

**Integrity Monitor Report
Category 3**

Integrity Monitor Firm Name: **Vander Weele Group (“VWG”)**
Quarter Ending: **09/30/2022**
Expected Engagement End Date: **09/30/2022**

A. General Info

1. Recovery Program Participant:

New Jersey Department of Environmental Protection (“NJ DEP”)

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

Coronavirus Aid, Relief, and Economic Security (“CARES”) Act

3. State Funding Source (if applicable):

N/A

On May 7, 2020, the U.S Secretary of Commerce announced an initial allocation of \$300 million in fisheries assistance funding provided by Section 12005 of the CARES Act, of which New Jersey was awarded \$11,247,242. The funding supports states, tribes, and territories with coastal and marine fishery participants who have been negatively affected by COVID-19.

On March 29, 2021, the Secretary of Commerce announced an additional allocation of \$255 million in fisheries assistance funding provided by the Consolidated Appropriations Act of 2021, of which New Jersey was awarded \$9,439,080. The funding supports commercial fishing and associated activities previously authorized under Section 12005 of the CARES Act.

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

Round 1 – 5/31/2022 (Amended from 6/30/2021)

Round 2 – 4/30/2023 (Amended from 7/30/2022)

5. Accountability Officer:

[Stephen Matis, Director of Budget and Financial Operations]

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

[Marine Fisheries CARES Act Assistance Round 1 and Round 2 Programs]

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

[Pursuant to E.O. 166, which Governor Murphy signed on July, 17, 2020, COVID-19 Compliance and Oversight Taskforce ("Taskforce") has issued guidelines, which have been updated as of June 2021, regarding the appointment and responsibilities of COVID-19 Oversight Integrity Monitors ("Integrity Monitors") to help prevent, detect, and remediate inefficiency and malfeasance in the expenditure of COVID-19 Recovery Funds and provide expertise in Program and Process Management Monitoring; Financial Auditing and Grant Management; and Integrity Monitoring/Anti-fraud services.

For Round 1, NJ DEP entered into a sub-award on October 16, 2020 with the Atlantic States Marine Fisheries Commission ("ASMFC") to provide funds to fishermen or fishery-related businesses directly for an amount not to exceed \$11,247,242.

For Round 2, NJ DEP entered into a sub-award on September 23, 2021 with ASMFC to provide additional funds to fishermen or fishery-related businesses directly for an amount not to exceed \$9,439,080.

An extension was signed on 10/19/2021 to extend Round 1 of the program from the original due date of 6/30/2021 to 5/31/2022. Furthermore, another extension was signed on 5/24/2022 to extend Round 2 of the program from the original due date of 7/30/2022 to 4/30/2023.

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

Round 1 – Not to exceed \$11,247,242

Round 2 – Not to exceed \$9,439,080

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

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Round 1 – \$10,945,714
Round 2 – \$3,442,993

10. Amount Provided to Other State or Local Entities:

N/A

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

Round 1 – Post Payment
Round 2 – Post Payment

12. Completion Status of Integrity Monitor Engagement:

The VWG/DeLuca Advisory team is on target to complete all assignments and deliverables by the scheduled end date of 9/30/2022.

B. Monitoring Activities

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

a) IM Response

N/A

b) Recovery Program Participant Comments

N/A

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

a) IM Response

As of the date of this quarterly Integrity Monitor Report, the VWG/DeLuca Advisory team has:

- i. Held internal team meetings to collaborate, brainstorm, and discuss project details and documents on a weekly basis;

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- ii. Held group meetings with NJ DEP, including procedural walkthroughs, follow up inquiries, and interviews of key personnel and those involved in the administration of the program;
- iii. Reviewed documents provided by NJ DEP regarding the administration of the program and procurement-related processes;
- iv. Conducted independent research regarding administration of procurement-related processes including, but not limited to, the bidding processes and invoicing of awardees tied to Round 2 of the program;
- v. Reviewed NJ DEP policies and procedures related to the administration of the program;
- vi. Completed testing of sampled program applications and worked with NJ DEP to submit subsequent finance-related document requests for applicants that received funds in Round 1 and Round 2 (as applicable);
- vii. Conducted multiple interviews with NJ DEP management and staff members tied to the administration of the program to obtain a program status update, discuss New Jersey Office of the State Comptroller's ("NJ OSC") report of the Marine Fisheries CARES Act Assistance program, and to discuss processes tied to the administration of the program;
- viii. Summarized testing and procurement related findings in this quarterly Integrity Monitor Report; and
- ix. Summarized follow up recommendations and remedial efforts in this quarterly Integrity Monitor Report.

b) Recovery Program Participant Comments

NJ DEP confirms the activities identified in Section 14 were performed.

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:

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a) IM Response

The VWG/DeLuca Advisory team confirms receipt of appropriate data/information from NJ DEP regarding the administration of the program including, but not limited to, the following:

- i. Grant-related agreements and amendments between the Atlantic States Marine Fisheries Commission (“ASMFC”) and NJ DEP;
- ii. The Spend Plans for Round 1 and Round 2 of the program, reviewed by ASMFC and approved by the National Oceanic and Atmospheric Administration (“NOAA”);
- iii. NJ DEP’s procurement-related policies and procedures tied to the administration of this program and other key policies and procedures;
- iv. Organizational Charts;
- v. NJ DEP’s self-assessed risk assessment dated 10/14/2021;
- vi. NJ DEP’s Internal Control Assessment Certification conducted in accordance with Treasury Circular Letter 19-02-OMB, Annual Internal Control Reporting, for the years 2019 through 2021;
- vii. Listings of all program applicants for both Round 1 and Round 2 (i.e., approved and denied applications);
- viii. Full access to program applications for both Round 1 and Round 2 via NJ’s online grant management system known as the System for Administering Grants Electronically (“SAGE”);
- ix. NJ DEP internal documentation such as Excel workbooks used as part of the application review process and in administering the program;
- x. Finance-related document request letters sent to applicants selected for sampling in Round 1 and Round 2 from NJ DEP, on behalf of the VWG/DeLuca Advisory team; and
- xi. Various key procurement documentation tied to Round 2 of the program, including, but not limited to, the fisheries marketing program awardee.

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The VWG/DeLuca Advisory team encountered no issues with NJ DEP providing requested documents. NJ DEP has consistently made themselves available for interviews and for follow-up questions upon request and has made available any documentation relevant to the Marine Fisheries CARES Act Assistance program.

As part of the Integrity Oversight Monitor review, the VWG/DeLuca Advisory team conducted a risk-based sampling of program applications, broken down as follows:

Round 1: 18 out of 90 approved applications, or 20% of the approved population, and

Round 2: 10 out of 27 approved applications, or 37% of the approved population.

As part of the Integrity Oversight Monitor review, the VWG/DeLuca Advisory team conducted the following activities to review financial and administrative processes, procurement, invoices, and payment processes including, but not limited to, the following:

- i. Reviewed and analyzed pertinent documentation;
- ii. Conducted follow-up inquiries;
- iii. Conducted interviews, group meetings, and process walkthroughs;
- iv. Tested sampled program applications; including, but not limited to, the following potential issues:
 - a. Incomplete application or missing information;
 - b. Incomplete financial records when requested, per Integrity Oversight Review;
 - c. Responded “No” to License / Permit related questions on the program application;
 - d. Application completed by someone other than the owner or fiscal officer;
 - e. Application not disclosing amount of forgiven Payment Protection Program (“PPP”) loans;
 - f. Application approved with known red flags such as multiple round revenue figures or duplicate revenue information;

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- g. Applicant did not incur a greater than 35% loss in revenues based on application information;
 - h. Applicant did not incur a greater than 35% loss in revenues based on documents provided per Integrity Oversight Review; and,
 - i. Applicant was made more than whole.
- v. Drafted and updated the quarterly Integrity Monitor Report deliverable throughout the engagement; and
- vi. Other due diligence activities.

The VWG/DeLuca Advisory team received all requested documents to date and reviewed program related data and information to determine our testing findings.

b) Recovery Program Participant Comments

NJ DEP confirms the activities in Section 15 were performed.

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

a) IM Response

Quarterly auditing activities conducted to ensure procurement compliance with terms and conditions of contracts and agreements included, but was not limited to, the following: reviewed scope of work, procurement-related policies and procedures, pre-approved bidders, evaluation committees and award processes; conducted inquiries, interviews, group meetings, and process walkthroughs; and reviewed various procurement-related supporting documentation tied to both Round 1 and Round 2 of the program. Such activities enabled the VWG/DeLuca Advisory team to understand more about NJ DEP's daily functions, fraud prevention procedures, and processes taken in administering the program.

The VWG/DeLuca Advisory team requested and has been provided with pertinent grant procurement (i.e., payment / reimbursement) supporting documentation. As part of the Integrity Oversight Monitor review, the VWG/DeLuca Advisory team reviewed the following administrative

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costs and professional services procurement amounts, broken down as follows:

Round 1: \$46,109 out of \$93,678 allocated to administrative costs, or 49.2% of the approved Spend Plan total for these line items, and \$41,823 allocated to professional services, or 100% of the approved Spend Plan total for this line item, and

Round 2: \$23,855 out of \$322,117 allocated to administrative costs, or 7.4% of the approved Spend Plan total for these line items, and \$16,908 allocated to one particular professional service, or 100% of the approved Spend Plan total for this line item.

NJ DEP has through April 2023 to submit for program reimbursement for administrative costs and professional services up to the total amounts agreed to under Round 2 of the Spend Plan. To date, NJ DEP has been billed and has received approximately \$77,000 worth of invoices associated with marketing the fisheries grants, one type of professional services funded by Round 2 of the program, which has not yet been submitted to the ASMFC for reimbursement. Educational outreach professional services component under Round 2 of the program has yet to be awarded. NJ DEP will continue to submit for reimbursement through April 2023 as it continues to receive marketing and educational outreach services of as much as \$1,079,800. Procurement-related recommendations can be found towards the end of Inquiry #18.

b) Recovery Program Participant Comments

NJ DEP confirms the information provided in Section 16.

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

a) IM Response

Payment documentation in connection with the program, such as pertinent grant (i.e., payment / reimbursement) supporting documentation, including administrative costs, have been requested and provided. Administrative cost findings can be found in Inquiry #18.

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The VWG/DeLuca Advisory team has performed a review of the disbursement detail that lists all the disbursements issued for Round 1 and Round 2. Based on the payment detail reports, the VWG/DeLuca Advisory team has made sample selections for Round 1 and Round 2, has received requested documentation from applicants, and has performed testing of program applications. More detail of program application testing can be found in Inquiry #18 below.

b) Recovery Program Participant Comments

NJ DEP confirms the activities identified in Section 17 were performed.

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

a) IM Response

The VWG/DeLuca Advisory team reviewed the NJ OSC review report of the Marine Fisheries CARES Act Assistance program to gain an understanding of the methodology selected and the findings disclosed. The VWG/DeLuca Advisory team tested program applications based on a risk-based sampling methodology and assessed for eligibility criteria and other application requirements. The VWG/DeLuca Advisory team is aware of the NJ OSC's selected sample and used it to identify further risk areas and ensure that our sample selection differed from the NJ OSC's.

Based on the NJ OSC report and interviews with NJ DEP, it appears that application approvals for disbursements were highly reliant on self-certified information provided by applicants. Applicants were required to sign an affidavit stating that all information disclosed was accurate and that all applicants who receive program funds agree to be subject to audit.

The VWG/DeLuca Advisory team's testing included the receipt and review of various supporting documentation from 28 applications across Round 1 and Round 2 of the program. Testing of these applications has identified the following potential findings:

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- i. 9 out of 28 applications, or approximately 32% of the sample, had incomplete financial records, based on requests made as part of the Integrity Oversight Monitor review;
- ii. 1 out of 28 applications, or approximately 4% of the sample, had an application completed and submitted by someone other than the owner, as required by the Spend Plan, which leads to a concern regarding the ability to enforce the affidavit component as part of the application. For example, it could be more difficult to recoup grant funds should the bookkeeper no longer be with the company or may be unable to access records;
- iii. 3 out of 28 applications, or approximately 11% of our sample, did not disclose forgiven PPP loan amounts totaling \$334,015;
- iv. 1 out of 28 applications, or approximately 4% of our sample, had an application with known red flags such as round number revenue figures and duplicate revenue figures;
- v. 2 out of 28 applications, or approximately 7% of our sample, did not incur a greater than 35% loss in revenue based on financial supporting documents provided as part of the Integrity Oversight Monitor review. The VWG/DeLuca Advisory team strongly encourages NJ DEP to recoup \$842,152 program funds disbursed to these applicants, as detailed below:
 - a. One applicant in Round 1 with an approximate 5% loss in revenue should return \$203,908 to NJ DEP; and
 - b. One applicant in Round 2 with an approximate 12% loss in revenue should return \$638,244 to NJ DEP.
- vi. 7 out of 28 applications, or approximately 25% of our sample, did not provide the necessary financial supporting documentation required to determine if they had incurred a greater than 35% loss in revenue as part of the Integrity Oversight Monitor review;
- vii. 11 out of 28 applications, or approximately 39% of our sample, were made more than whole, totaling approximately \$2.65 million based on financial supporting documents provided as part of the Integrity Oversight Monitor review. This does not include the two applications detailed in potential finding (v.) above, which were calculated to not have a greater than 35% loss in revenue. This complies with the NOAA

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approved Spend Plans, which states that applicants "... will be expected to return the excess money they have received through this program to the ASMFC."

- viii. 4 out of 28 applicants, or approximately 14% of our sample, did not provide the necessary financial supporting documentation required to determine if they were made more than whole as part of the IOM review.

The VWG/DeLuca Advisory team's testing included the receipt and review of various supporting documentation in connection with the administration of the program, such as pertinent grant (i.e., payment / reimbursement) supporting documentation, including administrative costs, across Round 1 and Round 2 of the program and has identified the following potential findings:

- i. \$1,465 of costs associated with four staff members were not listed in the approved Spend Plan for Round 1 that was submitted to the ASMFC for reimbursement;
- ii. Administrative costs associated with Round 1 and Round 2 of the program included an additional 23% additive rate for paid time off, totaling \$4,577 and \$2,310, respectively, which was not originally listed in the approved Spend Plan;
- iii. Administrative costs associated Round 1 and Round 2 of the program included a higher fringe rate than originally included as part of the approved Spend Plan.

Recommendations and Corrective Actions

Based on a review of program documents, procurement documents, and testing of program applications, the VWG/DeLuca Advisory team recommend the following corrective actions be applied by NJ DEP:

- i. NJ DEP should establish and enforce a process to recoup grant funds totaling nearly \$3.5 million from 13 applicants that either did not meet the greater than 35% loss eligibility requirements or that were made more than whole, per the IOM review;
- ii. For applicants that were not able to provide sufficient financial supporting documentation to support eligibility, NJ DEP should establish and enforce a process to confirm proper grant fund

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disbursements and recoup those funds associated with noneligible applicants;

- iii. NJ DEP should consult with the ASMFC and NOAA to determine the next steps to address the findings noted in this Integrity Oversight Monitor review;
- iv. NJ DEP should establish formal, documented policies and procedures covering all steps in the Marine Fisheries CARES Act Assistance grant program for future grant administration including, but not limited to, the following areas:
 - a. Overview of application process;
 - b. Receiving application;
 - c. Initial review process;
 - d. Due Diligence process;
 - e. Final approval;
 - f. Funding process;
 - g. Appeal process.
- v. NJ DEP should document “lessons learned” for incorporation into future grant programs and to enhance its overall program administrative processes including, but not limited to, the following areas:
 - a. Program controls, both manual and automated;
 - b. Formal training provided to staff and program administrators prior to and during the program;
 - c. Application criteria and patterns to note;
 - d. Requiring an owner to submit the application;
 - e. Deadlines for providing required financial documentation;
 - f. Application certification language;
 - g. Communications and milestone updates.
- vi. NJ DEP Policy and Procedure No. 4.03 – “Procurement of Commodities and Professional Services From Outside Vendors,” dated 2/8/2005 should be formally reviewed, updated, and redistributed to all applicable management and staff personnel.

b) Recovery Program Participant Comments

NJ DEP will discuss the findings and recommendations identified in Section 18 to determine the appropriate next steps.

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

a) IM Response

As stated in the previous quarterly Integrity Monitor Report, per conversations with NJ DEP surrounding the NJ OSC report, NJ DEP did not plan to follow-up with applicants to recoup payments that ultimately made applicants “more-than-whole.” The NJ OSC report recommended that NJ DEP, “...review these findings and consult with the Office of the Attorney General, the NOAA, and/or ASMFC to determine appropriate next steps regarding the recoupment and possible reallocation of funds for other eligible purposes.” NJ DEP stated that, in response to its conversation with both ASMFC and NOAA, NJ DEP will not seek to recoup payments based on the NJ OSC report findings because the two agencies informed DEP that they did not want funds returned to them. When documentation was requested to confirm that the agencies did not wish to recoup the funds, NJ DEP shared with the VWG/DeLuca Advisory team a telecommunication between NOAA’s Grants Management Specialist and NJ DEP’s Director of Budget and Financial Operations stating that there is no additional requirement on NJ DEP’s side to recoup the funds and that the onus is on each participant via their signing of the affidavit. However, NJ DEP also informed the VWG/DeLuca Advisory team that NOAA was currently auditing ASMFC and that, perhaps, some written guidance might stem from that audit. Additionally, NJ DEP stated that it expects to reallocate Round 2 funds that remain available due to minimal application submissions.

Since then, NJ DEP has provided further clarification regarding its intent to reallocate Round 2 funds. Initially, there were approximately \$8 million dollars allocated to direct payments during Round 2. NJ DEP currently has no plans to reallocate the approximate \$4.6 million of unused direct payment funds. Such funds can be reallocated in the future, however, through the submission of a budget modification and by obtaining approval from both ASMFC and NOAA. NJ DEP will ensure that the \$1.25 million allocated to marketing costs of the program to help bring awareness to NJ fisheries will continue to be used appropriately through the allotted time of the Round 2 extension date, 4/30/2023.

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The VWG/DeLuca Advisory team's review of program applications uncovered various red flags that indicate potential for waste if unaddressed and unanswered. The VWG/DeLuca Advisory team cannot definitively conclude whether any of those red flags were specifically related to fraud or abuse based upon the scope of our review. As such, the VWG/DeLuca Advisory team encourages NJ DEP to address, in coordination with legal counsel, all recommendations and next steps outlined in the Monitor's response to Inquiry #18 including all efforts to collect any funds that may have been misappropriated or misused.

All concerns, recommendations, and corrective actions have been discussed with Management.

b) Recovery Program Participant Comments

NJ DEP will discuss the findings and recommendations identified in Section 18 to determine the appropriate next steps.

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

a) IM Response

[N/A]

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

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22. List of hours (by employee) and expenses incurred to perform quarterly integrity monitoring review:

a) IM Response

- Joseph DeLuca – 11.50h
- Maribeth Vander Weele – 8.30h
- Steven Pasichow – 17.50h
- Kathleen Budrean – 5.15h
- Kevin Mullins – 42.98h
- Michael Dundas – 67.75h
- Kristin Mokofisi – 21.50h
- Salvatore Ubaldini – 60.00h
- Matthew Gavin – 2.50h
- Artecia Foster – 21.60h
- Linda Ressler – 39.65h

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

[N/A]

b) Recovery Program Participant Comments

N/A

Name of Integrity Monitor:

Vander Weele Group

Name of Report Preparer:

Kevin Mullins

Signature:

[Sign Here]



Date:

10/17/2022