

STATE OF NEW JERSEY

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2017

**Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards**

**Independent Auditors' Report on Compliance
for Each Major Federal Program and Report on
Internal Control Over Compliance
Required by the Uniform Guidance**

**STATE OF NEW JERSEY
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YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITORS' REPORT

The Governor
State of New Jersey

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of Federal Awards (the schedule) of the State of New Jersey for the year ended June 30, 2017, and related notes.

Management's Responsibility for the Schedule of Expenditures of Federal Awards Programs Selected for Audit.

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Governor
State of New Jersey

Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the expenditures of Federal awards of the State of New Jersey, as described above, for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
April 2, 2018



CliftonLarsonAllen

CliftonLarsonAllen LLP
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Governor
State of New Jersey

Report on Compliance for Each Major Federal Program

We have audited the State of New Jersey's (the State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2017. The State's major federal programs are identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's major federal programs and compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the State's major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, the State's major federal programs did not comply with requirements regarding CFDA 93.667 – Social Service Block Grant (period of performance) as described in 2017-001, CFDA 97.067 – Homeland Security Grants (equipment) as described in 2017-002, and CFDA 93.775, 93.777, 93.778 – Medicaid Cluster (provider eligibility and provider health and safety standards) as described in 2017-003. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the programs.

Qualified Opinion on Social Service Block

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.667 – Social Service Block Grant for the year ended June 30, 2017.

Qualified Opinion on Homeland Security Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 97.067 – Homeland Security Grants for the year ended June 30, 2017.

Qualified Opinion on Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.775, 93.777, 93.778 – Medicaid Cluster for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-005. Our opinion on each major programs is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The state's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified

certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002 and 2017-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-004 and 2017-005 to be a significant deficiency.

The State's responses to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
April 2, 2018

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care.	10.025	\$ 889,002	
Wildlife Services	10.028	4,690	
Conservation Reserve Program	10.069	10,806	\$ 10,806
Specialty Crop Block Grant Program-Farm Bill	10.170	405,384	192,096
Organic Certification Cost Share Programs	10.171	58,729	
Homeland Security - Agricultural	10.304	11,853	
State Mediation Grants	10.435	10,807	
Crop Insurance Education in Targeted States	10.458	265,101	
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection (SNAP) Recipient Integrity Information Technology Grant	10.546	1,245,755	
State Administrative Matching Grants for the Supplemental Assistance Program (SNAP) Cluster			
State Administrative Matching Grants for the Supplemental Assistance Program	10.561	149,339,956	126,970,418
State Administrative Matching Grants for the Supplemental Assistance Program	10.561	5,334,843	3,310,798
State Administrative Matching Grants for the Supplemental Assistance Program Non-monetary	10.561	<u>1,192,769,657</u>	
Total State Administrative Matching Grants for the Supplemental Assistance Program (SNAP) Cluster		<u>1,347,444,456</u>	
Child Nutrition Cluster			
School Breakfast Program (SBP)	10.553	96,241,047	96,241,047
National School Lunch Program (NSLP)	10.555	262,344,393	262,344,393
Special Milk Program for Children (SMP)	10.556	286,939	286,939
Summer Food Service Program for Children (SFSPC)	10.559	<u>9,176,830</u>	8,766,739
Total Child Nutrition Cluster		<u>368,049,209</u>	
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	135,663,190	28,482,230
Child and Adult Care Food Program	10.558	81,389,524	80,307,908
State Administrative Expenses for Child Nutrition	10.560	6,817,483	
Food Distribution Cluster			
Commodity Supplemental Food Program	10.565	235,338	230,000
Emergency Food Assistance Program (Administrative Costs)	10.568	2,295,254	1,366,623
Emergency Food Assistance Program (Food Commodities)	10.569	<u>12,864,510</u>	
Total Food Distribution Cluster		<u>15,395,102</u>	
WIC Farmers' Market Nutrition Program (FMCP)	10.572	743,408	(30)
Senior Farmers' Market Nutrition Program	10.576	836,294	26,500
WIC Grants to States (WGS)	10.578	388,925	388,603
Child Nutrition Discretionary Grants Limited Availability	10.579	711,973	384,369
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	1,196,505	
Fresh Fruit and Vegetable Program	10.582	4,941,376	4,870,102
Pilot Projects to Promote Work and Increase State Accountability in SNAP	10.589	64,446	
Cooperative Forestry Assistance	10.664	1,071,731	
Forest Stewardship Program	10.676	357,689	319,829
Forest Health Protection	10.680	111,321	
Emergency Watershed Protection Program - Disaster Relief Appropriations Act	10.927	121,218	
Total U.S. Department of Agriculture		<u>1,968,249,402</u>	<u>614,499,370</u>
U.S. Department of Commerce			
Interjurisdictional Fisheries Act of 1986	11.407	119,920	
Coastal Zone Management Administration Awards	11.419	1,322,148	229,580
Cooperative Fishery Statistics	11.434	173,103	
Regional Fishery Management	11.441	664,103	
Unallied Management Projects	11.454	117,292	
Unallied Science Program	11.472	33,727	
Atlantic Coastal Fisheries Cooperative Management Act.	11.474	215,266	
Disaster Relief Approp Act - Non- Construction & Construction	11.483	73,153	
State And Local Implementation Grant Program	11.549	1,217,063	
Broadband Technology Opportunities Program (BTOP) - ARRA	11.557	118,680	
Total U.S. Department of Commerce		<u>4,054,455</u>	<u>229,580</u>

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Defense			
Electronic Absentee Systems for Elections	12.217	\$ 34,992	
National Guard Military Operations & Maintenance (O&M) Projects	12.401	27,354,166	
National Guard Challenge Program	12.404	2,161,916	
Unassigned Catalog Number from Federal Government	12.UNA	95,491	
Total U.S. Department of Defense		29,646,565	
U.S. Department of Housing and Urban Development			
Community Development Block Grants/State's Program	14.228	8,396,957	\$ 8,382,178
Emergency Shelter Grants Program	14.231	2,789,242	2,656,266
Supportive Housing Program	14.235	1,174,960	
Shelter Plus Care	14.238	704,851	
Home Investment Partnerships Program	14.239	4,416,463	
Housing Opportunities for Persons With Aids	14.241	1,114,629	2,337,044
Continuum of Care Program	14.267	1,240,571	
Community Development Block Grant Cluster			
Hurricane Sandy Community Development Block Grant Disaster R	14.269	420,088,178	184,079,487
Total Community Development Block Grant Cluster		420,088,178	
Fair Housing Assistance Program - State and Local	14.401	482,260	
Section 8 Cluster			
Low er Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	5,895,304	
Total Section 8 Cluster		5,895,304	
Housing Choice Voucher Cluster			
Section 8 Housing Vouchers	14.871	240,590,939	60,605
Mainstream Vouchers	14.879	343,106	532
Total Housing Choice Voucher Cluster		240,934,045	
Family Self-Sufficiency Program	14.896	217,756	
Total U.S. Department of Housing and Urban Development		687,455,216	197,516,112
U.S. Department of the Interior			
Hurricane Disaster Relief Coastal Resiliency Grants	15.153	1,527,866	909,512
Marine Minerals Activities - Hurricane Sandy DR4086	15.424	3,000	
Fish and Wildlife Cluster			
Sport Fish Restoration Program	15.605	3,004,705	
Wildlife Restoration and Basic Hunter Education	15.611	5,326,415	
Total Fish and Wildlife Cluster		8,331,120	
Coastal Wetlands Planning, Protection and Restoration Act	15.614	995,721	
Cooperative Endangered Species Conservation Fund	15.615	87,301	
Clean Vessel Act	15.616	368,024	275,217
Sportfishing And Boating Safety Act	15.622	619,630	
Landowner Incentive	15.633	3,760	3,760
State Wildlife Grants	15.634	1,104,541	
Endangered Species Conservation Recovery	15.657	43,364	
Hurricane Sandy Disaster Relief Activities	15.667	66,027	
National Geological & Geophysical Data Perservation Program	15.814	28,867	
Historic Preservation Fund Grants-In-Aid	15.904	130,437	113,908
Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy	15.957	2,174,242	1,336,791
Total U.S. Department of the Interior		15,483,900	2,639,188
U.S. Department of Justice			
Sexual Assault Services Formula Program	16.017	396,916	396,846
Juvenile Accountability Block Grants	16.523	66,941	35,961
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	364,578	220,390
Missing Children's Assistance	16.543	593,204	
National Criminal History Improvement Program	16.554	52,207	
Crime Victim Assistance	16.575	14,928,256	11,976,860
Crime Victim Compensation	16.576	2,835,203	1,643,573
Drug Control And System Improvement-Discretionary Grant Program	16.580	(97)	
Crime Victim Assistance/Discretionary Grants	16.582	89,542	89,542
Drug Court Discretionary Grant	16.585	29,243	
Violence Against Women Formula Grants	16.588	3,026,660	2,543,567

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (Continued)			
Grants To Encourage Arrest Policies & Enforcement of Protect	16.590	\$ 1,943	
Residential Substance Abuse Treatment for State Prisoners	16.593	61,719	\$ 34,118
State Criminal Alien Assistance Program (SCAAP)	16.606	1,386,144	23,511
Project Safe Neighborhoods	16.609	92,959	88,709
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3,877,431	2,212,717
Forensic DNA Capacity Enhancement Program	16.741	677,345	29,309
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	267,229	41,177
Edward Byrne Memorial Competitive Grant Program	16.751	317,503	
Harold Rogers Prescription Drug Monitoring Program	16.754	2,889	
Second Chance Act Prisoner Reentry Initiative	16.812	276,248	158,866
NICS Act Record Improvement Program	16.813	222,779	
John R Justice Prosecutors and Defenders Incentive Act	16.816	3,765	
Vision 21	16.826	136,571	
Contractual Agreements From Federal Government	16.CON	15,000	
Unassigned Catalog Numbers From Federal Government	16.UNA	16,605	
Total U.S. Department of Justice		29,738,783	19,495,146
U.S. Department of Labor			
Labor Force Statistics	17.002	1,501,378	
Compensation and Working Conditions	17.005	264,954	
Employment Services Cluster			
Employment Service / Wagner-Peyser Funded Activities	17.207	21,549,766	
Disabled Veterans' Outreach Program (DVOP)	17.801	2,540,782	
Local Veteran's Employment Representative Program	17.804	728,420	
Total Employment Services Cluster		24,818,968	
Unemployment Insurance	17.225	2,101,618,581	
Senior Community Service Employment Program	17.235	2,549,777	
Trade Adjustment Assistance	17.245	4,844,782	
Workforce Investment Act (WIA/WIOA) Cluster			
WIA/WIOA Adult Program	17.258	28,785,864	23,728,090
WIA/WIOA Youth Activities	17.259	19,141,815	19,141,815
WIA/WIOA Dislocated Worker Formula Grants	17.278	32,546,456	24,593,070
Total Workforce Investment Act (WIA/WIOA) Cluster		80,474,135	
Employment, Training Admin. Pilots, Demos, & Research Projects	17.261	387,521	74,978
Work Opportunity Tax Credit Program	17.271	355,419	
Temporary Labor Certification for Foreign Workers	17.273	665,195	
Workforce Investment Act (WIA) National Emergency Grants	17.277	1,105,844	738,604
Workforce Investment Act (WIA) Dislocated Worker National RE	17.280	234,707	234,707
WIA/WIOA Dislocated Worker National Reserve Technical Assistance	17.281	249,601	23,000
Apprenticeship USA Grants	17.285	9,550	1,828
Occupational Safety & Health State Program	17.503	1,701,906	
Consultation Agreements	17.504	1,891,434	
Mine Health and Safety Grants	17.600	38,317	
Total U.S. Department of Labor		2,222,712,069	68,536,092
U.S. Department of Transportation			
Airport Improvement Program	20.106	730,635	
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	791,531,465	142,438,435
ARRA -- Highway Training and Education	20.205	(1,950)	
Recreational Trails Program	20.219	786,468	368,731
Total Highway Planning and Construction Cluster		792,315,983	
National Motor Carrier Safety	20.218	5,226,639	
Commercial Driver's License Program Improvement Grant	20.232	426,918	
Safety Data Improvement Program	20.234	210,794	
Metropolitan Planning and State and Non-Metropolitan Planning and Research	20.505	567,586	
Highway Safety Cluster			
State and Community Highway Safety	20.600	4,511,705	2,336,092
National Priority Safety Programs	20.616	7,434,331	4,606,657
Total Highway Safety Cluster		11,946,036	

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation (continued)			
Pipeline Safety Program State Base Grants	20.700	\$ 16,673	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	398,246	\$ 285,162
State Damage Prevention Program Grants	20.720	9,200	
Contractual Agreements	20.CON	143,791	
Total U.S. Department of Transportation		811,992,501	150,035,077
U.S. Department of the Treasury			
Contractual Agreements	21.CON	156,026	(44,091)
Total Department of the Treasury		156,026	(44,091)
Equal Employment Opportunity Commission			
Employment Discrimination - State & Local Fair Employ Agency Contracts	30.002	32,541	
Total Equal Employment Opportunity Commission		32,541	
National Foundation on the Arts and the Humanities:			
Promotion of the Arts - Partnership Agreements	45.025	807,755	294,100
Museums for America	45.301	117,828	
Total National Foundation on the Arts and the Humanities		925,583	294,100
Small Business Administration			
State Trade and Export Promotion Pilot Grant Program	59.061	425,235	423,235
Total Small Business Administration		425,235	423,235
Department of Veterans Affairs			
Grants to States For Construction of State Home Facilities	64.005	678,442	
Veterans Medical Care Benefits	64.009	505,895	505,895
Veterans State Nursing Home Care	64.015	33,706,808	
Burial Expenses Allowance for Veterans	64.101	492,832	
Vocational and Educational Counseling for Servicemembers and Veterans	64.125	504,108	
State Cemetery Grants	64.203	911,015	
Total U.S. Department of Veterans Affairs		36,799,100	505,895
U.S. Environmental Protection Agency			
Surveys Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	541,455	
National Clean Diesel Emissions Reduction Program	66.039	197,360	197,360
State Clean Diesel Grant Program	66.040	43,330	
Water Quality Management Planning	66.454	434,615	103,415
Clean Water State Revolving Fund Cluster			
Capitalization Grants for Clean Water State Revolving Funds	66.458	66,767,205	63,575,054
Total Clean Water State Revolving Fund Cluster		66,767,205	
Wetland Program Development Grants	66.461	342,967	
Drinking Water State Revolving Fund Cluster			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	27,300,487	24,308,213
Total Drinking Water State Revolving Fund Cluster		27,300,487	
Beach Monitoring and Notification Program Implementation Grants	66.472	240,080	202,981
Performance Partnership Grants	66.605	12,042,589	3,341,392
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	239,655	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	242,070	
Pollution Prevention Grants Program	66.708	21,537	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agre	66.802	505,457	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	1,392,215	
State and Tribal Response Program Grants	66.817	73,274	
Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.819	763,152	
Total U.S. Environmental Protection Agency		111,147,448	91,728,415

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Energy			
State Energy Program	81.041	\$ 50,000	\$ 50,000
ARRA -- State Energy Program	81.041	<u>(1,316,835)</u>	(2,089,174)
		\$ (1,266,835)	
Weatherization Assistance for Low -Income Persons	81.042	4,670,152	3,843,649
State Energy Program Special Projects	81.119	49,742	49,742
Administration Costs Consolidations	81.ADM	563,407	
Total U.S. Department of Energy		<u>4,016,466</u>	<u>1,854,217</u>
U.S. Department of Education			
Adult Education - Basic Grants to States	84.002	15,042,168	13,042,411
Title I Grants to Local Educational Agencies	84.010	344,264,709	334,285,459
Migrant Education - State Grant Program	84.011	1,917,250	1,816,534
Title I State Agency Program for Neglected and Delinquent Children	84.013	1,345,633	1,068,862
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	388,278,153	364,256,859
Special Education - Preschool Grants (IDEA Preschool)	84.173	<u>11,516,584</u>	11,228,195
Total Special Education Cluster		<u>399,794,737</u>	
Federal Family Education Loans	84.032	2,099,091,177	
Career and Technical Education -- Basic Grants to States	84.048	23,290,235	20,622,847
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	48,703,886	4,045,402
Migrant Education Coordination Program	84.144	57,433	
Independent Living - State Grants	84.169		
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	709,232	709,232
Special Education - Grants for Infants and Families with Disabilities	84.181	9,446,255	6,651,577
Safe and Drug-Free Schools and Communities National Programs	84.184	343,323	
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	420,621	115,584
Education for Homeless Children and Youth	84.196	1,655,425	1,316,338
Assistive Technology	84.224	107,175	92,836
Charter Schools	84.282	1,876,203	1,876,027
Twenty-First Century Community Learning Centers	84.287	23,392,543	22,240,925
Special Education-State Program Improvement Grants for Children with Disabilities	84.323	16,164	
Advanced Placement Program	84.330	524,247	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3,913,282	3,564,640
Teacher Quality HE	84.336	88,060	
Rural Education	84.358	54,088	51,543
English Language Acquisition Grants	84.365	21,608,494	20,409,337
Mathematics and Science Partnerships	84.366	2,784,217	2,623,093
Improving Teacher Quality State Grants	84.367	52,826,046	51,389,662
Grants for State Assessments and Related Activities	84.369	9,938,202	
Statewide Data Systems	84.372	494,568	400,000
School Improvement Grants	84.377	5,001,254	4,521,669
College Access Challenge Grant Program	84.378	67,001	67,001
ARRA --- Race to the Top -- Early Learning Challenge	84.412	10,155,248	6,594,154
Race to the Top	84.413	2,269,992	1,092,113
Preschool Development Grants	84.419	15,101,950	14,553,847
Contractual Agreements - National Center Educational Statistics	84.CON	161,770	
Unassigned Catalog Numbers from Federal Government	84.UNA	16,778	
Total U.S. Department of Education		<u>3,096,479,367</u>	<u>888,636,147</u>

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Election Assistance Commission			
Help American Vote Act Requirements Payments	90.401	\$ 118,423	
Total U.S. Election Assistance Commission		118,423	
U.S. Department of Health and Human Services			
Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	196,511	
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	507,651	
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	586,347	\$ 586,347
Aging Cluster			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	9,942,464	9,942,464
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	18,672,474	17,434,646
Nutrition Services Incentive Program	93.053	3,893,811	3,893,811
Total Aging Cluster		<u>32,508,749</u>	
National Family Caregiver Support	93.052	4,196,386	4,005,857
Public Health Emergency Preparedness	93.069	5,318,328	2,209,062
Environmental Public Health & Emergency Response	93.070	1,633,584	
Medical Enrollment Assistance Program	93.071	319,115	274,500
Birth Defect & Developmental Disability - Prevention/Surveillance	93.073	712,288	511,652
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	10,967,004	3,774,434
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	216,948	57,681
Healthy Marriage Promotion & Responsible Fatherhood Grants	93.086	(12,372)	
Guardianship Assistance	93.090	2,170,636	
Personal Responsibility Education Program	93.092	1,102,319	1,050,535
HHS Programs for Disaster Relief Appropriations Act - Non Construction	93.095	20,442,614	19,820,753
Food and Drug Administration - Research	93.103	1,341,186	
Burlington Partnership Project	93.104	3,100,256	2,831,170
Maternal and Child Health Federal Consolidated Programs	93.110	798,824	581,792
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2,096,003	1,114,841
Emergency Medical Services for Children	93.127	136,586	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	221,221	31,500
Injury Prevention And Control Research & State & Community Based Programs	93.136	965,754	722,350
NIEHS Hazardous Waste Worker Health and Safety Training	93.142	83,972	
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2,148,007	2,054,227
Coordinated Services & Access to Research for Women, Infants, Children, & Youth.	93.153	2,223,888	2,075,334
Grants to States for Loan Repayment Program	93.165	150,000	
Abstinence Education Block Grant Program	93.235	1,615,268	1,552,908
State Capacity Building	93.240	675,125	
Regional and National Significance	93.243	5,036,967	2,913,490
Universal New born Hearing Screening	93.251	238,613	98,869
Occupational Safety and Health Program	93.262	122,650	

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (continued)			
Immunization Grants	93.268	3,607,754	
Immunization Grants- Non monetary	93.268	83,555,437	\$ 1,050,150
Total Immunization Cooperative Agreements		<u>\$ 87,163,191</u>	
Adult Viral Hepatitis Prevention and Control	93.270	100,873	
Centers for Disease Control and Prevention, Investigations, and Technical Assistance	93.283	3,744,859	2,006,248
State Partnership Grant Prog To Improve Minority Health	93.296	281,213	252,463
National State Based Tobacco Control Program	93.305	969,011	716,074
Early Hearing Detection and Intervention Information System Surveillance Program	93.314	180,110	
NON PPHF: Epidemiology and Lab Capacity	93.323	1,670,963	355,196
State Health Insurance Assistance Program	93.324	1,578,780	870,575
Behavioral Risk Factor Surveillance	93.336	78,357	
ACL Independent Living State Grants	93.369	139,034	139,034
ACL Assistive Technology	93.464	385,786	377,709
Pregnancy Assistance Fund Program	93.500	1,639,426	1,634,880
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	5,240,587	5,010,584
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	310,333	
Affordable Care Act	93.521	965,499	
Prevention and Public Health Fund (ACA)	93.539	4,605,345	1,263,230
Promoting Safe and Stable Families	93.556	5,224,713	5,105,083
TANF Cluster			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	308,890,345	271,637,089
Total TANF Cluster		<u>308,890,345</u>	
Child Support Enforcement	93.563	170,606,165	25,785,390
Refugee and Entrant Assistance-State Administered Programs	93.566	1,898,438	929,861
Low -Income Home Energy Assistance	93.568	122,199,051	19,872,300
Community Services Block Grant	93.569	20,200,818	19,406,076
CCDF Cluster			
Child Care and Development Block Grant	93.575	108,771,274	37,367,855
Child Care Mandatory & Matching Funds of the Child Care and Development Fund	93.596	80,628,906	77,793,938
Total CCDF Cluster		<u>189,400,180</u>	
Refugee and Entrant Assistance - Discretionary Grants	93.576	192,288	192,288
Refugee and Entrant Assistance - Targeted Assistance	93.584	96,328	96,328
State Court Improvement Program	93.586	595,883	
Community-Based Child Abuse Prevention Grants	93.590	2,253,643	2,050,669
Grants to States for Access and Visitation Programs	93.597	201,816	
Chafee Education and Training Vouchers Program (ETV)	93.599	739,788	739,788
Head Start	93.600	180,389	
Adoption Incentive Payments	93.603	422,905	422,905
Voting Access for Individuals w ith Disabilities - Grants to State	93.617	74,163	
Adoption Incentive Payments			
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1,487,587	498,194
Children's Justice Grants to States	93.643	503,884	438,850
Child Welfare Services - State Grants	93.645	5,684,416	
Adoption Opportunities	93.652	5,250	5,250
Foster Care - Title IV-E	93.658	104,027,760	124,594
Adoption Assistance	93.659	73,737,685	
Social Services Block Grant	93.667	65,185,596	2,219,276
Child Abuse & Neglect State Grants	93.669	526,302	526,302
Child Abuse & Neglect Discretionary Activities	93.670	730,091	626,624
Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	93.671	2,126,082	2,003,410
Chafee Foster Care Independent Living	93.674	2,313,235	2,313,235
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.733	694,335	167,238
Chronic Disease Self-Management Education Programs	93.734	33,296	33,296

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (continued)			
State Public Health Approaches for Ensuring QUITLINE Capacity	93.735	\$ 528,588	\$ 217,870
Health Care surveillance/Health Statistics - Surveillance PR	93.745	177,141	
Child Lead Poisoning Prevention Surveillance	93.753	355,414	171,470
State Public Health Actions to Prevent and Control Diabetes	93.757	1,062,462	812,337
Preventive Health and Health Services Block Grant	93.758	4,329,644	3,330,413
Evidence-Based Falls Prevention Programs Financed by PPHF	93.761	245,694	182,050
Children's Health Insurance Program	93.767	455,972,056	2,979,463
Medicaid Cluster			
State Medicaid Fraud Control Units	93.775	3,238,484	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	12,077,869	
Medical Assistance Program	93.778	<u>9,257,142,188</u>	172,530,620
Total Medicaid Cluster		9,272,458,541	
Money Follow s the Person Rebalancing Demonstration	93.791	15,778,777	4,624,157
Domestic Ebola Supplement to ELC for Infectious Diseases	93.815	978,098	
Actions to Prevent and Control Diabetes, Heart Disease and Obesity	93.817	1,350,680	1,254,892
Preventive Health and Health Services Block Grant	93.829	543,319	
Alzheimer's Disease Initiative; Specialized Supportive Services Project	93.870	5,579,465	5,439,907
Money Follow s the Person Rebalancing Demonstration	93.889	6,103,262	4,103,791
Grants to States for Operation of Offices of Rural Health	93.913	198,926	80,325
HIV Care Formula Grants	93.917	43,522,396	39,172,808
HIV Prevention Activities Health Department Based	93.940	13,716,627	9,625,055
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	3,726,086	334,334
Assistance Program for Chronic Disease Prevention and Control	93.945	1,119,469	855,528
Cooperative Agreements to Support State-Based Safe Motherhood & Infant Health Initiative Programs	93.946	260,961	
Block Grants For Community Mental Health Services	93.958	8,045,148	7,706,427
Block Grants For Prevention & Treatment of Substance Abuse	93.959	43,748,230	36,238,978
Preventative Health Services - Sexually Transmitted Diseases	93.977	2,345,664	228,824
Maternal & Child Health Services Block Grant to the State	93.994	13,058,361	5,409,346
Contractual Agreements	93.CON	3,680,149	338,477
Total U.S. Department of Health and Human Services		<u>11,189,991,385</u>	<u>857,207,277</u>
Corporation for National and Community Service			
AmeriCorps	94.006	3,151,200	2,893,987
State Commissions	94.003	369,477	
Training and Technical Assistance	94.009	125,251	
Foster Grandparent/Senior Companion Cluster Foster Grandparent Program	94.011	<u>757,132</u>	535,082
Total Foster Grandparent/Senior Companion Cluster		757,132	
Total Corporation for National and Community Service		<u>4,403,060</u>	<u>3,429,069</u>
Social Security Administration			
Disability Insurance/SSI Cluster			
Social Security - Disability Insurance (DI)	96.001	<u>62,729,987</u>	1,285,000
Total Disability Insurance/SSI Cluster		<u>62,729,987</u>	
Unassigned Catalog Numbers From Federal Government	96.UNA	3,490	
Total Social Security Administration		<u>62,733,477</u>	<u>1,285,000</u>

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department Homeland Security			
Urban Areas Security Initiative	97.008	\$ 1,390,425	\$ 1,389,508
Boating Safety Financial Assistance	97.012	3,417,070	
Community Assistance Program State Support			
Services Element (CAP-SSSE)	97.023	30,481	
National Urban Search & Rescue (US&R) Response System	97.025	1,007,661	831,154
Flood Mitigation Assistance	97.029	13,592,183	13,592,183
Public Assistance Grants	97.036	126,221,881	103,098,535
Hazard Mitigation Grant	97.039	33,582,580	13,827,475
National Dam Safety Program	97.041	51,325	
Emergency Management Performance Grants	97.042	8,663,039	1,400,796
Cooperating Technical Partners	97.045	435,202	
Pre-Disaster Mitigation	97.047	20,400	20,400
Port Security Grant Program	97.056	23,664	
Homeland Security Grant Program	97.067	23,149,477	14,507,637
Disaster Assistance Projects	97.088	197	197
Homeland Security BioWatch	97.091	92,856	
Severe Loss Repetitive Program	97.110	1,971,090	1,971,090
Total U.S. Department Homeland Security		213,649,531	150,638,975
Total Expenditures of Federal Awards		\$ 20,490,210,532	\$ 3,048,908,804

**STATE OF NEW JERSEY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

NOTE 1 BASIS OF PRESENTATION

Reporting Entity

The schedule of expenditures of Federal awards (the Schedule) includes all Federal award programs administered by the State of New Jersey (the State) except for component units for the fiscal year ended June 30, 2017. The State financial reporting entity is described in note 1b of the State's Comprehensive Annual Financial Report. Accordingly, the accompanying Schedule presents the Federal awards programs administered by the State, as defined above, for the year ended June 30, 2017.

Federal Family Education Loan Program

The State administers the Federal Family Education Loan Program - Guaranty Program (FFELP). During the fiscal year ended June 30, 2017 there were no new loans guaranteed. Loans repurchased during the year and administrative costs amounted to \$50,196,011 and \$10,098,309, respectively, and are included in the accompanying Schedule. The principal amount outstanding for guaranteed loans as of June 30, 2017 and 2016 were \$1,873,698,559 and \$2,139,188,879, respectively.

Federal Awards Programs Numbers

Certain programs presented in the accompanying Schedule includes Federal award programs that have not been assigned a Catalog of Federal Domestic Assistance (CFDA) number, which are reported by the respective Federal agency and titled "UNA". Programs under direct contract are titled "CON". The Administration Costs Consolidations under the U.S. Department of Energy is labeled "ADM".

Disaster Grants- Public Assistance (Presidentially Declared Disaster) (97.036)

After a presidentially declared disaster, the U.S. Federal Emergency Management Agency (FEMA) provides a public assistance grant to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. The Federal Government reimburses in the form of cost- shared grants.

In 2017, FEMA approved approximately \$9,100,000 of eligible expenditures that were incurred in a prior year and are included in the Schedule.

NOTE 2 BASIS OF ACCOUNTING

General

The accompanying Schedule includes the expenditures for each Federal financial assistance program of the State and is presented on the cash basis of accounting, which is based on cash disbursements for the period.

Highway Planning and Construction Program

The amount presented in the Highway Planning and Construction Program (20.205) represents the summary of billings from the Department of Transportation to the Federal Government which include expenditures currently determined to be chargeable to the Federal program.

STATE OF NEW JERSEY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 2 BASIS OF ACCOUNTING (CONTINUED)

Nonmonetary Federal Awards

The amounts identified in the Schedule as surplus foods, food stamps, commodities, and vaccines represent the dollar value of items consumed.

Indirect Costs

The State and its various departments did not elect the 10 percent de minimus indirect cost rate as discussed in 2 CPR 200.414. Each department within the State that has a negotiated indirect cost rate with a Federal agency can use such indirect cost rates for any pass through grants to subrecipients.

NOTE 3 MATCHING COSTS

Matching costs, i.e., the non-Federal share of certain program costs, are not included in the accompanying Schedule.

NOTE 4 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the cash basis explained in note 2.

NOTE 5 CONTINGENCIES

The State's participation in Federal funding is subject to review by the U.S. Department of Health and Human Services (HHS) as cognizant agency. HHS coordinates the review of findings and questioned costs with other Federal agencies. HHS and the other Federal agencies determine the ultimate allowability of expenditures charged to the Federal grants. The State is unable to determine the amounts, if any, that Federal agencies will disallow. Any impact as a result of these matters will be reflected in the Schedule and recognized by the respective Federal program when amounts can be determined.

The State is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, any impact as a result of these matters will be reflected in the Schedule and recognized by the respective Federal program when amounts can be determined.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued by the State of New Jersey State Auditor: **Unmodified**

Internal control over financial reporting issued by the State of New Jersey State Auditor:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes _____ No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes _____ None reported

Type of auditors’ report issued on compliance for major programs: **See below**

Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)? X Yes _____ No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number(s)	
National Guard Military Operations and Maintenance	12.401	Unmodified
Employment Service/Wagner-Peyser Funded Activities	17,207, 801, 804	Unmodified
Temporary Assistance for Needy Families	93.558	Unmodified
Adult Education	84.002	Unmodified
Vocational Education – Basic Grants to States	84.048	Unmodified
Preschool Development Grants	84.419	Unmodified
Social Service Block Grant	93.667	Qualified
Community Service Block Grant	93.569	Unmodified
Medicaid Cluster	93.775, 777, 778	Qualified
Disaster Grants – Public Assistance (President Declared Disasters)	97.036	Unmodified
Hazard Mitigation Grant	97.039	Unmodified
Homeland Security Grant Program	97.067	Qualified

Dollar threshold used to distinguish between type A and type B programs: **\$30,735,316**

Auditee qualified as low-risk auditee? _____ Yes X No

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

Reference Number: 2017-001
Prior Year Finding: 2016-001
Federal Agency: U.S. Department of Health and Human Services
State Agency: Department of Children and Families
Federal Program: Social Service Block Grant
CFDA Number: 93.667

Award Number and Year: 01617SSBG17 and 2017
Compliance Requirement: Period of Performance
Type of Finding: Qualified, Material Non Compliance and Material Weakness in Internal Control

Criteria or specific requirement:

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR section 200.309).

Condition:

The period of performance for Grant 2017G992342 is 10/01/2016-9/30/2018; the beginning of the period was within the audit period. We selected 60 expenditures that were charged to the grant during the month of October 2016. We identified 52 expenditures that were incurred prior to October 1, 2016.

Context:

For the Month of October 2016, 52 out of the 60 expenditures selected for testing were incurred prior to the beginning of the grant.

Questioned costs:

Undetermined

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Cause:

This is a prior year finding. The State FY 2016 was a transition year for the Department to take over the administration of the SSBG funding stream from the Department of Human Services. The Department was unaware of the period of performance requirement and incurred expenditures against the grant before the start of the period of performance. Resolution was completed for FFY 2018.

Effect:

The Department was not in compliance with the period of performance compliance requirement.

Recommendation:

We recommend that the Department continue their efforts to review expenditures and ensure that they are allowable and within the correct period of performance for the respective FFY SSBG grant.

Views of responsible officials:

Accepted. This is a repeat finding from the prior year. State Fiscal Year 2016 was a transition year for the Department of Children and Families (DCF) to take over the administration of the SSBG funding stream from the Department of Human Services (DHS). Moving forward DCF has set forth controls to ensure that expenditures charged against the federal Fiscal Year 2018 SSBG grant are incurred during the award's period of performance. This is verified through monthly monitoring and review of expenditures for all current and future SSBG awards administered by DCF.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Reference Number: 2017-002
Prior Year Finding: 2016-008, 2015-025, 2014-009, 2013-037
Federal Agency: U.S. Department of Homeland Security
State Agency: Department of Law and Public Safety
Federal Program: Homeland Security Grant Program
CFDA Number: 97.067

Award Number and Year: EMW-2014-SS-00099 and 2014
EMW-2015-SS-00039 and 2015
EMW-2016-SS-00052 and 2016

Compliance Requirement: Equipment
Type of Finding: Qualified, Material Non Compliance and Material Weakness in Internal Control

Criteria or specific requirement:

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: Equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000 (2 CFR section 200.33). Title to equipment acquired by a non-Federal entity under grants and cooperative agreements vests in the non-Federal entity subject to certain obligations and conditions (2 CFR section 200.313(a)). A State must use, manage, and dispose of equipment acquired under a Federal award in accordance with State law and procedures (2 CFR section 200.313(b)).

Condition:

The Office of Homeland Security and Preparedness (OHSP), a division of the Department of Law and Public Safety administers the Homeland Security Grant Program (HSGP) for the State of New Jersey (the State). Various agencies within the State of New Jersey purchase equipment using funds from HSGP. All agencies are required to adhere to the following New Jersey State Office of Management and Budget (OMB) Circulars:

- 11-18-OMB, Capital Assets – this circular sets policies to account for capital assets purchased by the State of New Jersey. It requires capital assets over a specific dollar amount to be reported and accounted for within the Statewide Land and Building Management (LBAM).

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

- 11-19-OMB, Asset Inventory Requirements – this circular defines the minimum requirements to record and maintain equipment inventory purchases (all equipment with an original cost of \$1,000 or more and an expected life of three (3) years or more). It requires agencies to maintain and update a master inventory listing. Inventory records should include the following information:
 - Description of the asset, including type of item, brand name, model, and serial numbers
 - Acquisition date
 - Cost
 - Purchase order and voucher numbers
 - Inventory number (tag control number, address of building, building name, floor, etc.)
 - Name of employee charged with custody
 - Source of the monies from which the asset was acquired (i.e. Federal grants)

Additionally, an annual inventory of all assets is required and must be certified to the Office of Management and Budget (OMB) at year end.

The Department's policies and procedures to ensure compliance with the above requirements did not include certain internal controls that were designed properly and operating effectively to ensure the equipment purchases are properly inventoried and tracked.

Context:

In conjunction with our completeness testing of the population, we noted that the State was not able to provide a complete listing of assets as of July 1, 2016, asset additions and disposals during the State's fiscal year July 1, 2016 to June 30, 2017, and ending assets as of June 30, 2017. Due to the inability for the State to provide evidence of a complete listing, we noted that the physical inventory is not accurate as performed annually by the State.

Questioned costs:

None

Cause:

The Department does not have adequate policies and procedures in place to ensure equipment is appropriately tracked and recorded in accordance with the State policies.

Effect:

Equipment purchased with Federal funds is not readily available for inspection and purchase may not be properly safeguarded and maintained.

Recommendation:

We recommend that the Department implement policies and procedures to track and identify equipment and to ensure that they are recorded in accordance with State policies.

Views of responsible officials:

Accepted. All equipment purchased with federal funds will be reviewed by OHSP to ensure it has been appropriately tagged and inventoried, and that it agrees to annual inventory of all assets certified to OMB in accordance with Treasury Circular Letter 11-19-OMB. Facilities and IT staff responsible have been reacquainted with our inventory policies. OHSP will concentrate on reviewing Treasury Circular Letter 11-19-OMB as it pertains to inventory records along with reviewing the OHSP Inventory Policy.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

The Division of State Police (DSP) and OIT will be contacted and advised of these findings. OHSP will work with these partners in order to correct this finding. The DSP and OIT will be advised to concentrate on reviewing Treasury Circular Letter 11-19-OMB as it pertains to inventory records along with reviewing each agency's inventory policy.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Reference Number: 2017-003
Prior Year Finding: No
Federal Agency: U.S. Department of Health and Human Services
State Agency: Department of Human Services
Federal Program: Medicaid Cluster
CFDA Number: 93.775, 93.777, 93.778

Award Number and Year: 05-1605NJ5MAP, 05-1605NJ5ADM, 05-1605NJINCT, 05-1605NJIMPL, 1705-NJ5MAP, 1705-NJ5ADM, 1705-NJINCT, 1705-NJIMPL

Compliance Requirement: Special Tests – Provider Eligibility and Provider Health and Safety Standards
Type of Finding: Qualified, Material Non Compliance and Material Weakness in Internal Control

Criteria or specific requirement:

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: Provider Eligibility: In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act (42 USC 1396a(a)(9)) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106).

Providers Health and Safety Standards: Providers must meet the prescribed health and safety standards for hospital, nursing facilities, and ICF/MR (42 CFR pat 442). The standards may be modified in the State plan.

Condition:

The Department contracts a 3rd party provider to manage provider eligibility. The 3rd party provider is responsible for verifying the provider’s license status and that the provider meets health and safety standards required by the State.

We selected 60 providers that received Medicaid payments during FY 2017. During our testing of the provider files, maintained by the 3rd party provider, we noted that the provider files did not consistently support the provider’s eligibility and compliance with the State’s health and safety standards in accordance with federal and state requirements. The 3rd party provider should obtain and maintain documentation that the provider’s license is active and the provider has attested to various health, safety, and contractual requirements (provider agreement). Documentation to support the provider’s license status and agreement with the State should be updated every time the provider license is renewed.

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As a result of our review the following was noted:

1. The active license status for 24 providers was not documented.
2. The provider agreement was either not available for review or was not updated to cover providers services rendered during FY 17. (i.e. agreement renewed when license was renewed)
3. The provider agreement checklist for 16 providers was not available for review.

Context:

24 out of 60 provider licenses were either not documented or expired prior to FY 17. 13 out of 60 provider files did not contain a signed provider agreement between the State and the provider. 16 out of 60 provider files do not contain the provider agreement checklist.

Questioned costs:

Undetermined, due to the lack of information, we were unable to determine if the providers were eligible or ineligible to participate in the program.

Cause:

The state contracts a 3rd party provider to manage provider eligibility and their compliance with related federal and state requirements. The 3rd party provider did not maintain adequate documentation to support the provider's compliance with federal and state requirements.

Effect:

Medicaid claims may be paid to ineligible providers which may result in unallowed program costs. The Department is not compliant with the State's plan for Medicaid.

Recommendation:

We recommend that the Department review the 3rd party provider process and procedures for determining and documenting provider's eligibility and compliance with related State and Federal requirements. The Department should establish a documentation retention policy for the 3rd party provider to ensure that documentation is maintained and readily available for review by internal and external individuals.

We further recommend that the Department periodically monitor the 3rd party provider's compliance with the procedures.

Views of responsible officials:

Accepted. Molina Medicaid Solutions, on behalf of the Division of Medical Assistance and Health Services (DMAHS), sends a 45-day Notice to providers advising that their professional/institutional license(s) are scheduled to expire. The DMAHS expects that providers are all appropriately licensed and respond timely to license renewal requests received from licensing agencies. In addition, a report will be requested from Molina for those providers who fail to respond to license requirements for needed actions on the provider file, such as closure of a provider or pending claims until licensing is received. Provider credentialing shall be implemented as a component of the Replacement Medicaid Management Information System (RMMIS).

A Provider Agreement is completed upon enrollment and re-enrollment in accordance with Affordable Care Act (ACA) requirements and providers are scheduled to be re-enrolled every three (3) years. The re-enrollment captures the same information contained within the provider enrollment agreement. DMAHS will work with Molina to provide additional training to Molina credentialing staff to ensure that provider agreements are properly filed.

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Molina Medicaid Solutions has re-trained its provider enrollment staff regarding Risk Based Assessment Check-list procedures. DMAHS has also implemented a monthly focused audit on risk-based assessments to monitor compliance with check-list requirements.

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Reference Number: 2017-004
Prior Year Finding: No
Federal Agency: U.S. Department of Health and Human Services
State Agency: Department of Human Services
Federal Program: Temporary Assistance of Needy Families (TANF)
CFDA Number: 93.558

Award Number and Year: 1701NJTANF and 2017
1601NJTANF and 2016
1502NJTANF and 2015

Compliance Requirement: Sub monitoring – Eligibility Review
Type of Finding: Significant deficiency in Internal Control

Criteria or specific requirement:

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

2 CFR section 200.331, requires the grantee agency to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

Condition:

TANF eligibility determination is performed by the Counties in the State. As part of the subrecipient monitoring process, the Department selects a sample of client case files from each County and assesses whether the client’s eligibility was determined in accordance with federal and state requirements. We selected a sample of the cases reviewed by the Department to determine if the review process was performed and results communicated with the Counties in a timely manner (within 6-months of the review).

During our testing we noted the following:

1. Two refugee case files were incorrectly identified as TANF and included in the TANF population of cases reviewed by the Department. Refugee clients were not paid with TANF funds and should be separately identified to ensure the cases are reviewed based on the correct requirements.
2. The results of the Department’s review was communicated more than 6-months after the review for 3 case files.

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Context:

We noted that 2 out of 36 case files selected for testing were refugee cases that were incorrectly included in the TANF population, and untimely communication of the supervisory review was performed for 3 out of 36 case files.

Questioned costs:

None noted, none of the costs were determined to be unallowed.

Cause:

The refugee case files were identified as TANF for internal tracking purposes. The Department was undergoing personnel changes which contributed to the delayed communication.

Effect:

Refugee eligibility for assistance is not determined based on TANF eligibility requirements. The incorrect identification of these cases as TANF may result in the wrong eligibility requirements being used as part of the monitoring process resulting in findings and/or unallowed costs (i.e. Office of the Inspector General).

The Department is not providing timely communication to ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the program.

Recommendation:

We recommend that the Department identify refugee cases under a different system code to ensure that the cases are correctly identified.

We further recommend that the Department implement procedures that establish a time frame for communicating results to the Counties.

Views of responsible officials:

Accepted. A request was made in March 2017 to the Division of Family Development (DFD) Office of Information Systems to modify the TANF case sampling query to eliminate refugee cases from the result. It is projected that this modification will be made by June 30, 2018. In the interim, any refugee cases will be manually dropped from the sample and a replacement sample case will be pulled from the reserve.

DFD acknowledges the delay in issuing the 551B Error Forms for the three cases to the corresponding County Welfare Agency (CWA). Effective immediately, and consistent with the timeframe laid out in the Standard Operating Procedure for the current TANF-QC Review, all TANF-QC 551 Forms will be issued to the respective CWA no later than one month following the date the entrance email containing the case samples was sent to the CWA.

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Reference Number: 2017-005
Prior Year Finding: No
Federal Agency: U.S. Department of Health and Human Service
State Agency: Department of Human Services
Federal Program: Medicaid Cluster
CFDA Number: 93.775, 93.777, 93.778

Award Number and Year: 05-1605NJ5ADM and 2016
1705-NJ5ADM

Compliance Requirement: Subrecipient monitoring – Subawards agreements
Type of Finding: Significant deficiency in internal control, Non Compliance

Criteria or specific requirement:

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: §200.331 Requirements for pass-through entities. All pass-through entities must: (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification: (i) Subrecipient name (which must match the name associated with its unique entity identifier); (ii) Subrecipient's unique entity identifier; (iii) Federal Award Identification Number (FAIN); (iv) Federal Award Date of award to the recipient by the Federal agency; (v) Subaward Period of Performance Start and End Date; (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient; (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation; (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity; (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA); (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity; (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement; (xii) Identification of whether the award is R&D; and (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

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(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.

(3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;

(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);

(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and

(6) Appropriate terms and conditions concerning closeout of the subaward.

Condition:

Medicaid eligibility determination is mainly performed by the counties throughout the State. Based on the Counties' determination, the State will provide Medicaid coverage for the eligible recipient. The state is responsible for paying all provider and facility claims for the eligible recipient and reporting the claims to the federal government via CMS-64 report.

The Counties assume the Department's responsibility of determining Medicaid eligibility and are responsible for compliance with the federal requirements. Therefore, the Counties are considered sub-recipients and are required to receive a subaward for the federal funds pass-through to the Counties. The subaward is required to ensure that specific information related to the pass-through federal funds and program requirements are communicated to the subrecipient, and are adequately documented. This is to ensure that the subrecipient can properly identify the federal funds in their accounting system (i.e. single audit) and are aware of the federal requirement in which they are assuming responsibility.

The Department did not issue subaward agreements to the 7 sub recipients selected for testing.

Context:

The Department did not provide a subaward to 7 out of 7 counties selected for testing.

Questioned costs:

None noted, the activity was not deemed as unallowable in accordance with the federal program.

Cause:

The Counties are responsible for the determining eligibility for the Medicaid program, and the Department is responsible for paying all Medicaid medical claims, which is the majority of the program costs. The Department did not identify the eligibility determination activity performed by the Counties as direct and material to the federal program; therefore, did not issue sub award agreements for the federal funds pass-through to the Counties.

Effect:

The Department is not in compliance with the subrecipient monitoring- subaward federal requirement.

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Recommendation:

We recommend that the Department issue subaward agreements to the Counties in accordance with the federal requirements.

Views of responsible officials:

Accepted. The Division of Medical Assistance and Health Services (DMAHS) will develop an addendum to their annual CWA Budget Notifications that will include all applicable Uniform Guidance pass-through entity requirements cited at 2 CFR Section 200.331(a) for all pass-through payments made to the CWAs.