

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NEW JERSEY SHOULD STRENGTHEN
HURRICANE SANDY SOCIAL SERVICES
BLOCK GRANT INTERNAL CONTROLS**

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Office of Inspector General

<https://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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EXECUTIVE SUMMARY

Although New Jersey budgeted appropriate costs and claimed allowable costs under its Hurricane Sandy Social Services Block Grant as of March 31, 2014, the Administration for Children and Families should ensure that New Jersey strengthens its internal controls over these funds.

WHY WE DID THIS REVIEW

The Disaster Relief Appropriations Act of 2013 (Disaster Relief Act) in part provided the Department of Health and Human Services (the Department) approximately \$800 million in funding for disaster response and recovery and other expenses directly related to Hurricane Sandy. Of this amount, the Administration for Children and Families (ACF) received \$577.2 million. ACF awarded \$226.8 million of these funds to the New Jersey Department of Human Services (State agency) for Social Services Block Grant (SSBG) activities, including social, health, and mental health services for individuals and for the repair, renovation, and rebuilding of health care, mental health, and childcare facilities. (In this report, we refer to these funds as “Sandy SSBG funds.”)

The Disaster Relief Act mandated the Department’s Office of Inspector General (OIG) to perform oversight, accountability, and evaluation of programs, projects, or activities supported with Disaster Relief Act funds. This review is part of OIG’s Disaster Relief Act oversight activities.

The objectives of this review were to determine whether the State agency (1) implemented effective internal controls over Sandy SSBG funds, (2) budgeted appropriate costs, and (3) claimed allowable costs in accordance with Federal requirements.

BACKGROUND

Hurricane Sandy made landfall on October 29, 2012, devastating portions of the mid-Atlantic and northeastern United States and leaving victims of the storm and their communities in need of disaster relief aid. On January 29, 2013, the President signed into law the Disaster Relief Act, which, in part, provided the Department approximately \$800 million in funding for disaster response and recovery and other expenses directly related to Hurricane Sandy. After sequestration, the Department received \$759.5 million in Disaster Relief Act funding, \$577.2 million of which was allocated to ACF.

As of March 31, 2014, the State agency collaborated with two other New Jersey agencies to award \$88,116,309 in Sandy SSBG funds to subrecipients throughout the State. Of this amount, the State agency provided subrecipients \$45,213,890 for Hurricane Sandy-related costs. The State agency budgeted but had not expended the remaining \$42,902,419 of these funds. The State agency had not allocated the remaining \$138,677,796 in Sandy SSBG funds.

Title 45, part 96, of the Code of Federal Regulations establishes uniform administrative requirements governing block grants. Subpart C of 45 CFR part 96 provides guidance on

financial management of block grants, and § 96.30(a) specifically provides that unless otherwise required by Federal statute or regulations, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation expenditure of its own funds. It further provides that the State should have sufficient fiscal procedures to allow preparation of required reports and to be able to trace the funds to ensure that the expenditure of those funds has not violated the statute providing the funds.

HOW WE CONDUCTED THIS REVIEW

We reviewed the State agency's internal controls over Sandy SSBG funds. Additionally, of the \$88,116,309 of Sandy SSBG funds awarded, we reviewed a sample of 41 subrecipients to determine the appropriateness of \$16,410,810 in Sandy SSBG funds that the State agency had budgeted but not expended and the allowability of Sandy SSBG funds totaling \$9,225,344 that the State agency drew down from the Department's payment management system and provided to the subrecipients as of March 31, 2014. The subrecipients were provided funds by the State agency, which first drew down Sandy SSBG funds from the Department's payment management system.

WHAT WE FOUND

On the basis of our review of 41 subrecipients, we determined that the State agency budgeted appropriate costs and claimed Sandy SSBG costs that were in accordance with Federal requirements as of March 31, 2014. However, the State agency should strengthen its internal controls over these funds. The State agency did not have procedures to ensure that subrecipients' claimed expenditures were not reimbursed by other sources, such as the Federal Emergency Management Agency (FEMA) or insurers. Further, the State agency awarded cash advances to some subrecipients in excess of their immediate cash needs.

WHAT WE RECOMMEND

We recommend that ACF work with the State agency to ensure that the State agency develops and implements procedures to:

- ensure that subrecipients eligible for funding through FEMA or insurance coverage claim only expenditures that were not already reimbursed and
- adhere to its contract policy on cash advances to prevent subrecipients from drawing down in excess of immediate needs.

STATE AGENCY COMMENTS AND OUR RESPONSE

In written comments on our draft report, the State agency, through the New Jersey Office of the Attorney General, generally agreed with our first recommendation and disagreed with our second recommendation. With regard to our first recommendation, the State agency agreed that certain types of services require a duplication-of-benefits analysis. However, it argued that this was not required for every SSBG-funded program or grant. Regarding our second recommendation, the

State agency indicated that it had implemented guidance in September 2013 related to certain social service programs.

After reviewing the State agency's comments and September 2013 guidance, we revised our first recommendation to clarify that it pertains only to subrecipients eligible for funding through FEMA or other insurance coverage. We also revised our findings to account for the fact that the State's guidance allows for certain grant funds to be awarded in advance.

ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS

In written comments on our draft report, ACF concurred with our recommendations.

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INTRODUCTION

WHY WE DID THIS REVIEW

Hurricane Sandy made landfall on October 29, 2012, devastating portions of the mid-Atlantic and northeastern United States and leaving victims of the storm and their communities in need of disaster relief aid. On January 29, 2013, the President signed into law the Disaster Relief Appropriations Act of 2013, P.L. No. 113-2 (Disaster Relief Act), which, in part, provided the Department of Health and Human Services (the Department) approximately \$800 million in funding for disaster response and recovery and other expenses directly related to Hurricane Sandy.¹ After sequestration, the Department received \$759.5 million in Disaster Relief Act funding, \$577.2 million of which was allocated to the Administration for Children and Families (ACF). ACF awarded \$226.8 million of these funds to the New Jersey Department of Human Services (State agency) for Social Services Block Grant (SSBG) activities, including social, health, and mental health services for individuals and for the repair, renovation, and rebuilding of health care, mental health, and childcare facilities. (In this report, we refer to these funds as “Sandy SSBG funds.”)

The Disaster Relief Act mandated the Department’s Office of Inspector General (OIG) to perform oversight, accountability, and evaluation of programs, projects, or activities supported with Disaster Relief Act funds. This review is part of OIG’s Disaster Relief Act oversight activities. Appendix A contains a list of OIG reports related to the Disaster Relief Act.

OBJECTIVES

Our objectives were to determine whether the State agency (1) implemented effective internal controls over Sandy SSBG funds, (2) budgeted appropriate costs, and (3) claimed allowable costs in accordance with Federal requirements.

BACKGROUND

Administration for Children and Families

Within the Department, ACF is the agency responsible for promoting the economic and social well-being of families, children, individuals, and communities. ACF’s mission is to foster health and well-being by providing Federal leadership, partnership, and resources for the compassionate and effective delivery of human services. ACF received \$577.2 million in Disaster Relief Act funds to assist individuals and communities in storm-affected areas.

¹ The Budget Control Act of 2011 (P.L. No. 112-25) reduced the Hurricane Sandy disaster relief funds the Department received from approximately \$800 million to \$759.5 million. The law imposed automatic spending cuts, known as “sequestration,” designed to reduce the Federal deficit. The Office of Management and Budget (OMB) determined that disaster relief funds were subject to sequestration, and as a result, disaster relief funds received by the Department were reduced by approximately \$40.5 million.

Social Services Block Grant

ACF provides SSBG funds to States to support a variety of initiatives for children and adults including daycare, protective services, adoption, health-related services, transportation, foster care, substance abuse, housing, home-delivered meals, and employment services. Each State is responsible for determining what services will be provided, determining eligibility, and distributing funds among services.

The Disaster Relief Act provided States with supplemental SSBG funds for disaster response and recovery and other expenses directly related to Hurricane Sandy. States were allowed to use funds for costs incurred prior to the law's enactment provided these costs aligned with purposes specified in the bill and were not reimbursable by the Federal Emergency Management Agency (FEMA) or covered by insurance (Division A, Title VI of the Disaster Relief Act). ACF required States to expend these funds by September 30, 2015, and return any unexpended funds to the Federal Government. On June 12, 2015, ACF issued guidance that revised the deadline to September 30, 2017.

New Jersey Department of Human Services

In New Jersey, the State agency is responsible for administering the SSBG program. For the period October 1, 2012, through September 30, 2015, ACF awarded the State agency Sandy SSBG funds totaling \$226,794,105. As of March 31, 2014, the State agency collaborated with two other New Jersey agencies (the Department of Health and the Department of Children and Families) to award \$88,116,309 in Sandy SSBG funds to subrecipients throughout the State. Of this amount, the State agency provided subrecipients \$45,213,890 for Hurricane Sandy-related costs. The State agency budgeted but had not expended the remaining \$42,902,419 of these funds. The State agency had not allocated the remaining \$138,677,796 in Sandy SSBG funds.

The State agency is responsible for drawing down Sandy SSBG funds from the Department's payment management system. The State agency, the Department of Health, and the Department of Children and Families are responsible for monitoring awards associated with their own programs and verifying that (1) subrecipients' applications or contracts are complete, (2) proposed costs are appropriate, and (3) awarded amounts greater than \$2 million are approved by the New Jersey State Comptroller.² The agencies are also responsible for verifying that program and financial performance is progressing by reviewing subrecipients' claims for completeness, accuracy, and allowability. The State agency aggregates information from the subrecipients and submits it quarterly to ACF. The State agency also submits a quarterly financial status report to ACF summarizing the aggregate Federal share of expenditures.

² Once an award is approved, an award notice or contract is sent to the subrecipient. Contracts contain specific provisions requiring that quarterly reports detailing progress on the use of the funds be submitted to the State agency.

Federal Requirements

Title 45, part 96, of the Code of Federal Regulations establishes uniform administrative requirements governing block grants. Subpart C of 45 CFR part 96 provides guidance on financial management of block grants, and § 96.30(a) specifically provides that unless otherwise required by Federal statute or regulations, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation expenditure of its own funds. It further provides that the State should have sufficient fiscal procedures to allow preparation of required reports and to be able to trace the funds to ensure that the expenditure of those funds has not violated the statute providing the funds.

HOW WE CONDUCTED THIS REVIEW

We reviewed the State agency's internal controls over the awarding, monitoring, and reporting of Sandy SSBG funds. Additionally, of the \$88,116,309 of Sandy SSBG funds awarded, we reviewed a sample of 41 subrecipients³ to determine the appropriateness of \$16,410,810 in Sandy SSBG funds that the State agency had budgeted but not expended and the allowability of Sandy SSBG funds totaling \$9,225,344 that the State agency drew down from the Department's payment management system and provided to the subrecipients as of March 31, 2014. The subrecipients were provided funds by the State agency, which first drew down Sandy SSBG funds from the Department's payment management system.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B contains the details of our audit scope and methodology.

FINDINGS

On the basis of our review of 41 subrecipients, we determined that the State agency budgeted appropriate costs and claimed Sandy SSBG costs that were in accordance with Federal requirements as of March 31, 2014. However, the State agency should strengthen its internal controls over these funds. The State agency did not have procedures to ensure that subrecipients' claimed expenditures were not reimbursed by other sources, such as FEMA or insurers. Further, the State agency awarded cash advances to some subrecipients in excess of their immediate cash needs.

³ We limited our review to 40 of 100 subrecipients that we had randomly selected and 1 additional subrecipient from the sampling frame because we decided that we could reasonably determine whether the State agency implemented effective internal controls, budgeted appropriate costs, and claimed allowable costs using a smaller sample size.

NO VERIFICATION OF REIMBURSEMENT FROM OTHER SOURCES

ACF required the State agency to reimburse the Department for any Sandy SSBG costs incurred that were reimbursed by FEMA or insurers.⁴ However, the State agency had not established procedures to implement this requirement. Specifically, two of the three agencies had no procedures in place to determine whether subrecipient expenditures funded through Sandy SSBG awards were reimbursed by other sources. The remaining agency required subrecipients to attest that Sandy SSBG funds would not be reimbursed by FEMA or insurers prior to being awarded a contract. However, agency officials stated that the agency took no further steps to work with FEMA to verify that it did not provide any financial assistance to the subrecipients. Consequently, there is a risk that subrecipients could receive duplicate payments for the same expenses.

CASH ADVANCES TO SUBRECIPIENTS WERE IN EXCESS OF IMMEDIATE NEEDS

New Jersey's Circular 07-05-OMB⁵ provides that a subrecipient should have procedures in place to minimize the time between the advance of funds from the State and the disbursement by the subrecipient. In addition, the State agency's contract policies only allow cash advances equal to 1 month of expenditures or 2 months if requested in writing, deemed necessary to prevent cash flow problems, and authorized by the head of the State agency or a designee.⁶ Moreover, in supplemental guidance, ACF expressed that a State should make a documented request for authorization justifying the business need to provide advance payments to subrecipients.⁷

The State agency did not adhere to its contract policies for certain awards to government-operated subrecipients. Specifically, for funding related to three programs,⁸ the State agency's practice was to advance government-operated recipients 25 percent of the amount awarded to them at grant inception. We reviewed Sandy SSBG costs for 41 subrecipients, 4 of which were government operated and awarded funds related to 1 or more of the 3 programs. All four received a 25-percent advancement of funds related to these awards at grant inception. Contrary to State policies, none of the subrecipients had submitted a written request for the advances. Further, the advances were in excess of the 2-month expenditure cap and were not authorized by the head of the State agency or a designee. Consequently, there is increased risk that Sandy SSBG funds could be used for activities not related to the Disaster Relief Act.

⁴ ACF Information Memorandum 01-2013, dated March 28, 2013.

⁵ The circular number refers to the New Jersey Department of the Treasury, Office of Management and Budget.

⁶ The State agency's *Contract Policy and Information Manual*.

⁷ Administration for Children and Families, "Social Services Block Grant (SSBG) Hurricane Sandy Supplemental Round 2 Q&A," Available online at: <http://www.acf.hhs.gov/sites/default/files/ocs/hurricanesandyround2.pdf>. Accessed on May 4, 2016.

⁸ The three State agency programs for which the State agency awarded excess cash advances to government-operated subrecipients were Home Repair and Advocacy Program, Child Care, and Legal Services.

RECOMMENDATIONS

We recommend that ACF work with the State agency to ensure that the State agency develops and implements procedures to:

- ensure that subrecipients eligible for funding through FEMA or insurance coverage claim only expenditures that were not already reimbursed and
- adhere to its contract policy on cash advances to prevent subrecipients from drawing down funds in excess of immediate needs.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency, through the New Jersey Office of the Attorney General, generally agreed with the first recommendation in our draft report and disagreed with our second recommendation.

With regard to our first recommendation, the State agency agreed that certain types of services require a duplication-of-benefits analysis. However, it argued that this was not required for every SSBG-funded program or grant. The State agency said that its programs provided a wide spectrum of social services, many of which did not overlap FEMA or insurance coverage. The State agency also said that for housing services it relied on individual applicants to sign affidavits to attest to having not received other funding for services. The State agency also indicated that it used post-grant monitoring procedures and subrecipient training to ensure that Sandy SSBG funds were provided only for applicants' eligible expenses. Finally, the State agency indicated that an ACF internal control review of New Jersey found no issues with regard to the State's advancement policy or duplication of benefits protections.

With regard to our second recommendation, the State agency indicated it had implemented guidance⁹ in September 2013 related to certain social service programs. Specifically, the policy allowed for 25 percent of grant funds to be awarded in advance for specific housing recovery, childcare, and legal service programs directed toward providing immediate relief to Hurricane Sandy survivors. The State agency also stated that it issued a directive to housing program subrecipients informing the agencies of the new policy.

The State agency's comments appear in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency's comments and September 2013 guidance, we revised our findings in our draft report. We acknowledge the ACF internal control review referenced by the State agency; however, as an independent agency, we did not consider or rely on the report's

⁹ *DHS Division of Family Development Instruction No. 13-09-01* (Sept. 2013).

findings. Further, we note that the report was issued more than 2 years ago—before the State agency disbursed a majority of the Sandy SSBG funds it was awarded.

We revised our first recommendation to clarify that it pertains only to subrecipients eligible for funding through FEMA or other insurance coverage. We maintain that the State agency should ensure that subrecipients (e.g., social services agencies) eligible for funding through FEMA or insurance claim only expenditures not already reimbursed. Therefore, the State agency should add another step in its awarding process—in addition to after-the-fact monitoring—to confirm that Sandy SSBG-covered services are not covered by other funding sources.

We also revised the second finding to account for the fact that the State’s guidance allows for certain grant awards to receive a 25-percent advancement at grant inception. Specifically, the guidance applies only to the Sandy Homeowner/Rental Assistance Program. The State agency did not provide any other formal policy documents that would exempt other programs from State regulations. Therefore, we maintain that our second recommendation applies to these other programs.

ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS

In written comments on our draft report, ACF concurred with our recommendations. ACF’s comments are included in their entirety as Appendix D.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>Visiting Nurse Service of New York Budgeted Costs That Were Not Appropriate and Claimed Some Unallowable Hurricane Sandy Disaster Relief Act Funds</i>	<u>A-02-14-02012</u>	11/28/2016
<i>New York Implemented Effective Internal Controls Over Hurricane Sandy Social Services Block Grant Funds and Appropriately Budgeted and Claimed Allowable Costs</i>	<u>A-02-14-02009</u>	5/18/2016
<i>Columbia University Claimed Allowable Hurricane Sandy Disaster Relief Act Funds</i>	<u>A-02-15-02007</u>	5/18/2016
<i>Bayview Nursing and Rehabilitation Center Claimed Allowable Hurricane Sandy Disaster Relief Act Funds</i>	<u>A-02-15-02010</u>	4/4/2016
<i>Link2Health Solutions, Inc., Budgeted Costs That Were Not Appropriate and Claimed Some Unallowable Hurricane Sandy Disaster Relief Act Funds</i>	<u>A-02-14-02013</u>	3/23/2016
<i>Health Research, Inc., Budgeted Costs That Were Appropriate and Claimed Allowable Hurricane Sandy Disaster Relief Act Funds Under Grant Number 1U01TP000567</i>	<u>A-02-15-02006</u>	2/2/2016
<i>New York University School of Medicine Budgeted Costs That Were Appropriate and Claimed Allowable Hurricane Sandy Disaster Relief Act Funds</i>	<u>A-02-14-02011</u>	12/7/2015
<i>The Department of Health and Human Services Designed Its Internal Controls Over Hurricane Sandy Disaster Relief Funds To Include Elements Specified by the Office of Management and Budget</i>	<u>A-02-13-02010</u>	7/24/2014

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the State agency's internal controls over the awarding, monitoring, and reporting of Sandy SSBG funds. Additionally, we reviewed a sample of 41 subrecipients to determine the appropriateness of \$16,410,810 in Sandy SSBG funds that the State agency had budgeted but not expended as of March 31, 2014. Finally, we reviewed the allowability of Sandy SSBG funds totaling \$9,225,344 that the State agency drew down from the Department's payment management system and provided to the subrecipients as of March 31, 2014.

We performed our fieldwork at the State agency's offices in Trenton, New Jersey.

METHODOLOGY

To accomplish our objectives, we:

- reviewed applicable Federal laws, regulations, and guidance;
- held discussions with State agency officials and reviewed flow charts of their internal control processes for awarding, monitoring, and reporting of Sandy SSBG funds;
- reviewed the State agency's:
 - approved budget (pre-expenditure report) for Sandy SSBG funds submitted to ACF on May 16, 2013;
 - amended budget that ACF approved on December 30, 2013, for Sandy SSBG funding; and
 - allocation of funds as of March 31, 2014;
- verified the completeness and accuracy of the State agency's March 31, 2014, budget and reconciled these amounts to the \$226,794,105 in Sandy SSBG funds awarded to the State agency by ACF;
- obtained a list of subrecipients from the State agency and identified a sampling frame of 123 subrecipients that were awarded Sandy SSBG funds totaling \$86,315,845;
- selected a simple random sample of 100 subrecipients from the sampling frame of 123 subrecipients;

- reviewed Sandy SSBG costs for 40 of the 100 sample subrecipients and 1 additional subrecipient from the sampling frame¹⁰ for which the State agency awarded \$25,636,154 of the \$88,116,309, and, for each subrecipient:
 - reviewed the contract or application package,¹¹ including the budget, for appropriate costs; and
 - verified that the State agency effectively implemented its internal controls;
- verified the allowability of \$9,225,344 claimed for Federal reimbursement and the appropriateness of \$16,410,810 that the State agency had budgeted but not expended; and
- discussed the results of our review with State agency officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹⁰ On the basis of materiality and large cash advances, we selected an additional subrecipient for review.

¹¹ The application package is the subrecipients' response to the State agency's request for proposals.

APPENDIX C: STATE AGENCY COMMENTS



CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

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June 15, 2016

Brenda M. Tierney
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U.S. Department of Health and Human Services
Office of Inspector General, Region II
26 Federal Plaza, Room 3900
New York, NY 10278

Re: The State of New Jersey's Response to the Office of Inspector General's Audit Report No. A-02-14-02010 on the Superstorm Sandy Social Services Block Grant Programs

Dear Ms. Tierney:

The State of New Jersey has reviewed the Department of Health and Human Services ("DHHS"), Office of the Inspector General's ("OIG") audit report evaluating the State's performance in expending and managing \$226.8 million in Social Service Block Grant ("SSBG") funds provided for Superstorm Sandy recovery. On behalf of Elizabeth Connolly, Acting Commissioner of the Department of Human Services, the state appreciates that the OIG's report acknowledges the efficient creation and administration of post-Sandy programs and services with a breadth and scope that addressed impacted residents' social service needs. In addition, the OIG concluded that the State appropriately budgeted and claimed Sandy SSBG costs in accordance with federal requirements, without any instances of misspent funds.

The State, however, requests changes in the audit report on the OIG's two policy and procedure recommendations because they do not reflect the strength and effectiveness of the State's internal controls. Please allow the following to explain our SSBG programs and to respond to the audit recommendations.



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I. Superstorm Sandy's Impact on the State and Social Services

Superstorm Sandy was the largest and most devastating storm in New Jersey's history. After making landfall near Brigantine, New Jersey on the evening of October 29, 2012, the storm battered the State between October 29-30, 2012, causing catastrophic and unprecedented damage. The human toll of the storm was staggering. More than 30 New Jersey citizens lost their lives. Hundreds of thousands of structures throughout the State were damaged or destroyed and more than 115,000 New Jersey citizens were evacuated from their homes. Approximately 2.7 million households and businesses were without power, and nearly 600 roads were shut down. Every school in the State was closed, and six schools were severely damaged.

The storm impacted all aspects of life in New Jersey, including: a) social environments affecting income, education, employment, child welfare, and social services support; b) the physical environments of infrastructure, facilities, child care centers and homes; and c) the surrounding community affecting access to care, environmental services and resiliency. Based on lessons learned from previous large-scale disasters in Louisiana and Mississippi, New Jersey immediately recognized that its most vulnerable citizens, including children, the elderly and people with disabilities, were the most negatively impacted and required immediate and long-term assistance.

Through a multi-agency collaboration, the State quickly mobilized to provide recovery aid to these populations. As the OIG audit report indicates, New Jersey awarded \$88 million within the first nine months of receiving SSBG funds. At the time of this writing, the total awarded to date is approximately \$200 million.

II. Responses to OIG Audit Report Recommendations

The State's internal controls for safeguarding SSBG funds were robust. In fact, the federal Administration for Children and Families ("ACF") conducted an internal control review of New Jersey and found no issues with regard to the State's advancement policy or duplication of benefits protections. In 2014, the ACF found that the State effectively certified all payments against appropriate criteria and conducted monitoring activities that ensured the allowability of activities/expenditures. *See ACF FY 2014 Internal Control Review, State of New Jersey Sandy SSBG Funds*, p. 2 (July 31, 2014). More importantly, the State's policies and procedures allowed it to successfully launch a massive social service-based disaster recovery effort to help Sandy's most vulnerable survivors. We respectfully request that the OIG consider, acknowledge and include this in its audit report.

a. Response to OIG Audit Recommendation I: Duplication of Benefits Safeguards

The OIG's finding suggests that all of the State's programs provided funds for services or items that were also provided by FEMA or insurance, thereby requiring a duplication of benefits analysis for every program or grant. The State's 50+ programs provided a wide spectrum of social services, many of which simply did not overlap with FEMA benefits or insurance coverage. For instance, some of the

State's programs provided SSBG funds to hire additional staff for social service programs. These types of SSBG-funded programs required no duplication of benefits analysis because they were not covered by FEMA or insurance benefits. We respectfully request that the OIG change this recommendation to remove any reference to programs that did not require a FEMA or insurance duplication of benefits analysis.

The remainder of this recommendation appears to apply to the State's use of SSBG funds to provide housing services to Sandy survivors. The State agrees that certain types of services require a duplication of benefits analysis; however, we disagree with the OIG's characterization of the State's duplication of benefits analysis for its SSBG funded housing programs. Applicants that received housing related SSBG funds were required to sign an affidavit certifying and attesting that they had not received funding from FEMA or any other state or federal agency, private insurance, or charitable organization for the same service. *See Sandy Homeowner/Renter Assistance Program Affidavit* (Sept. 2013). Applicants that willfully provided false information regarding duplicate benefits did so at considerable risk that they would have to repay grant money to the State and be subject to criminal prosecution and penalties, including a period of incarceration. *Id.*

In addition to the affidavit, the State used complimentary mechanisms – including post-grant monitoring and training for subrecipients – to ensure that homeowners/renters did not misappropriate SSBG funds. For example, DHS conducted a post-grant monitoring program to review every subrecipient that administered SSBG housing funds. As part of this monitoring, DHS reviewed a subrecipient's internal controls, with particular emphasis on duplication of benefits safeguards. All DHS subrecipients also received training that emphasized the need to request FEMA awards and flood insurance reimbursement information that provided line-by-line detail in order to determine if the homeowner/renter had already received payment for the items/services requested in an SSBG grant. The affidavit and deterrent effect of these complementary mechanisms further guaranteed that grants were provided only for eligible expenses.

b. Response to OIG Audit Recommendation II: The State Advanced 25% of Grants Funds in Certain Instances

In order to combat the time concerns with launching many high-demand social service programs in a short period of time, the State made the decision to advance 25% of grant awards to specific housing recovery, child care and legal services programs that could provide immediate relief to Sandy survivors. The State issued a directive to housing program subrecipients that informed these government agencies of the new policy. *See DHS Division of Family Development Instruction No. 13-09-01* (Sept. 2013). Without proactively altering this policy, aid to Sandy survivors would have been significantly delayed, exacerbating the recovery challenges experienced by already vulnerable residents. We respectfully request that the OIG consider these factors in its recommendation.

In addition, the State takes exception to the OIG's claim that there is increased risk that Sandy SSBG funds could be used for activities not related to the Disaster Relief Act. This claim is speculative and should be removed from the audit report.

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Thank you for the opportunity to respond to the audit. New Jersey continues its efforts to support its residents' Sandy recovery in adherence with federal regulations and it values its close partnership with ACF and the OIG.

Respectfully submitted,

/s/ Jordan E. Johnston

Jordan E. Johnston
Deputy Attorney General
Superstorm Sandy Compliance Unit

APPENDIX D: ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS



ADMINISTRATION FOR **CHILDREN & FAMILIES**

Office of the Assistant Secretary | 330 C Street, S.W., Suite 4034
Washington, DC 20201 | www.acf.hhs.gov

November 16, 2016

Ms. Gloria L. Jarmon
Deputy Inspector General for Audit Services
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Ms. Jarmon:

The Administration for Children and Families (ACF) appreciates the opportunity to respond to the Office of Inspector General's (OIG) report "New Jersey should strengthen Hurricane Sandy Social Services Block Grant Internal Controls (A-02-14-02010)." This review was performed as part of the OIG's Hurricane Sandy oversight activities.

The following are ACF's responses to each of the OIG's recommendations:

Recommendation #1:

The OIG recommends that ACF work with the state agency to ensure that the state agency develops and implements procedures to ensure that subrecipients eligible for funding through the Federal Emergency Management Agency or insurance coverage claim only expenditures that were not already reimbursed.

Response:

ACF concurs with this recommendation and will continue its ongoing oversight of the State agency in its management of the SSBG Sandy funds to assure that Hurricane Sandy funds are used only for their intended purpose and all federal and state rules, regulations and policies are followed. During the period of availability remaining, ACF will conduct the following oversight and technical assistance activities:

- Collaboration with the States to implement corrective action(s), if any;
- Monitor financial and progress reporting requirements; and
- Improper payment reviews - two review types (case record review process and a vendor payment review process) are conducted quarterly in Connecticut, New Jersey and New York. Reviews will continue through September 2017.

Recommendation #2:

The OIG recommends that ACF work with the state agency to ensure that the state agency develops and implements procedures to adhere to its contract policy on cash advances to prevent subrecipients from drawing down funds in excess of immediate needs.

Response:

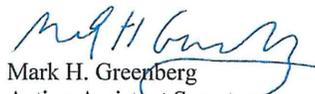
ACF concurs with this recommendation and will continue its ongoing oversight of the State agency in its management of the SSBG Sandy funds to assure that Hurricane Sandy funds are used only for their intended purpose and all federal and state rules, regulations and policies are followed. ACF understands that state has updated its policies and that at this time there would not be any need for cash advances. During the period of availability remaining, ACF will conduct the following oversight and technical assistance activities:

- Collaboration with the states to implement corrective action(s), if any;
- Monitor financial and progress reporting requirements; and
- Improper payment reviews - two review types (case record review process and a vendor payment review process) are conducted quarterly in Connecticut, New Jersey and New York. Reviews will continue through September 2017.

ACF will conduct “lessons learned” reviews to identify issues that emerged at the federal and state levels during the implementation of Hurricane Sandy SSBG funds. These lessons will be documented and shared with grantees during future disasters.

In closing, we support the OIG’s efforts in improving New Jersey’s internal controls to determine whether the state agency: (1) implemented effective internal controls over Sandy SSBG funds, (2) budgeted appropriate costs, and (3) claimed allowable costs in accordance with Federal requirements. Please direct any follow-up inquiries to our OIG liaison Scott Logan, Office of Legislative Affairs and Budget, at (202) 401-4529.

Sincerely,


Mark H. Greenberg
Acting Assistant Secretary
for Children and Families