

COMPLIANCE REVIEW

	RECOMMENDATION	NOTES
1	The authority should ensure compliance with its own procurement guidelines and EO 37.	The Authority is revising its Purchasing Policies and Procurement Manual, which will ensure consistency with the relevant Executive Orders. Now that the Legal Department has instituted monthly meetings with Department Directors, discussions regarding contract guidelines have been established and reinforced. In this way, the Authority anticipate these issues will be mitigated in the future.
3	When applying emergency procurement procedures, the authority should limit the purchase to those services or products necessary to mitigate the emergency and ensure proper application and approval of the exception to competitive procurement.	The Authority is revising its Purchasing Policies and Procurement Manual, and has mandated that such procurements begin in a timely manner.
6	The authority should implement controls to ensure that contracts are executed in accordance with the financial provisions authorized by board resolution.	Currently, the Authority is revising its Purchasing Policies and Procurement Manual to include this control. The Legal Department is also performing an internal review of resolutions when drafting the respective contract to insure the necessary terms are aligned.
7	Contract terms and subsequent amended terms that are not consistent with the authorizing resolution should be presented to the board for approval and transparency.	Currently, the Authority is revising its Purchasing Policies and Procurement Manual to include this control. The Legal Department is also performing internal reviews of resolutions and contracts to insure the necessary terms are aligned when drafting the respective contract.
8	The board should evaluate the propriety of payments to the promoter and ensure management recovers any overpayments.	The Authority has evaluated this recommendation and concluded that there was no overpayment. The booking was properly attributed to the promoter.
9	Management should ensure accuracy of any sponsorship fee payments and seek recovery of the \$80,000 overpayment.	The Authority relies on its previous responses.
10	The authority should develop and institute monitoring controls to determine if all parties perform in accordance with contract terms and deliverables.	The Authority is conducting updated trainings for its project managers, which will clarify the process, as well as insure the understanding of deliverables prior to each payment being made. Effective immediately, the Authority is instituting a project close-out for sponsorships and grants to ensure accountability.
11	Performance should be measured, when applicable, and reviewed to determine whether funds were spent in an efficient and effective manner and used as a basis for future contracts.	In 2020, the Authority overhauled its grant and loan application process. These applications now include a social and economic impact statement. They also include a grant close-out report. These are the documents the Authority is now using to analyze performance and ROI.
12	The board should evaluate the propriety of terms added to the amended stage development agreement and payments issued to the developer, and the authority should seek a return of any unauthorized payments.	The Authority has considered this item and determined the terms were properly included and the Authority will not seek a return of what has been identified by OLS as "unauthorized payments."
13	All contracts should be executed in accordance with board resolutions.	Currently, the Authority is revising its Policies and Procurement Manual to include this control. The Legal Department is also performing an internal review of resolutions and contracts to insure the necessary terms are aligned when drafting the respective contract.
14	Any terms recommended by the Executive Director that are not in accordance with board resolutions should be placed on the board agenda to ensure a public session vote and the required board approval, which would be memorialized in the board minutes and subject to review by the Governor.	To clarify, the Executive Director is given authority to negotiate and execute contracts in accordance with each relevant resolution. Accordingly, the terms in the contract may be additional to those set forth in the resolution. This does not necessarily mean the terms are contradictory. Board approval will be sought in those instances where the terms of the contract and resolution are contradictory. Resolution 20-45 adopted April 21, 2020, is an example of this being done.
16	The authority should obtain independent assurance that the \$2 million investment was in compliance with the N.J.S.A. 5:12-178 and if determined noncompliant, it should seek return of the \$2 million from the licensee.	The Authority will rely on its previous responses.
18	The CRDA should evaluate usable office space throughout authority-owned properties and determine where efficiencies could be achieved by consolidating operations into fewer buildings, ending a lease of excess office space, and potentially disposing of excess administration properties.	Phase 1 of the space audit (Firehouse) was conducted in March 2020. The remaining phases of the space audit involving the Convention Center and Boardwalk Hall will continue upon removal of the State of Emergency and COVID-19 related restrictions because the audits require in-person inspections and inventories of each office. In addition, the Authority is currently considering the elimination of the use of the Annex building and merge operations to the
19	The authority should ensure the use of Convention Center meeting rooms is recorded to properly analyze usage.	We have now confirmed that Convention Center bookings are maintained by MeetAC through the Ungerbock program.
27	<i>Special Improvement District Assessment</i> - The authority should develop a policy regarding write-off of uncollectible accounts.	As explained by the CFO, she developed a policy in early 2016 and it applied retroactively for all of 2015 even though the CFO had not started working for the Authority until December 2015. This retroactive policy allowed the Authority to effectively apply it to the 2015 year-end amounts.
28	Since the Special Improvement Division is responsible for the accounting of SID assessments, it should be included in the year-end close process to ensure accuracy.	The Authority has further considered this recommendation and, while it will continue to obtain the assessment data from SID, it will now also meet with SID during the 4th quarter.
29	<i>Procurement and Accruals - Convention Center Division</i> - The authority should ensure that all its divisions follow the same procurement policies and procedures.	The Authority has considered this recommendation and has assigned the issue to its outside counsel.
31	The authority should resolve the \$190,000 payment issue with New Jersey Transit.	Currently, the Authority is working with its outside counsel to develop a resolution strategy.

34	<i>Software</i> - The authority should evaluate the customer relationship marketing software to determine if its capabilities are necessary and procure any future contracts properly.	At this time, the marketing software that is used is called Simpleview. The Marketing Director has determined this product best serves the Authority's needs at this time. In addition, MeetAC is expected to move to this database. Also, the Authority is presently negotiating a short contract extension with Simpleview and has finalized an RFP for this service. The Authority is finalizing the procedure for receipt of RFPs/Bids in light of COVID-19 and anticipates the RFP will be advertised the week of May 25, 2020. Also, the Authority is currently revising its Policies and Procurement Manual to reflect the bid threshold change to \$40,000. The threshold was raised, effective July 1, 2015, by the State Treasurer, and the Authority's actions coincide with that time period. It remains unclear to the Authority what metrics would satisfy OLS' concerns of software capabilities.
36	<i>Restaurant Week</i> - Events should have clear objectives with performance metrics, and budgets should be adjusted accordingly.	The Lloyd D. Levenson Institute of Gaming, Hospitality & Tourism at Stockton University has authored an Executive Report of Restaurant Week, presently in draft form. The Report addresses topics that include: overview and key findings; economic impact; and recommendations. It is commissioned by the Casino Reinvestment Development Authority and the Atlantic City Restaurant Week Committee.
38	The authority should also recover any additional overpayments noted as a result of our review.	The Authority has considered OLS' recommendation. The Legal and Finance Departments have partnered to create a contract database that actively monitors billing and contract compliance, which also mitigates any overpayments on contracts. An example of the database was provided to OLS.
39	The authority should monitor the terms of all contracts.	The Authority has considered this item. Effective 2020, the Authority is conducting updated trainings for its project managers, which will clarify the process as well as insure the understanding of deliverables prior to each payment being made. Effective immediately, the Authority is instituting a project close-out for sponsorships and grants to ensure accountability. Finally, in 2020 the Authority created a contract database to actively monitor all contracts with a project-specific manager.
45	<i>Board Compensation and Executive Director Severance</i> - The authority should develop a standard procedure for waivers of board compensation with any reinstatement effective prospectively from the date of request.	The Authority is currently drafting a memo on this issue which will be distributed at the Reorganization Board Meeting on July 21, 2020.
47	The board should review the propriety of the former Executive Director's severance payment.	The Authority is relying on its previous responses.
49	The CRDA should develop controls to monitor projects through completion to ensure that deadlines are achieved, and its funds are utilized as intended and in an efficient and effective manner.	The Authority has considered this item. Effective 2020, the Authority is conducting updated trainings for its project managers, which will clarify the process as well as insure the understanding of deliverables prior to each payment being made. Effective immediately, the Authority is instituting a project close-out for sponsorships and grants to ensure accountability. Finally, in 2020 the Authority created a contract database to actively monitor all contracts with a project-specific manager.
50	The authority should establish criteria to recover funds in a timely manner when a project is not materializing as approved.	The Authority has considered this item. Effective 2020, the Authority is conducting updated trainings for its project managers, which will clarify the process as well as insure the understanding of deliverables prior to each payment being made. This process will be codified in an SOP. Effective immediately, the Authority is instituting a project close-out for sponsorships and grants to ensure accountability. Finally, in 2020 the Authority created a contract database to actively monitor all contracts with a project-specific manager.
51	A new board should be appointed to the ACCVA/CRDA Foundation to ensure the remaining funds are utilized as originally intended.	This is in progress and requires additional fact-finding by outside counsel.
52	The unused accounting software services should be cancelled if determined unnecessary.	Our IT Manager has confirmed that there is a QuickBooks account that was inherited from ACCVA - it is not active and the Authority does not pay for the subscription.



KATRINA MCCOMBS
STATE DISTRICT SUPERINTENDENT

CAMDEN CITY SCHOOL DISTRICT

1033 CAMBRIDGE ST, CAMDEN, NEW JERSEY 08105
856-966-2000 • www.camden.k12.nj.us

Via Email

February 4, 2020

Anisah Coppin
School Business Administrator/
Board Secretary

1033 Cambridge Avenue
Camden, NJ 08105
856-966-2000, ext. 38829 – office
856-394-3628 - mobile

Thomas Troutman
Office of Legislative Services

Dear Mr. Troutman,

The Camden City School District (the District) is in receipt of the Office of Legislative Services Follow-up Review of the findings resulting from the audit covering the period of July 1, 2015 through February 28, 2018. The District appreciates the opportunity this review has provided us to demonstrate our commitment to accelerating student achievement through improved operations and better management of resources.

Since the initial release of the January 2019 Audit Report, I am very pleased that the District has made significant strides to address all of the audit findings. We were able to demonstrate compliance (full and partial) in 31 of the 33 findings originally cited.

The District has developed and implemented procedures that address the remaining two audit findings. Please note that our Early Childhood department has already begun implementing the procedures outlined in the attached plan.

Resolving persistent issues with the District's fiscal management is critical to CCSD's ability to provide students with a high quality education, and our ability to return to stable, sustainable local control. During the past year, the District has been working hard to course correct years of mismanagement and to develop a culture of compliance that will ensure resources are well managed.

If you require any further information, please feel free to contact me.

Sincerely,

Anisah A. Coppin
School Business Administrator/Board Secretary
Camden City School District

Enclosures



Camden City School District
Response to the January 2020 OLS Audit Follow-up Review

Finding	District Response	District Evidence
<p>1. The district should properly adjust its payments to preschool providers when their enrollment is less than required under contract.</p>	<p>When determining and distributing appropriate monthly payments, all contracted programs follow the procedure below:</p> <ul style="list-style-type: none"> • All sites are subject to enrollment deductions based on its contractual agreement with the District, which states that the provider must enroll on a monthly basis at least 14/15ths of our agreed upon enrollment capacity. Anything less than 14/15ths will result in a monthly deduction. • Monthly attendance reports are submitted to the District by the 3rd of each month. That attendance is verified by the EC clerical team to identify the need for enrollment deductions. • Monthly invoices are submitted to the District by the 5th of each month. All enrollment deductions are to be noted on the monthly invoice (with the exception of September), and verified by the EC Coordinator and Fiscal Specialist. • Provider checks are distributed by the 15th of each month. Program designee picks up the monthly check from the Office of Early Childhood, signing off on receipt of payment. 	<p>Executed Contract</p> <p>Reporting Schedule</p> <p>DOE Email</p>
<p>2. The district should also recover all preschool provider overpayments.</p>	<p>Contracted Head Start and Private Providers are required to submit a quarterly report to the District to verify all expenditures made during the quarter. If/when there are discrepancies that exist (e.g. overpayment, underpayment and/or non-allowable spending practices) within the reporting and the expenditures cannot be reconciled, the Office of Early Childhood takes corrective action as</p>	<p>Executed Contract</p> <p>Reporting Schedule</p> <p>Resolution to Recover Funds</p>



Camden City School District
Response to the January 2020 OLS Audit Follow-up Review

	<p>necessary, which includes the recovery of overpaid funds.</p> <p>Additionally, The Office of Early Childhood undergoes extensive review by the Office of Fiscal Accountability and Compliance. During this audit, the OFAC reviews the fiscal practices of the District (Office of Early Childhood) as well as our contracted Private Provider and Head Start programs. If/when there are findings to suggest overpayment, underpayment and/or non-allowable spending practices, the Office of Early Childhood implements a Corrective Action Plan to address any and all findings, including the recovery of overpaid funds.</p>	
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State of New Jersey

DEPARTMENT OF CORRECTIONS

WHITTLESEY ROAD

PO BOX 863

TRENTON NJ 08625-0863

PHILIP D. MURPHY

Governor

SHEILA Y. OLIVER

Lt. Governor

MARCUS O. HICKS, ESQ.

Commissioner

March 31, 2020

Stephen M. Eells
State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, New Jersey 08625-0067

Dear Mr. Eells,

I have reviewed the findings from the recent Compliance Review conducted at Northern State Prison (NSP) performed by your office over the past few months. Thank you for the opportunity to respond and provide comments to your office prior to the release of the Compliance Report.

Our understanding of the objective of the Compliance Review was to determine whether the New Jersey Department of Corrections (NJDOC) complied with the recommendations provided in the audit of NSP for the period of July 1, 2015 to December 31, 2017. I understand that there were four (4) findings deemed to be in non-compliance status at the conclusion of the Compliance Review. The following is in response to the areas considered to be in non-compliance:

Employee Overdrawn Leave Balances – Compliance Review

Recommendation:

The prison's regional personnel unit should submit employees' debt to DORES timely as required by the circular.

Management Response: The Department of Corrections made corrective actions by amending Standard Operating Procedures (SOP) #5 which includes language addressing timely submission of employee debt to DORES.

Current Status:

In contrast to the amendments to SOP #5, nothing substantial has changed since the original audit. The last employee debt submitted to DORES was on 8/28/2014. The new Human Resources (HR) Manager in Region 2 is in the process of sending out the required 30, 60 and 90 day delinquency notices per treasury circular to each

employee debtors for CY19 and CY20 employee overpayments. After the final 90 day letters are issued, Region 2 will submit the debt to DORES timely.

Response:

As mentioned in the auditor's compliance review, not only is the Region 2 HR Manager new, but most of the staff in this office are also newly hired. That being said, the Central Office, Office of Human Resources hosted an internal training with one of the topics being DORES. This training occurred on January 23, 2020. Networking and information sharing, including contact information was facilitated to improve the overall knowledge base throughout all of the Regional HR Offices.

The Regional Manager who began on September 28, 2019, has been making and continues to make a noticeable difference, however, the significant delays in receiving required approvals to hire the staff needed, leaves this unit trying to maintain operational effectiveness. The majority of time is therefore dedicated to ensuring active employees are appropriately compensated with benefits, as well as other operational needs of the facilities and the Department are met.

The required 30, 60 and 90 day letters have been and continue to be sent to staff with the most current years being processed first. As an additional step, calendar reminders have been instituted to enter DORES information in a timely manner.

Outside Activity or Employment Questionnaire – Compliance Review

Recommendation:

The department and the prison should enforce the policy over outside activity or employment.

Management Response:

The department had made corrective actions in issuing a memorandum to staff and amending the policy to address delinquent questionnaires.

Current Status:

Although the department is focusing on the next three-year Outside Activity Questionnaire (OAQ) cycle (January 2020), we still consider the enforcement of the OAQ policy as noncompliance. As cited in the original audit report, the OAQ compliance rate was 35% in October 2018. NJDOC did not provide a current database/excel listing that shows a compliance rate improvement greater than 35%. The current database should also have OAQ statistics on new employees after October 2018 regardless of their new OAQ cycle.

Response:

The annual OAQ cycle for the Northern Regional facilities has begun. Changes initiated from last years' response have been incorporated in the Office of Equal Employment and Legal Affairs' policy and procedures. Once the Northern Region's cycle is complete an updated database/excel listing will be available reflecting current statistics. As of this writing, NSP is currently at a 76% completion rate for OAQ responses. More than twice the rate from October 2018. Any delinquent questionnaires will be followed-up on in accordance with the department's policy.

Internal Controls – Compliance Review

Receipt of goods

Recommendation:

The prison should strengthen internal controls over procurement by not allowing the same person to request items and/or services and directly receive them.

Management Response:

All prison staff have been advised of this finding and will ensure that any individual signing for the request of goods or services will not be the individual to sign for the receipt of said goods or services. This will ensure proper segregation of duties.

Current Status:

Out of our sample of ten (10) payment vouchers tested, four (4) exceptions were noted where the same person requested the item and also directly received them.

Response:

The Administrator will re-issue the memorandum directing staff who request to purchase items through the facility's Business Office, should not be the individual signing for the receipt of these goods or services. Business Office staff will also be instructed when processing invoices for payment, to review the procurement request and receiving report, to ensure that the individual that requested the goods or services, is not the same individual that signs off on the receiving report. Additionally, the Business Office will develop and implement a checklist to include in the package that identifies proper segregation of duties have been properly followed to further strengthen the process to ensure that the proper receipt of goods and services is verified.

Utility charges

Recommendation:

The prison's maintenance department should analyze and approve the monthly water bills to determine the reasonableness of water usage.

Management Response:

The Business Office has reviewed, and continues to review, all water and sewage bills with the appropriate maintenance staff to ensure the usage billed for the water consumption is appropriate and consistent with previous invoices. An electronic spreadsheet has been developed and implemented to accurately record and track the monthly consumption as well as the associated charges.

Current Status:

From a sample of five (5) water payment vouchers, we did not see any evidence that the maintenance department analyzed and approved the water bills. The Business Manager prepared a broad analysis but it was not prepared by the maintenance department. In the analysis, we noted significant water usage variance not explained in one of the meter recordings. The purpose of an analysis is to explain any material variance that does not meet your expectation.


Response:

Currently, Administration at NSP, the Maintenance Supervisors and Business Manager meet on a monthly basis to review all open purchase orders, ongoing projects and discuss any upcoming projects or initiatives. During this meeting, they will review the monthly water bill and analyze the bill compared to previous months, as well as the invoice from the previous year. This analysis will be summarized in a statement, noting any differences identified during the monthly review. The statement will also reflect the appropriate signatures from the respective units. Where applicable, follow-up and additional inspections of facility infrastructure will be conducted.

The NJDOC is committed to addressing and correcting these deficiencies. Each Director of these respective areas, Financial Management, Human Resources and the Equal Employment Division, will be tasked to routinely follow-up to ensure that full compliance is realized throughout the course of the year, and beyond. In an effort to further achieve and maintain compliance, the NJDOC Bureau of Auditing will also include these items in their scope and conduct periodic reviews. These additional measures will provide the necessary oversight to ensure compliance with these specific audit findings.

In closing, I would like to thank your audit staff for their continued diligent work and professionalism exhibited during the Compliance Review.

Sincerely,



Marcus O. Hicks, Esq.
Commissioner

c: Suzanne Lawrence, Chief of Staff
Victoria Kuhn, Deputy Chief of Staff
Gary T. Alpert, Assistant Commissioner, Administration
Michelle Ricci, Assistant Commissioner, Division of Operations
Christopher Holmes, Director, Division of Operations
Robert S. Biluck, Director, Office of Financial Management
Elizabeth Whitlock, Director, Office of Human Resources
Melinda Haley, Director, Legal Affairs
Gail Beran, Legal Advisor, EED
Patrick Nogan, Administrator
Belinda Smith, Manager
Alana Wallbillich, Business Manager
Hema Sheth, Audit Supervisor



State of New Jersey
DEPARTMENT OF EDUCATION
PO Box 500
TRENTON, NJ 08625-0500

PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

LAMONT O. REPOLLET, ED.D.
Commissioner

April 20, 2020

Mr. David J. Kaschak
Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, NJ 08625-3901

SUBJECT: *Response to the OLS Compliance Review of the Department of Education Renaissance Schools*

Dear Mr. Kaschak:

The New Jersey Department of Education (Department) has received and reviewed the results of the compliance review performed by the Office of Legislative Services, Office of the State Auditor (State Auditor) related to the audit of the Department of Education, Renaissance Schools for the audit period of July 1, 2015 to October 2, 2018. On November 26, 2019, the Department submitted its updated response to the State Auditor's initial finding and recommendation, which precipitated a compliance review by the State Auditor. Upon completion of the compliance review, the State Auditor found the Department non-compliant regarding the timeframe for conducting period reviews. The State Auditor's non-compliant statement along with the Department's response is as follows:

Noncompliance – Renaissance School Oversight as Indicated by the State Auditor

The Department has not specified a timeframe for conducting periodic reviews. A renaissance school project could potentially go several years without a periodic review and noncompliance such as the instances identified during the audit may go undetected.

Recommendation - Renaissance School Oversight

The Department should specify a timeframe for conducting periodic reviews.

Mr. David J. Kaschak, Assistant State Auditor
April 20, 2020
Page 2

Department Response January 18, 2019 and November 26, 2019

The Department respectfully disagrees with the recommendation it should set a specific timeframe for conducting periodic reviews of renaissance school projects. A structured timeframe for review would be inconsistent with the Urban Hope Act and accompanying regulations at *N.J.A.C. 6A:31-1.1 et seq.*, as amended in January 2018. Had the legislature intended to quantify the timeframe for conducting reviews, beyond “periodic” reviews, it would have explicitly stated the requirement in the statute. Further, a structured timeframe for conducting periodic reviews is seemingly incompatible with the State Auditor’s recommendation that periodic reviews include unannounced site visits. That said, the Department is committed to increasing its overall communication with renaissance school projects and the renaissance school district, including announced and unannounced visits to renaissance school projects, as part of its periodic reviews.

Department Response March 20, 2020

The Department continues to maintain that the specification of a timeframe for conducting periodic reviews would be inconsistent with the Urban Hope Act and accompanying regulations. Further, a specific timeframe could inhibit the Department’s ongoing monitoring and review including, but not limited to, announced and unannounced site visits to renaissance school projects.

Should you have any additional questions or need further information, please contact me at (609) 376-9083.

Sincerely,



Julie Bunt, Ed.D.
Director
Office of Charter and Renaissance Schools

JB/SF/doe response- Renaissance Schools 2020

c: Lamont Repollet
Kellie LeDet
Chris Huber
Dr. Jamar E. Purnsley
Vincent Mastrocola



State of New Jersey
Department of Human Services
OFFICE OF LEGAL AND REGULATORY AFFAIRS
P.O. BOX 700
TRENTON NJ 08625-0700

PHILIP D. MURPHY
Governor

Sheila Y. Oliver
Lt. Governor

Carole Johnson
Commissioner

Gerard Hughes
Director

MEMORANDUM

TO: David Kaschak, Assistant State Auditor
Office of Legislative Services
Office of the State Auditor

FROM: Gerard Hughes
Director, Legal & Regulatory Affairs

DATE: March 27, 2020

SUBJECT: **2019 Compliance Review**

The Department of Human Services is in receipt of the results of your Compliance Review concerning the legislative requirement in P.L. 2006, Chapter 82 to perform follow-up reviews of all findings in State Auditor reports. Please see the attached response to the recommendations identified in your review as noncompliant.

Thank you for the opportunity to respond to the Compliance Review. As evidenced by the results of the review, the Department has made considerable progress in addressing the recommendations made by the State Auditor and remains committed to this process.

If you have any questions, please do not hesitate to contact Allan Brophy at (609) 292-9752 or Allan.Brophy@dhs.state.nj.us.

**OFFICE OF THE STATE AUDITOR
2019 COMPLIANCE REVIEW
SUMMARY OF 2018 AND 2019 AUDIT REPORT OUTSTANDING ITEMS FOR COMPLIANCE FOLLOW-UP
DEPARTMENT OF HUMAN SERVICES**

AUDIT	RECOMMENDATION	DHS RESPONSE
Department of Human Services, Division of Medical Assistance and Health Services, Transportation Broker Services Contract - Utilization	The division should comply with all contract requirements and properly follow the methodology contained in the contract for assessing liquidated damages.	In compliance with the contract, DMAHS produces a preliminary liquidated damages report on a monthly basis, and the broker may submit data in response which could impact the assessment of liquidated damages. Following this review, the DMAHS fiscal unit considers recovery of liquidated damages.
	Recipient complaints should be received and catalogued by a third party.	DMAHS assigns two State staff members who have access to the complaint log at the broker's office. These staff monitor complaints monthly and also review broker-generated reports related to complaints. DMAHS considered third party cataloging, but the majority of complaints are filed during consumer contact with the "where's my ride" service and the loss of those complaints could have an unintended consequence of a complaint reduction. Experience in other states has shown the involvement of a third party to have a greater downside of reduced reporting.
	The division should modify the contract and limit mileage reimbursements for multi-load trips to the actual distance traveled.	DMAHS considered this recommendation but determined that it is not practical to calculate the exact mileage for multi-load trips. Mileage is established when the beneficiary books the trip and the system is not designed to calculate mileage between pick-up locations. The driver may also multi-load with other non-Medicaid payment sources. Multi-load trips result in a savings for the State as they reduce the need for additional drivers.
	The division should implement procedures or system edits to ensure mileage reimbursements are supported by a Medicaid-covered service on the date of transportation.	As part of its contract compliance, the broker conducts random monitoring of trips. When a trip is entered into the system, providers are called at random to determine if the beneficiary has an appointment. Suspicious trips are reported to an observation team which will confirm that a provider is located at the drop-off address. The broker also provides DMAHS and the Medicaid Fraud Division a report with the names and addresses of all suspected fraudulent trips. The broker also maintains a list of known non-eligible addresses.
	The division should implement procedures to periodically review monthly capitation payments for duplication and recover improper payments.	Duplicated capitation claims will be monitored and corrected when beneficiary MEINs are identified and linked. This DMAHS process will help to reduce duplicate payments across all capitation payments including NEMT.

<p>Department of Human Services Division of Medical Assistance and Health Services NJ FamilyCare Eligibility Determinations</p>	<p>The division should ensure that end-dates are entered in the system for all recipients.</p>	<p>Entering end-dates at this time would cause certain recipients to be disenrolled for reasons beyond their control. DMAHS continues to work with the county boards of social services on their Corrective Action Plans to ensure that all redeterminations are completed in a timely manner. DMAHS will revisit this recommendation in the future.</p>
	<p><i>Wage Reporting and State Employees-</i> In addition to the annual eligibility redeterminations, the division should require periodic matching of NJFC recipients to New Jersey's wage reporting system.</p>	<p>Federal rules require redeterminations annually and whenever there is a change in circumstances. Beneficiaries are legally required to report changes in circumstances, including income changes, to the Eligibility Determination Agencies (EDAs). DMAHS will continue to enforce these requirements. If it is discovered that there was a period of ineligibility at the time of a redetermination, the EDA will require the beneficiary to pay <i>incorrectly paid benefits</i>.</p>
	<p><i>List of Excluded Individuals and Entities-</i> The division should require periodic matching of recipients with the LEIE database to identify potentially ineligible recipients.</p>	<p>DMAHS considered this recommendation. Because inclusion on the LEIE database is about service providers, it does not affect NJ FamilyCare eligibility. DMAHS already uses various methods and sources to verify eligibility and does not believe that periodic matching of recipients with the LEIE database would be a beneficial use of resources.</p>
<p>Department of Human Services Division of Mental Health and Addiction Services Addiction Services</p>	<p>The division should make SCMS available to providers.</p>	<p>DMHAS will make the Capacity Management System available to providers.</p>



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
PO BOX 325
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PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

MARLENE CARIDE
Commissioner

February 20, 2020

Timothy Bush
Manager
Office of the State Auditor

Subject: Audit Review Response

Dear Mr. Bush:

The Department is committed to using its space efficiently. On February 18, 2020 fifteen new employees were hired by the Department. March 2, 2020 sixteen new employees will begin work.

All new employees will occupy space that is currently vacant in the Roebling Building.

The Department is committed to additional hiring, which is currently in process.

Sincerely

A handwritten signature in blue ink that reads "Thomas P. Gallagher".

Thomas P Gallagher
CFO



PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lieutenant Governor

State of New Jersey
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
PO Box 110
TRENTON, NEW JERSEY 08625-0110

ROBERT ASARO-ANGELO
Commissioner

February 19, 2020

Stephen Eells, State Auditor
Office of Legislative Services
125 South Warren Street
PO Box 067
Trenton, New Jersey 08625

Dear Mr. Eells:

Thank you for your report of February 5, 2020, providing an update to the findings reported in the August 29, 2017, New Jersey Department of Labor and Workforce Development, Division of Workforce Development report. We are providing an explanation for one of the items:

Finding Title: Eligible Training Provider List

Explanation (DOL):

The Wage reporting data is considered the gold standard for the reporting of employment outcomes. Wage records are not only the most reliable available data but also the least costly to collect when compared to alternatives (e.g., telephone surveys, employer or training provider self-report).

The Workforce Development Boards do not collect wage data.

If you have any questions or concerns please contact Theresa Valley, Acting Director, Office of Internal Audit at (609) 984-1779 or Theresa.Valley@dol.nj.gov.

Sincerely,

Robert Asaro-Angelo
Commissioner

c: Julie Diaz
Paul Yuen
Anna McMullen
Lesley Hirsch
Hugh Bailey
Theresa Valley



PHILIP D. MURPHY
Governor

Office of Information Technology
P.O. Box 212
Trenton, New Jersey 08625-0212

SHEILA Y. OLIVER
Lt. Governor

CHRISTOPHER J. REIN
Chief Technology Officer

February 19, 2020

Thomas Troutman
Assistant State Auditor
New Jersey Legislature
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, NJ 08625-3901

RE: IT Governance Compliance Audit Response

Dear Mr. Troutman:

Please accept this letter from the New Jersey Office of Information Technology (“NJOIT”) in response to the report sent by the Office of Legislative Services (“OLS”), addressing the audit report for NJ Office of Information Technology, IT Governance Compliance Audit. Below you will find our responses:

Finding Title:	Information Technology Governance – IT Governance Framework
Implementation Recommendation:	The OIT should create Information Technology Governance Framework implementation guidance for agencies, including guidance for agencies to establish a representative group charged with agency IT governance.
Auditee Action:	The new Chief Data Officer (CDO) has been charged with heading up the project to complete the Information Technology Governance framework. Using information from the previous CDO, as well as input from all of OIT and agency management, this process is underway.
Current Status:	The Information Technology Governance Framework is currently in development by the Office of Information Technology (OIT). An initial framework has been provided to the CTO by the CDO and DCTO for Policy and Compliance. The OIT has stated that they will be creating this guidance as the framework is completed. Revisions to this framework will occur once the CDO has obtained input from the SLT, so that all stakeholders have input into its final form.

Finding Title: Information Technology Governance – IT Governance Framework

Compliance and Monitoring

Recommendation: The OIT should develop a monitoring process for the compliance with the governance framework.

Auditee Action: The new Chief Data Officer (CDO) has been charged with heading up the project to complete the Information Technology Governance framework. Using information from the previous CDO, as well as input from all of OIT and agency management, this process is underway. The CDO and DCTO for Policy and Compliance will collaborate to establish this monitoring process.

Current Status: The Information Technology Governance Framework is currently in development by the Office of Information Technology (OIT). Once this framework is completed, OIT management has stated that they will develop compliance requirements and a monitoring process. The CDO and DCTO for Policy and Compliance will establish a process for compliance with this framework with input from the Executive Branch stakeholders and set deadlines for such compliance with their knowledge and agreement.

Sincerely,



Christopher Rein
Chief Technology Officer
State of New Jersey
Office of Information Technology



KEAN
UNIVERSITY

March 13, 2020

John J. Coyle, CPA
Principal Auditor
125 South Warrant Street
Trenton, NJ 08625

Dear Mr. Coyle,

We have reviewed your recent memo regarding your follow-up audit and the use of confirming orders and we have no further comments on the recommendation, management response or current status.

If you have any additional questions, please contact me at (908) 737-7021.

Sincerely,

Andrew Brannen
Vice President for Administration and Finance

OFFICE OF THE
VICE PRESIDENT FOR ADMINISTRATION & FINANCE

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