

Integrity Monitor Report

Category 3

Integrity Monitor Firm Name: CohnReznick, LLP
Quarter Ending: 03/31/2022
Expected Engagement End Date: 03/31/2022

A. General Info

1. Recovery Program Participant:

New Jersey Department of Health (NJDOH)

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

1. FEMA – for DR4488PA CORONAVIRUS PANDEMIC
2. CDC, Paycheck Protection Program and Health Care Enhancement Act of 2020 (P.L. 116-139, Title I) - for ELC COVID 19 Enhancing Detection and for ELC COVID 19 Enhancing Detection Laboratory
3. Paycheck Protection Program and Health Care Enhancements Act (2020) - for COVID 19 Immunization and Vaccines (DOH received this funding as a sub-award from the Vaccine-Preventable Disease Program)

3. State Funding Source (if applicable):

N/A

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

DR4488PA CORONAVIRUS PANDEMIC (FEMA) – As of right now, FEMA has extended the end date of the disaster to 7/31/22 with a re-evaluation of the end date every 90 days.

ELC COVID 19 Enhancing Detection (DEEOH and PHILEP/OLPH)- extended through July 31, 2024

ELC COVID 19 Enhancing Detection-Laboratory (PHEL)- extended through July 31, 2024

COVID 19 Immunization and Vaccines – through June 30, 2021

5. Accountability Officer:

Eric Anderson

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

DR4488PA CORONAVIRUS PANDEMIC
(FEMA)
ELC COVID 19 Enhancing Detection
(DEEOH and PHILEP/OLPH)
ELC COVID 19 Enhancing Detection-
Laboratory (PHEL)
COVID 19 Immunization and Vaccines

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 was updated as June 2021, regarding the appointment and responsibilities of COVID-19 Integrity Oversight Monitors ("Integrity Monitors"). Integrity Monitors are intended to serve as an important part of the State's accountability infrastructure while working with Using Agencies in developing measures to prevent, detect, and remediate inefficiency and malfeasance in the expenditure of COVID-19 Recovery Funds. IOM Guidelines further suggest that, "Recovery Program Participants that have received or will administer a total of \$20 million in COVID-19 Recovery Funds should retain at least one Integrity Monitor".

The purpose of this Integrity Monitoring is to review the use of non-Coronavirus Relief Funds (Non-CRFs), perform risk assessment and review of programs by conducting interviews and evaluating the performance of programs to promote best practices and ensure compliance with applicable laws; recommend best practices based on the Integrity Monitor's program review, assessment, and evaluation of risk.

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

DR4488PA CORONAVIRUS PANDEMIC (FEMA) - \$165,000,000

ELC COVID 19 Enhanced Detection (ELC-ED) – 215,674,598

ELC COVID 19 – Enhanced Detection -Laboratory - \$208,572,000

COVID 19 Immunization and Vaccine - \$3,596,616

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

DR4488PA CORONAVIRUS PANDEMIC (FEMA) - \$149,634,630.96

ELC COVID 19 Enhanced Detection (ELC-ED) – \$134,798,780.00

ELC COVID 19 – Enhanced Detection -Laboratory - \$34,534,941.14

COVID 19 Immunization and Vaccine - \$3,596,616.00

10. Amount Provided to Other State or Local Entities:

N/A

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

COVID 19 Immunization and Vaccine – Complete

ELC COVID 19 Enhancing Detection (DEEOH and PHILEP/OLPH) - Ongoing process of obligating/expending awarded budget/planning for redirection of funds

ELC COVID 19 Enhancing Detection Lab (PHEL) – Ongoing, commodities/new construction out for bid/currently under contract, funds redirect proposals in progress

DR4488PA Coronavirus pandemic – All projects are ongoing

12. Completion Status of Integrity Monitor Engagement:

Completed

B. Monitoring Activities

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

a) IM Response

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FEMA PW status – Currently there are 7 projects in various states of FEMA review, not including the one category Z project (management costs). Two projects have had reimbursement requests completed and are in the process of going to closeout (90% complete). The three projects for non-vaccination-related costs (50% complete), testing in 2020 (approximately 50% complete), and psych hospital and SME costs (approximately 35% complete) are all in project development/review by FEMA. The project for CareOne Long Term Care facilities (approximately 50% complete) is in FEMA review. The project for vaccination-related costs (approximately 35% complete) has had nearly half of the total project value (\$110 million) paid. A project to request funding for general population testing is forthcoming.

b) Recovery Program Participant Comments

We have a great working relationship and are in constant contact with our NJOEM and FEMA counterparts. Due to these relationships, we have been able to facilitate addressing questions and concerns as they arise to aid in the quickest funding of our projects as possible.

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

In 1Q2022 Integrity Monitor completed the following tasks:

- Throughout the engagement the Integrity Monitor held weekly status update calls with the Accountability Officer
- Remained cognizant of any potential areas of fraud, waste, and abuse for communication to NJDOH
- On January 4th, 2022 Integrity Monitor submitted 4Q2021 Final Quarterly report to NJ Treasury
- Requested detailed expenditure reports from each participating Division
- Held numerous meetings with the Divisions to verify the completeness of itemized expenditures in the provided reports
- Performed sampling procedures and drew samples for DEEOH, OLPH/PHILEP, PHEL, FEMA, DCHS

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- Submitted sample selection along with request for supporting documentation for selected expenditures, including expenditures incurred by sub-recipients
- Followed-up with the Divisions and Accountability Officer to review, discuss and request any additional supporting documents and questionable items
- Developed procedures to test compliance with the US Treasury guidance and other federal and State guidance related to ELC ED, ELC Lab, COVID 19 Immunization and Vaccines, and FEMA
- Performed attribute testing for DEEOH, OLPH/PHILEP, PHEL, DCHS, and FEMA selected expenditures, including purchases, services, payroll and sub-recipients' expenditures
- Documented results and noted any process variances, gaps, and/or areas of improvement for follow-up discussion
- Drafted Integrity Monitor 1Q2022 quarterly report and submitted it to DOH for review and approval
- Drafted IM report and submitted to DOH for review and approval
- Performed final Risk Assessment for all four programs matrices to the Accountability Officer for review and comments
- Held a review and discussions of the report items with Accountability Officer
- Finalized reports and risk assessments and submitted to DOH
- Submitted final 1Q22 IM Quarterly report to Treasury

b) Recovery Program Participant Comments

N/A

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

The Integrity Monitor requested itemized reports of total expenditures incurred by each program, including payroll and sub-recipients' expenditures allocated to non-CRF funding. Integrity Monitor performed a reconciliation of

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expenditures provided by each Division to the summary expenditure report provided by NJDOH.

Provided detailed expenditure reports were used to select a testing sample for each program. The Sample methodology was in accordance with Audit Sampling Considerations of Circular A- 133 Compliance Audits, as published by AICPA. The Sample sizes and approaches to make each selection vary for each Division and Program due to the nature of reports received and assessed risks. However, the following considerations were made in selecting the sample across all programs:

- The underlying reports are adequately representing the population
- The sample sizes are appropriate to achieve high level of assurance depending on the assessed risks
- At least 10% of total expenditures were selected for testing

IM then requested and tested the supporting documentation for the sampled expenditures. The testing procedures were designed to ensure the eligible costs were charged to the programs within allowable performance period(s) and designed controls and activities were effectively implemented to meet the needs of the Programs.

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

N/A

b) Recovery Program Participant Comments

N/A

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

a) IM Response

The Integrity Monitors reviewed selected sub-recipient payment vouchers and compared them against expenditure reports. CohnReznick also reviewed the

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summary expenditure reports and progress reports provided by the Divisions. For direct division expenditures, IM reviewed purchase orders, invoices and/or payment vouchers when applicable.

b) Recovery Program Participant Comments

N/A

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

a) IM Response

By the end of 1Q2022, the Integrity Monitor performed: walkthroughs and evaluation of processes and internal controls related to administration of disaster recovery funds; reviewed policies and procedures. Integrity Monitor also tested the sample of expenditures to ensure the allowability of the costs incurred by each Program.

b) Recovery Program Participant Comments

N/A

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

CohnReznick did not identify any fraud, waste and abuse and/or integrity issues, however, the findings noted below warrant comments with possible follow-up action.

ELC ED and ELC ED Lab

One of the higher risk areas identified by IM is related to staffing shortages and, therefore, inability to validate the sub-recipients' actual expenditures and review the supporting documentation such as invoices, payroll records, contracts, bills or any other document related to the use of funds.

Integrity Monitor has also identified weaknesses related to records management, which create risks of data loss, communication gaps, lack of transparency, and may lead to eligibility, reporting and other compliance issues.

OLPH/PHILEP: Integrity Monitor randomly selected and tested a sample of 12 transactions for a total of \$1,537,132 related to sub-recipients' expenditures. CohnReznick was not able to validate \$144,881 in expenditures due to lack of supporting documentation.

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PHEL Hospital Grant: Integrity Monitor selected and tested a sample of expenditures from 4 sub-recipients of the Hospital Grant. Total of \$2,701,266 was tested. During our testing, CohnReznick identified amounts expended for Construction and Alterations exceeded amount awarded by \$6,810. In addition, \$23,250 for Professional Services were incurred outside of the reporting period.

Some sub-recipients did not provide or partially provided requested supporting documentation. Payroll reports and or timesheets to support provided payroll summaries for \$1,149,643 and some invoices for the equipment and supplies for \$1,233,856 were not provided timely. Therefore, CohnReznick was not able to validate the eligibility of incurred expenses for a total of \$2,383,499.

PHEL Lab: CohnReznick selected 24 purchase orders for testing and requested corresponding supporting documentation. The Division initially provided and CR reviewed documentation for 5 out of 24 purchase orders. The remaining 19 purchase orders for a total of \$1,286,113 was not validated. Although the supporting documentation subsequently became available, CR was not able to review due to time constraints. The potential cause of this finding may be attributable to separate, independent Divisions each maintaining partial documentation for the Program.

COVID 19 Immunization and Vaccine: DCHS

The Department's supervisory review and approval control related to sub-recipients was not operating effectively to ensure that documentation existed to support eligibility determination requirements. IM randomly selected and tested a sample of expenditure reports in the amount of \$952,672 for five Federally Qualified Health Centers (FQHC). As a result, CR did not verify eligibility of \$235,065 of costs due to one Health Center being unable to provide related documentation within the allotted time and \$322,6450 deemed questionable and/or unallowable. Questionable/Unallowable costs consist of \$286,709 of payroll cost of one FQHC for all employees worked that period and included payroll for various other programs not only related to the Immunization and Vaccine Program; \$3,196 for ineligible personal use equipment; \$32,745 of various purchases and facility costs were incurred before or after the period of performance. Additionally, one FQHC over expended certain budgetary items on the selected progress report and under expended others, although was not overpaid in total.

FEMA DR4488

IM identified several instances where the system of record (NJEMGrants) did not contain payment information for invoiced expenses, as well as one questionable expense for a total of \$313 that appeared ineligible. Subsequently, the supporting documentation for the questionable cost was provided, and CR was able to validate the expense.

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b) Recovery Program Participant Comments

FEMA DR4488: Although DOH has uploaded the majority of FEMA claims and documents into NJEMGrants, we are still working on the balance of the documentation to ensure proper compliance. This process to upload must be vetted out by our FEMA contract individual who works directly with OEM and the FEMA representatives. The payment in the amount of \$312.60 was paid by the Medical Examiner's office and the supporting documentation has been submitted.

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

a) IM Response

No other items of note occurred in the past quarter except as detailed in item 19 above.

b) Recovery Program Participant Comments

N/A

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 from January 1, 2022 through March 31, 2022, the following individuals have expended a total of 732.6 hours:

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Name:

Ron Frazier (41 hours)
Anna Fomina (148.3 hours)
Viktoria Barrett (177 hours)
David Solomon (146.5 hours)
Erin White (2 hours)
Tiffany Thompson (42 hours)
Devin Norris (72 hours)
Skyler Akins (1 hour)
Andrew Barchenko (102.8 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

Recommendations:

1. CR recommends DOH to recruit qualified resources to enable Divisions:
 - A. To strengthen the controls for secondary internal reviews to ensure proper supporting documentation is maintained in the system of record (NJEMGrants) for FEMA DR4488.
 - B. Secondary internal review of expenses to ensure eligibility and proper documentation to mitigate against potential future de-obligations due to possibly ineligible expenses.
 - C. To enhance the controls related to review of sub-recipients' incurred costs supporting documentation for eligibility and proper documentation to avoid potential recoupments of funds for unallowable and or unsupported expenditures.

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2. IM recommends that in instances like ELC ED Programs, where program-related documentation is maintained in separate systems and Divisions, that such documentation be migrated and maintained in one central repository for easier access and reconciliations.

b) Recovery Program Participant Comments

DOH agrees with the Integrity Monitor's recommendation within the Final Report for the engagement period 11/5/2021 – 3/31/22. The COVID-19 pandemic has hit the entire country and New Jersey is not alone with its challenges. Not only has this been an epidemiology, scientific, logistical, and resource issue, this has also been a contractual and financial problem as well. Finding proper vendors and navigating the state government procurement procedures have been challenging during the health emergency. Multiple new funding awards from various resources have stretched the already thin finance workforce to develop better controls necessary to manage the extra \$2 billion of federal funding. This was done by hiring COVID-19 contractors and full-time employees dedicated to managing COVID funding and contracts. We agree that additional secondary internal reviews are still needed to strengthen what is already in place and DOH will continue to work to make this happen.

Name of Integrity Monitor:

CohnReznick, LLP

Name of Report Preparer:

CohnReznick, LLP

Signature:



Date:

03/31/2022