

Integrity Monitor Report Category 3

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

A. General Info

1. Recovery Program Participant:

New Jersey Department of Education (NJDOE)

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

CRRSA Act

3. State Funding Source (if applicable):

N/A

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

09/30/2023

5. Accountability Officer:

Amanda Schultz

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

Federal Grant - Emergency Assistance to Nonpublic Schools (EANS 1)

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

On July 17, 2020, Governor Murphy signed Executive Order 166 (“EO 166”), which established the COVID-19 Compliance and Oversight Task Force (the “Taskforce”) and the Governor’s Disaster Recovery Office (GDRO). Pursuant to EO 166, the Taskforce has issued guidelines (“IOM Guidelines”), which have been updated as of June 2021, regarding the appointment and responsibilities of COVID-19 Integrity Oversight Monitors”). Integrity Monitors are intended to serve as an important part of the State’s accountability infrastructure while working with Using Agencies in developing measures to prevent, detect, and remediate inefficiency and malfeasance in the expenditure of COVID-19 Recovery Funds. IOM Guidelines further suggest, "Recovery Program Participants that have received or will administer \$20 million in COVID-19 Recovery Funds should retain at least one Integrity Monitor."

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On February 23, 2021, the NJDOE received an EANS formula grant of \$68,749,847 to provide awards to eligible nonpublic schools in the State. Under the laws governing the EANS program, New Jersey is not permitted to grant funds; instead, the NJDOE has partnered with vendors to provide services to eligible nonpublic schools.

The purpose of this Integrity Monitoring engagement is to work with the NJDOE's Accountability Officer; Program administrators - NJDOE, Office of Inter-district School Choice and Non-public Schools; and Service Providers:

- To conduct risk assessments of each EANS Providers' existing controls in place to prevent fraud, waste, or abuse in connection with the EANS Program,
- To review applicants' data for eligibility, payments made, and proper eligibility documentation,
- To test EANS Providers expenditures for proper documentation, authorization, and approvals, and review procurements conducted by the service providers on behalf of the nonpublic schools to determine compliance with applicable procurement regulations and compliance with program requirements.

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

EANS 1 - \$68,749,847

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

\$55,944,488.18

10. Amount Provided to Other State or Local Entities:

N/A

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

Complete – pending final invoice

12. Completion Status of Integrity Monitor Engagement:

Completed for EANS 1

B. Monitoring Activities

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

a) IM Response
N/A

b) Recovery Program Participant Comments
N/A

14. Description of the services provided to the Recovery Program Participant during the quarter (i.e., activities conducted, such as meetings, document review, staff training, etc.):

a) IM Response

The following tasks were completed for the period 7/1/2023 through 09/30/2023:

- Conducted status calls on 7/13/23, 7/27/23, 8/10/23, 8/24/23, 9/7/23, 9/21/23
- Performed EANS vendors' expenditure testing
- Corresponded and followed up with vendors regarding outstanding document requests
- Reviewed and cataloged received documentation as well as information submitted in EWEG
- Reviewed amended NJDOE contracts with vendors
- Documented testing results and summarized observations
- Conducted internal quality review of testing results
- Drafted EANS 1 Program Completion report
- Drafted 3Q23 Treasury quarterly report
- Drafted the IM Monthly reports – July, August, and September 2023
- Corresponded with NJDOE clarifying items regarding the IM Final Program and quarterly reports
- Submitted final 3Q22 report to Treasury

b) Recovery Program Participant Comments
NJDOE agrees with the above.

15. Description to confirm appropriate data/information has been provided by the Recovery Program Participant and description of activities taken to review the project/program:

a) IM Response

CR requested and reviewed vendor documentation supporting their drawdowns:

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- to validate costs paid with EANS (CRSSA) funds are eligible, allowable under the program guidelines, and incurred during the covered period;
- to verify the actual expenditures are consistent with approved spending as outlined in vendor contracts;
- to ensure that vendors are retaining appropriate documentation that supports reimbursement requests submitted to the NJDOE (proper payroll and timekeeping reports, purchase orders, invoices, etc.)
- to verify procurement conducted on behalf of NPSs is compliant with applicable procurement regulations and Program requirements;
- to verify that costs were not reimbursed from other funding sources or previous allocations.

CR also verified a sample of NPS for eligibility for the grant in accordance with CRRSA EANS criteria by reviewing and cross checking the program data provided as well as information obtained through public searches (for example, IRS, PPP tracking websites and other public sources).

In the previous reporting periods, IM performed applicant and expenditure sampling, walk-through of processes and internal controls, and assessed the risks for all vendors approved.

- b) Recovery Program Participant Comments
N/A

16. Description of quarterly auditing activities conducted to ensure procurement compliance with terms and conditions of contracts and agreements:

- a) IM Response

To ensure procurement compliance, IM performed the following:

- Reviewed the EANS vendors' contracts with NJDOE to confirm the types of services, fees, the approved list of schools and amounts for each vendor.
- Reviewed procurement documentation for selected sample of contracts, specifically bid analysis and board approvals, to determine compliance with applicable procurement regulations and compliance with program requirements.
- Reviewed EANS providers expenditures to test for proper documentation, authorization, and approvals.

- b) Recovery Program Participant Comments
N/A

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17. If payment documentation in connection with the contract/program has been reviewed, provide description.

a) IM Response

The IM requested NJDOE and received the COVID relief payments report generated from NJ Treasury comprehensive financial system (NJCFS) showing payments to vendors with dates and check/transfer numbers. From this report, the IM selected payment transactions to perform the EANS Providers expenditure testing. CR then agreed the selected payments with the reimbursement requests/drawdowns in EWEG for each vendor and requested vendors to provide the supporting documentation for their drawdowns, including proof of their payments for incurred costs.

b) Recovery Program Participant Comments

N/A

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

a) IM Response

In previous reporting period, the IM performed risk assessment procedures by conducting meetings with EANS providers to walk through their processes and reviewed EANS Providers' documentation related to their policies and procedures for internal controls and prevention and detection of waste, fraud, and abuse.

In current period, the IM tested requested for reimbursements costs by examining EANS vendors supporting documentation and verifying whether the expenditures are for allowable uses and are consistent with approved spendings as per the vendor contracts with the State, properly authorized, and were not reimbursed from other funding sources. In addition, IM performed procedures to ensure that vendors adhere to purchasing guidelines, maintain segregation of duties and retain appropriate documentation as per federal and state regulations, to support reimbursement requests submitted under EANS 1.

b) Recovery Program Participant Comments

N/A

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

a) IM Response

The IM did not note any integrity issues/findings.

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- b) Recovery Program Participant Comments
N/A

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

- a) IM Response

As a result of all 10 vendors' risk assessment, review of their internal controls and processes, the IM noted the following:

#	Observations	# of Vendors
IM.01	There was no formal fraud training organization-wide, and employees are not always made aware of the options to report suspected fraud, waste, and abuse. The organizations do not have a confidential service for employees to report suspicious activities anonymously.	9 vendors
IM.02	Although vendors have some procedures in place for prevention of duplication of benefits (as per inquiries with administrators), formal Duplication of Benefits Prevention Policies were not provided.	8 vendors
IM.03	Some vendors provided outdated Internal Control and other Financial and Grant Management policies, and IM was not able to verify whether there were any recent updates. One provider did not have its related Internal Control policies.	4 vendors
IM.04	Vendors approved to purchase materials, equipment and other property with EANS funds did not demonstrate sound controls and tracking mechanisms for verification that NPSs properly labeled all related purchases as "property of the NJDOE."	4 vendors
IM.05	IM noted that some EANS vendors do not obtain confirmation from NPSs of actual hours reported on timesheets and types of services provided.	2 vendors

In addition, as a result of expenditure testing of the sample:

- IM identified a total of \$ 78,406 in questioned costs, of which, \$33,809 was for reimbursements requested and received for educational equipment three months prior to payment being made, while advance payments are allowed for ordered and received equipment when the payment is expected to be made by the last day of the month); \$10,796 for services where the hourly rates were not billed as specified in the contract; \$86 due to uncorrected calculation errors, and \$16,997 where the vendor sought reimbursement from NJDOE for more service hours that it paid for during the same period.
- IM could not verify actual payments for services billed for two vendors who did not submit sufficient payroll payment records that resulted in \$973,906 of unverifiable payments.

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- One vendor did not provide sufficient information, such as invoices, proof of payment, timesheets, which resulted in \$3,494 of unsupported costs.

Related to the findings above, the IM provided general “best practices” recommendations for vendors to update and revise their policies to include procedures to guard against duplication of benefits, to update Fraud policies to add the requirement for fraud training district-wide and establish a hot line or other services to report suspicious activities anonymously. The organizations should also establish a tracking mechanism to verify that the NJDOE gains title to purchase materials, equipment and property with EANS funds, and nonpublic schools label all purchases accordingly. IM also recommended providers enhance the procedures and controls to validate the timesheets of professional staff by requesting the nonpublic schools provide certifications of time spent on EANS program.

In addition, the IM recommended NJDOE three vendors for detail billing review.

- b) Recovery Program Participant Comments
NJDOE will review the recommended three vendors for a review of their billings.
21. Details of any actions taken to remediate waste, fraud, and/or abuse noted in past quarters:
- a) IM Response
N/A
 - b) Recovery Program Participant Comments
N/A

C. Miscellaneous

22. List of hours (by employee) and expenses incurred to perform quarterly integrity monitoring review:
- a) IM Response
For the period July 1, 2023, through September 30, 2023, the following individuals have expended a total of 441.2 hours:

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Name:

- Ron Frazier – (13.5 hours)
- Rochell Cottingham – (0.7 hours)
- Anna Fomina – (128.7 hours)
- Viktoria Barrett – (39.0 hours)
- Andrew Barchenko – (82.0 hours)
- Grace Wandling (124.2 hours)
- Thomas Mammen (53.1 hours)

No billable expenses were incurred.

- b) Recovery Program Participant Comments
N/A

23. Add any item, issue, or comment not covered in previous sections but deemed pertinent to monitoring program:

- a) IM Response

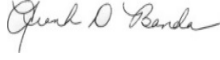
IM noted two program administration related issues and communicated recommendations to NJDOE at the beginning of monitoring engagement. Before the monitoring for EANS 1 was completed, NJDOE implemented additional processes and remediated those issues as follows:

- IM noted two schools in our sample selected for applicant eligibility review, received PPP loans after the December 27, 2020 (the cutoff date for nonpublic schools to be eligible for EANS) and therefore, deemed ineligible. When communicated, the NJDOE enhanced its eligibility review process and reviewed all applicant nonpublic schools for the receipt of PPP loans and followed up individually with all questionable NPSs. The two schools IM identified were confirmed ineligible and recoupment of already expended funds was initiated.

- When IM reviewed the contracts and expenditure reports submitted to EWEG by vendors, IM noted that some vendors charge administrative and processing fees not included in their vendor contracts with the State. The NJDOE amended the contracts with vendors to include allowable rates for the service fees.

- b) Recovery Program Participant Comments
NJDOE confirms the above changes noted by the Ims were made.

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Name of Integrity Monitor: CohnReznick, LLP
Name of Report Preparer: CohnReznick, LLP
Signature: 
Date: 9/30/2023