



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 7, 2025

**MEMORANDUM FOR GREGORY TILL, ACTING CHIEF PROGRAM OFFICER,
OFFICE OF CAPITAL ACCESS, DEPARTMENT OF THE
TREASURY**

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Desk Review of the State of New Jersey's Use of
Coronavirus Relief Fund Proceeds (OIG-CA-25-026)

Please find the attached desk review memorandum¹ on the State of New Jersey's (New Jersey) use of Coronavirus Relief Fund (CRF) proceeds. The CRF is authorized under Title VI of the Social Security Act, as amended by Title V, Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under a contract monitored by our office, Castro & Company, LLC (Castro), a certified independent public accounting firm, performed the desk review. Castro performed the desk review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General* standards of independence, due professional care, and quality assurance.

In its desk review, Castro personnel reviewed documentation for a non-statistical selection of 25 transactions² reported in the quarterly Financial Progress Reports (FPR) and identified a combination of unsupported and ineligible questioned costs of \$976,160,389 and \$134,399,600, respectively, resulting in total questioned costs of \$1,110,559,989 (see attached schedule of monetary benefits).

Castro determined that the expenditures related to the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000,³ Direct Payments Greater than or equal to \$50,000,

¹ The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) assigned the Department of the Treasury Office of Inspector General with responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Fund (CRF) payments. The purpose of the desk review is to perform monitoring procedures of the prime recipient's receipt, disbursement, and use of CRF proceeds as reported in the grant-reporting portal on a quarterly basis.

² Castro made a non-statistical selection of 25 transactions to test based on New Jersey's total CRF award amount and Castro's overall risk assessment for New Jersey. Castro selected an additional 13 potential duplicate payment transactions for limited testing to determine if the payments were duplicates.

³ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

Aggregate Reporting less than \$50,000,⁴ and Aggregate Payments to Individuals⁵ payment types did not comply with the CARES Act and Department of the Treasury's (Treasury) Guidance. Additionally, Castro determined that New Jersey's risk of unallowable use of funds is high.

Castro recommends that Treasury Office of Inspector General (OIG) follow up with New Jersey's management to confirm if the \$976,160,389 noted as unsupported expenditures within the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request that New Jersey's management provide support for other eligible replacement expenses, not previously charged to CRF, that were incurred during the period of performance.

In addition, Castro recommends that Treasury OIG request New Jersey's management to provide support for other eligible replacement expenses, not previously charged to CRF, that were incurred during the period of performance for the \$134,399,600 of ineligible costs charged to the Transfers greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types. If support is not provided, Treasury OIG should recoup the funds.

Further, based on New Jersey's responsiveness to Treasury OIG's requests and management's ability to provide sufficient documentation and/or replace unsupported and ineligible transactions charged to CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types.

⁴ Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the grant-reporting portal. Transactions less than \$50,000 can be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

⁵ Obligations and expenditures for payments made to individuals, regardless of amount, are required to be reported in the aggregate in the grant-reporting portal to prevent inappropriate disclosure of personally identifiable information.

Castro also identified other matters throughout the course of its desk review, which warranted recommendations to Treasury OIG for additional action. Castro recommends Treasury OIG follow-up on these issues:

- 1) Castro tested \$2,301,279 out of the total amount of \$29,142,450 in non-substantially dedicated payroll⁶ claimed by New Jersey related to a higher education grant. Since Castro identified unsupported questioned costs within these non-substantially dedicated payroll expenditures tested, Castro recommends Treasury OIG determine the feasibility of performing additional follow-up with New Jersey to determine if there were other instances of unsupported balances within the remaining portion of this grant balance.
- 2) Castro tested \$250,398 out of the total amount of \$26,000,000 in grant expenses claimed by New Jersey related to a long-term care facility staff testing grant program. Since Castro identified unsupported questioned costs within these grant expenditures tested, Castro recommends Treasury OIG determine the feasibility of performing additional follow-up with New Jersey to determine if there were other instances of unsupported balances within the remaining portion of this grant balance.
- 3) Castro noted unsupported Aggregate Reporting less than \$50,000 and Aggregate Payments to Individuals questioned costs of \$72,008,351 and \$137,077,969, respectively, resulting from reconciliation procedures performed over New Jersey's grant-reporting portal and its general ledger (GL) detail. Castro recommends Treasury OIG determine the feasibility of performing additional follow-up with New Jersey to obtain expenditure support with sufficient expenditure level detail needed to support CRF amounts claimed, such as vendor names and identifying transaction details.
- 4) Castro noted unsupported questioned costs of \$205,520,362 in the form of discrepancies between the corrected GL detail expenditures against the sub-recipient GL details for the Transfers greater than or equal to \$50,000 population. Castro recommends Treasury OIG determine the feasibility of performing additional follow up with New Jersey to determine if there were other instances of unsupported questioned costs within the Transfers greater than or equal to \$50,000 population.

⁶ Payroll costs that are "non-substantially dedicated" are costs that are not for public health and safety employees, and not for employees substantially (more than 50 percent) dedicated to performing COVID-19 related tasks. Treasury's Federal Register Guidance defined more stringent tracking requirements for "non-substantially dedicated" payroll costs.

- 5) New Jersey self-identified a total of \$1,007,050 in potential fraudulent transactions for the New Jersey Economic Development Authority (NJEDA) that were still being investigated during the desk review. Castro recommends Treasury OIG determine the feasibility of requesting that New Jersey perform an assessment to determine if all fraudulent transactions have been removed from NJEDA's CRF claimed amounts.

Treasury OIG and Castro met with New Jersey to discuss the desk review report. New Jersey management stated that they followed a "de-centralized" approach where CRF was distributed to dozens of State agencies that maintained records and support for expenditures within each of those agencies. As such, any review of these expenditures would require interactions with each of these agencies which presented challenges for New Jersey management. New Jersey contends that the documents supporting the questioned costs are available if given additional time to produce these records. Following our meeting, New Jersey management began providing Treasury OIG with supporting documentation for some of the unsupported questioned costs, including invoices, purchase orders, and intergovernmental payment vouchers. New Jersey management committed to providing additional documentation to Treasury OIG as part of a follow-up review to be conducted in 2025.

In connection with our contract with Castro, we reviewed Castro's desk review memorandum and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express an opinion on New Jersey's use of CRF proceeds. Castro is responsible for the attached desk review memorandum and the conclusions expressed therein. Our review found no instances in which Castro did not comply in all material respects with *Quality Standards for Federal Offices of Inspectors General*.

We appreciate the courtesies and cooperation provided to Castro and our staff during the desk review. If you have any questions or require further information, please contact me at (202) 486-1420, or a member of your staff may contact Lisa DeAngelis, Audit Director, at (202) 487-8371.

cc:

Michelle A. Dickerman, Deputy Assistant General Counsel, Department of the Treasury
Danielle Christensen, Deputy Chief Program Officer, Office of Capital Access, Department of the Treasury
Wayne Ference, Partner, Castro & Company, LLC

Bob Bartalone, Compliance Director, Governor's Disaster Recovery Office,
State of New Jersey

Samuel Diiorio, Auditor 3, Office of Management and Budget, State of New
Jersey

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,⁷ a questioned cost is a cost that is questioned due to a finding:

- (a) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
- (b) where the costs, at the time of the review, are not supported by adequate documentation; or
- (c) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Questioned costs are to be recorded in the Department of the Treasury's (Treasury) Joint Audit Management Enterprise System (JAMES).⁸ The amount will also be included in the Office of Inspector General (OIG) Semiannual Report to Congress. It is Treasury management's responsibility to report to Congress on the status of the agreed to recommendations with monetary benefits in accordance with 5 USC Section 405.

Recommendation

Recommendation No. 1

Questioned Costs

\$1,110,559,989

The questioned costs represent amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$1,110,559,989 is New Jersey's expenditures reported in the grant-reporting portal that were ineligible or lacked supporting documentation.

⁷ 2 CFR § 200.84 – Questioned Cost

⁸ JAMES is Treasury's audit recommendation tracking system.

Desk Review of the State of New Jersey

December 19, 2024

OIG-CA-25-026

MEMORANDUM FOR DEBORAH L. HARKER,
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the State of New Jersey

On April 3, 2024, we initiated a desk review of the State of New Jersey's (New Jersey) use of the Coronavirus Relief Fund (CRF) authorized under Title VI of the Social Security Act, as amended by Title V, Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).¹ The objective of our desk review was to evaluate New Jersey's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions² portal and to assess the risk of unallowable use of funds. The scope of our desk review was limited to obligation and expenditure data for the period of March 1, 2020 through September 30, 2023,³ as reported in the GrantSolutions portal.

As part of our desk review, we performed the following:

- 1) reviewed New Jersey's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through September 30, 2023;
- 2) reviewed the *Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;⁴
- 3) reviewed Treasury's Office of Inspector General (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁵

¹ P.L. 116-136 (March 27, 2020).

² GrantSolutions, a grant and program management Federal shared service provider under the United States (U.S.) Department of Health and Human Services, developed a customized and user-friendly reporting solution to capture the use of CRF payments from prime recipients.

³ New Jersey fully expended their total CRF proceeds as of September 30, 2023. Castro set the scope end date to September 30, 2023, which was the date of New Jersey's last reporting submission within the GrantSolutions portal.

⁴ Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021).
https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf

⁵ Department of the Treasury Office of Inspector General *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping* OIG-20-028R; March 2, 2021.

Desk Review of the State of New Jersey

- 4) reviewed Treasury OIG's monitoring checklists⁶ of New Jersey's quarterly FPR submissions for reporting deficiencies;
- 5) reviewed other audit reports issued, such as Single Audit Act reports,⁷ and those issued by the Government Accountability Office and other applicable Federal agency OIGs for internal control or other deficiencies that may pose risk or impact New Jersey's uses of CRF proceeds;
- 6) reviewed Treasury OIG Office of Investigations, the Council of the Inspectors General on Integrity and Efficiency Pandemic Response Accountability Committee,⁸ and Treasury OIG Office of Counsel input on issues that may pose risk or impact New Jersey's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying New Jersey's GrantSolutions portal quarterly FPR submissions, as well as officials responsible for obligating and expending CRF proceeds;
- 8) made a non-statistical selection of Contracts, Grants, Transfers,⁹ Direct Payments, Aggregate Reporting,¹⁰ and Aggregate Payments to Individuals¹¹ data identified through GrantSolutions reporting; and
- 9) evaluated documentation and records used to support New Jersey's quarterly FPRs.

⁶ The checklists were used by Treasury OIG personnel to monitor the progress of prime recipient reporting in the GrantSolutions portal. GrantSolutions quarterly submission reviews were designed to identify material omissions and significant errors, and where necessary, included procedures for notifying prime recipients of misreported data for timely correction. Treasury OIG followed the *CRF Prime Recipient Quarterly GrantSolutions Submissions Monitoring and Review Procedures Guide*, OIG-CA-20-029R to monitor the prime recipients on a quarterly basis.

⁷ P. L. 104-156 (July 5, 1996). The Single Audit Act of 1984, as amended in 1996, requires entities who receive federal funds in excess of \$750,000 to undergo an annual audit of those Federal funds. The act was enacted for the purpose of promoting sound financial management, including effective internal controls, with respect to Federal awards administered by non-Federal entities and to establish uniform requirements for audits. This prime recipient was subject to those audit requirements, and Castro reviewed applicable prior year single audit reports as part of our desk review risk assessment procedures.

⁸ Section 15010 of P.L. 116-136 established the Pandemic Response Accountability Committee within the Council of the Inspectors General on Integrity and Efficiency to promote transparency and conduct and support oversight of covered funds (see Footnote 19 for a definition of covered funds) and the coronavirus response to (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries.

⁹ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

¹⁰ Prime recipients were required to report CRF transactions greater than or equal to \$50,000 in detail in the GrantSolutions portal. Transactions less than \$50,000 could be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

¹¹ Obligations and expenditures for payments made to individuals, regardless of amount, were required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information.

Desk Review of the State of New Jersey

Based on our review of New Jersey's documentation supporting the uses of its CRF proceeds as reported in the GrantSolutions portal, we determined that the expenditures related to the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types did not comply with the CARES Act and Treasury's Guidance.

We identified unsupported and ineligible questioned costs of \$976,160,389 and \$134,399,600, respectively, with total questioned costs of \$1,110,559,989. We also determined New Jersey's risk of unallowable use of funds is high.

Castro recommends that Treasury OIG follow up with New Jersey's management to confirm if the \$976,160,389 noted as unsupported expenditures within the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request that New Jersey management provide support for other eligible replacement expenses, not previously charged to CRF, that were incurred during the period of performance.

In addition, Castro recommends that Treasury OIG request that New Jersey management provide support for other eligible replacement expenses, not previously charged to CRF, that were incurred during the period of performance for the \$134,399,600 of ineligible costs charged to the Transfers greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types. If support is not provided, Treasury OIG should recoup the funds.

Further, based on New Jersey's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation and/or replace unsupported and ineligible transactions charged to CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types.

Non-Statistical Transaction Selection Methodology

Treasury issued a \$2,393,851,157 CRF payment to New Jersey. As of

Desk Review of the State of New Jersey

September 30, 2023, New Jersey’s cumulative obligations and expenditures were both \$2,393,599,667. New Jersey returned a total of \$251,490¹² in CRF proceeds to Treasury prior to its final GrantSolutions portal submission of September 30, 2023. New Jersey’s cumulative obligations and expenditures by payment type are summarized below.

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts > = \$50,000	\$ 126,706,526	\$ 126,706,526
Grants > = \$50,000	\$ 152,906,113	\$ 152,906,113
Loans > = \$50,000	\$ -	\$ -
Transfers > = \$50,000	\$ 7,346,411	\$ 7,346,411
Direct Payments > = \$50,000	\$ 941,541,250	\$ 941,541,250
Aggregate Reporting < \$50,000	\$ 550,663,094	\$ 550,663,094
Aggregate Payments to Individuals (in any amount)	\$ 614,436,273	\$ 614,436,273
Totals	\$ 2,393,599,667	\$ 2,393,599,667

¹² As of September 30, 2023, New Jersey processed a return of \$251,490 to Treasury. This was a return for unspent CRF funds.

Desk Review of the State of New Jersey

In addition to the returned funds of \$251,490 already reflected in the table above, Treasury OIG also identified a subsequent event related to a combination of unused CRF proceeds of \$411,333¹³ returned to Treasury in February 2024. Then after completion of our desk review fieldwork, New Jersey voluntarily returned \$5,471¹⁴ of unused CRF proceeds in October 2024, resulting in a total CRF returned amount of \$668,294 as of October 2024. We noted these returned funds occurred outside the scope of our desk review; hence, these figures are not captured in the cumulative expenditures within the final GrantSolutions portal submission of September 30, 2023. Castro did not extend our desk review scope end date of September 30, 2023.

Financial Reporting Control Issues

New Jersey provided us a general ledger (GL) detail that agreed to the total CRF proceeds of \$2,393,599,667, but we could not agree the underlying GL detail populations to the amounts reported in the GrantSolutions portal as of September 30, 2023 for its Contracts, Grants, Transfers, Direct Payments, Aggregate Reporting, and Aggregate Payments to Individuals payment types.¹⁵ Castro followed up with New Jersey about the misclassification variances in each payment type and included a summary of the balances that New Jersey should have reported in the GrantSolutions portal below. Castro determined that these misclassifications were reporting errors that did not comply with Treasury's Guidance. However, since these misclassifications did not affect the total amount claimed in the GrantSolutions portal, we did not consider these to be questioned costs.

¹³ New Jersey confirmed that as part of its state agency reconciliation requested as part of Castro's desk review, they identified \$411,333 of unused funds that it returned to Treasury in February 2024. Since this happened during our desk review, this amount has not been excluded from the amounts subject to testing during the desk review.

¹⁴ New Jersey voluntarily returned \$5,471 of unused CRF funds in October 2024, which was after completion of Castro's desk review fieldwork procedures performed.

¹⁵ For Aggregate Reporting and Aggregate Payments to Individuals payment types, Castro identified both reconciliation errors and other matters that we considered to be questioned costs due to insufficient GL details at the transaction level. See sections Other Matters Questioned Costs for Treasury OIG Consideration – No Vendor Name transactions with Missing Underlying Expenditure GL Details and Other Matters Questioned Costs for Treasury OIG Consideration – Budgetary Non-Payroll transactions with Missing Transaction Level Expenditure GL Details in the Desk Review Results section for additional discussion.

Desk Review of the State of New Jersey

Payment Type	Cumulative Expenditures per FPR	Cumulative Expenditures Per GL Populations	Difference
Contracts > = \$50,000	\$ 126,706,526	\$ 386,032,015	\$ 259,325,489
Grants > = \$50,000	\$ 152,906,113	\$ 289,131,505	\$ 136,225,392
Loans > = \$50,000	\$ -	\$ -	\$ -
Transfers > = \$50,000	\$ 7,346,411	\$ 689,782,079	\$ 682,435,668
Direct Payments > = \$50,000	\$ 941,541,250	\$ 79,996,132	\$ (861,545,118)
Aggregate Reporting < \$50,000	\$ 550,663,094	\$ 85,602,371	\$ (465,060,723)
Aggregate Payments to Individuals (in any amount)	\$ 614,436,273	\$ 863,055,565	\$ 248,619,292
Totals	\$ 2,393,599,667	\$ 2,393,599,667	\$ -

Castro made non-statistical selections of Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies¹⁶ identified by the Treasury OIG CRF monitoring team, and review of New Jersey's FPR submissions. New Jersey did not obligate or expend CRF proceeds to the Loans greater than or equal to \$50,000 payment type; therefore, we did not make a selection of transactions from this payment type.

The number of transactions (25) we selected to test was based on New Jersey's total CRF award amount and our overall risk assessment of New Jersey. To allocate the number of transactions (25) by payment type (Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the payment type dollar amounts as a percentage of cumulative expenditures from the corrected GL Detail provided after completion of New Jersey's FPR submission as of September 30, 2023.

Additionally, Treasury OIG provided information on anomalies identified for New Jersey. We selected five transactions that were included within our original

¹⁶ Treasury OIG had a pre-defined list of risk indicators that were triggered based on data submitted by prime recipients in the FPR submissions that met certain criteria. Castro reviewed these results provided by Treasury OIG for the prime recipient.

Desk Review of the State of New Jersey

transaction selections. Treasury OIG also identified additional anomalies in the form of potential duplicates, which had not already been included within our transaction selections, of which we selected 13 potential duplicates. We performed limited testing on these 13 potential duplicate payments to determine whether the payments were duplicates. We identified exceptions within this potential duplicate testing. See **Other Matter for Treasury OIG Consideration – Direct Payments Duplicate Transactions in the Desk Review Results** section below for further discussion. The transactions selected for testing were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

Background

The CARES Act appropriated \$150 billion to establish the CRF. Under the CRF, Treasury made payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories, including the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and Tribal governments (collectively referred to as “prime recipients”). Treasury issued a \$2,393,851,157 CRF payment to New Jersey. The CARES Act stipulates that a prime recipient may only use the funds to cover costs that—

- (1) were necessary expenditures incurred due to the public health emergency with respect to the coronavirus disease 2019 (COVID-19);
- (2) were not accounted for in the budget most recently approved as of March 27, 2020; and
- (3) were incurred during the covered period between March 1, 2020 and December 31, 2021.¹⁷

Section 15011 of the CARES Act required each covered recipient¹⁸ to submit to Treasury and the Pandemic Response Accountability Committee, no later than 10 days after the end of each calendar quarter, a report that contained (1) the total

¹⁷ P.L. 116-260 (December 27, 2020). The covered period end date of the CRF was extended through December 31, 2021 by the Consolidated Appropriations Act, 2021. The covered period end date for tribal entities was further extended to December 31, 2022 by the State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act, Division LL of the Consolidated Appropriations Act, 2023, P.L. 117-328, December 29, 2022, 136 Stat. 4459.

¹⁸ Section 15011 of P.L. 116-136 defined a covered recipient as any entity that received large, covered funds and included any State, the District of Columbia, and any territory or possession of the United States.

Desk Review of the State of New Jersey

amount of large, covered funds^{19,20} received from Treasury; (2) the amount of large, covered funds received that were expended or obligated for each project or activity; (3) a detailed list of all projects or activities for which large, covered funds were expended or obligated; and (4) detailed information on any level of sub-contracts or sub-grants awarded by the covered recipient or its sub-recipients.

The CARES Act assigned Treasury OIG the responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of CRF proceeds. Treasury OIG also has the authority to recoup funds in the event that it is determined a recipient failed to comply with requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)).

Desk Review Results

Financial Progress Reports

We reviewed New Jersey's quarterly FPRs through September 30, 2023, and found that New Jersey timely filed quarterly FPRs in the GrantSolutions portal in compliance with Treasury OIG's reporting requirements for the periods ending June 30, 2020 through September 30, 2023.

Summary of Testing Results

We found that the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types did not comply with the CARES Act and Treasury's Guidance because we were unable to determine if all tested expenditures were necessary due to the COVID-19 public health emergency, were not accounted for in the budget most recently approved as of March 27, 2020, and were incurred during the covered period. The transactions selected for testing were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

¹⁹ Section 15010 of P.L. 116-136 defined covered funds as any funds, including loans, that were made available in any form to any non-Federal entity, not including an individual, under Public Laws 116-123, 127, and 136, as well as any other law which primarily made appropriations for Coronavirus response and related activities.

²⁰ Section 15011 of P.L. 116-136 defined large, covered funds as covered funds that amounted to more than \$150,000.

Desk Review of the State of New Jersey

Within Table 1 below, we have included a summary of \$692,304,421 in unsupported and ineligible expenditures identified as questioned costs through our testing of detailed transactions, which did not comply with the CARES Act and Treasury’s Guidance. Castro also identified other matters throughout the course of our desk review procedures which we considered to be questioned costs that were not part of our testing of detailed transactions. Table 2 below combines the questioned costs identified in Table 1 with the other questioned costs of \$418,255,568 identified separately from our detailed transaction testing to account for total questioned costs of \$1,110,559,989. See the Desk Review Results section below Table 2 for a detailed discussion of questioned costs and other issues identified throughout the course of our desk review.

**Table 1 - Summary of Expenditures Testing and Recommended Results
As of September 30, 2023**

Payment Type	Cumulative Expenditure Corrected GL Populations Amount	Cumulative Expenditure Tested Amount	Unsupported Tested Questioned Costs	Ineligible Tested Questioned Costs	Total Tested Questioned Costs
Contracts > = \$50,000	\$ 386,032,015	\$ 167,015,659	\$ 116,447,621	\$ -	\$ 116,447,621
Grants > = \$50,000	\$ 289,131,505	\$ 2,579,776	\$ 286,287	\$ -	\$ 286,287
Loans > = \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Other Government Agencies > = \$50,000	\$ 689,782,079	\$ 41,428,536	\$ 29,342,591	\$ 10,068,090	\$ 39,410,681
Direct Payments > = \$50,000	\$ 79,996,132	\$ 12,674,130	\$ 12,674,130	\$ -	\$ 12,674,130
Aggregate Reporting < \$50,000	\$ 85,602,371	\$ 49,644	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 863,055,565	\$ 594,921,502	\$ 399,154,192	\$ 124,331,510	\$ 523,485,702
Totals	\$ 2,393,599,667	\$ 818,669,247	\$ 557,904,821	\$ 134,399,600	\$ 692,304,421

**Table 2 – Summary of Tested and Other Matters Identified Questioned Costs
As of September 30, 2023**

Payment Type	(A) Unsupported Questioned Costs (Tested)	(B) Unsupported Reconciliation Errors Questioned Costs (Other Matter)	(C = A + B) Total Unsupported Questioned Costs	(D) Ineligible Questioned Costs (Tested)	(E) Ineligible Questioned Costs (Other Matter)	(F = D + E) Total Ineligible Questioned Costs	(G = C + F) Total Questioned Costs (Tested & Other Matters)
Contracts > = \$50,000	\$ 116,447,621	\$ -	\$ 116,447,621	\$ -	\$ -	\$ -	\$ 116,447,621
Grants > = \$50,000	\$ 286,287	\$ -	\$ 286,287	\$ -	\$ -	\$ -	\$ 286,287
Loans > = \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Other Government Agencies > = \$50,000	\$ 29,342,591	\$ 205,520,362	\$ 234,862,953	\$ 10,068,090	\$ -	\$ 10,068,090	\$ 244,931,043
Direct Payments > = \$50,000	\$ 12,674,130	\$ 3,648,886	\$ 16,323,016	\$ -	\$ -	\$ -	\$ 16,323,016
Aggregate Reporting < \$50,000	\$ -	\$ 72,008,351	\$ 72,008,351	\$ -	\$ -	\$ -	\$ 72,008,351
Aggregate Payments to Individuals (in any amount)	\$ 399,154,192	\$ 137,077,969	\$ 536,232,161	\$ 124,331,510	\$ -	\$ 124,331,510	\$ 660,563,671
Totals	\$ 557,904,821	\$ 418,255,568	\$ 976,160,389	\$ 134,399,600	\$ -	\$ 134,399,600	\$ 1,110,559,989

Contracts Greater Than or Equal to \$50,000

We determined New Jersey's Contracts greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested a total of \$167,015,659 of transaction expenditures for four contracts. The transactions tested included expenditures related to costs for upgrading to a statewide radio system needed to respond to the to the public health emergency; grant expenditures for financial assistance for childcare centers and in-home childcare during the pandemic; grant expenditures for COVID-19 recovery funds to support New Jersey's residents, businesses, non-profit organizations, government agencies, and other entities responding to or recovering from the COVID-19 health emergency; and grant expenditures for food benefits issued to school-age children who were receiving free and reduced cost lunch, but couldn't access those meals when schools closed during the pandemic.

Castro identified three exceptions, resulting in unsupported questioned costs of \$116,447,621, as detailed below. Additionally, Castro identified reporting misclassification errors for two tested transactions that did not comply with Treasury's Guidance. Transactions that were reported as Direct Payments greater than or equal to \$50,000 within the GrantSolutions portal, were erroneously classified as Contracts greater than or equal to \$50,000 during New Jersey's GL detail reconciliation and should have been classified as Grants greater than or equal to \$50,000.

Contract Exception #1 – Childcare Stabilization Grant Initiative

New Jersey claimed and Castro tested \$98,000,000 of expenditures that were originally reported as Direct Payments greater than or equal to \$50,000 within the GrantSolutions portal but were erroneously classified as Contracts greater than or equal to \$50,000 during New Jersey's GL detail reconciliation when they should have been classified as Grants greater than or equal to \$50,000. Castro considered this to be a reporting error that did not comply with Treasury's Guidance. The expenditures related to the New Jersey Department of Human Services CRF Childcare Stabilization Initiative for childcare centers and in-home daycares to either reopen facilities or provide financial assistance due to ongoing increased COVID-19 related costs, such as making changes to physical spaces to support social distancing, purchasing personal protective equipment and cleaning supplies, and paying increased hazard wages to staff.

Castro requested that New Jersey provide the sub-recipient GL detail to support the total claimed amount of \$98,000,000. Castro considers the sub-recipient GL detail crucial to verify that the prime recipient had complete and accurate populations of expenditures that were supported by GL detail level expenditure transactions and for selecting items at the transaction level for testing to verify

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eligibility. New Jersey did not provide a sub-recipient GL detail by the end of fieldwork. As a result, Castro questioned the costs of \$98,000,000 as unsupported.

Contract Exception #2 – COVID-19 Compliance and Oversight Task Force

New Jersey claimed \$3,281,704 in contract expenditures to hire a Certified Public Accounting firm to perform program and performance monitoring, financial monitoring, grant management, and anti-fraud monitoring for CRF proceeds and programs. Castro tested five invoices totaling \$1,525,913 that were drawn down against the contract balance of \$3,281,704, and identified \$187,176 of unsupported questioned costs, as detailed below.

For one invoice tested totaling \$187,176, Castro requested the invoice to support this amount; however, New Jersey did not provide the requested support by the end of fieldwork. Castro reviewed email correspondence provided by New Jersey, which indicated that the CRF claimed amount of \$187,176 represented cancelled labor hours that were not worked by the contractor; however, New Jersey did not reverse these CRF claimed amounts from the GrantSolutions portal. Without the invoice documentation to support these amounts, Castro questioned these costs of \$187,176 as unsupported.

Contract Exception #3 – Food Benefits Assistance to School-Age Children Grant

New Jersey claimed and Castro tested \$18,260,445 of expenditures that were originally reported as Direct Payments greater than or equal to \$50,000 within the GrantSolutions portal but were erroneously classified as Contracts greater than or equal to \$50,000 during New Jersey's GL detail reconciliation when they should have been classified as Grants greater than or equal to \$50,000. Castro considered this to be a reporting error that did not comply with Treasury's Guidance. The grant tested related to the New Jersey Department of Human Services, which built a new grant program to issue food benefits to school-age children who were receiving free and reduced cost lunch but could not access those meals when schools closed during the pandemic.

Castro requested that New Jersey provide the sub-recipient GL detail to support the total claimed amount of \$18,260,445. Castro considers the sub-recipient GL detail crucial to verify that the prime recipient had complete and accurate populations of expenditures that were supported by GL detail expenditure transactions and for selecting items at the transaction-level for testing, including verifying eligibility. New Jersey did not provide a sub-recipient GL detail by the end of fieldwork. As a result, Castro questioned the costs of \$18,260,445 as unsupported.

Grants Greater Than or Equal to \$50,000

We determined New Jersey's Grants greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested a total of \$2,579,776 in transaction expenditures for three grants. The transactions tested related to the purchase of tablets for students to facilitate distance learning during the pandemic; a student housing refund due to quarantining requirements that affected in-person attendance as a result of the pandemic; and grants related to a small business assistance program to assist vulnerable small businesses with rent owed and past-due utilities due to COVID-19.

Castro identified two exceptions, resulting in unsupported questioned costs of \$286,287, as detailed below. Also, Castro identified reporting misclassification errors that did not comply with Treasury's Guidance. These transactions were originally reported as Direct Payments greater than or equal to \$50,000 within the GrantSolutions portal but should have been classified as Grants greater than or equal to \$50,000.

Grant Exception #1 – Unsupported Non-Substantially Dedicated Payroll²¹ Expenses Related to a Higher Education Grant

New Jersey claimed \$29,142,450 in grant expenses related to a grant for facilitating distance learning during the pandemic. The Office of the Secretary of Higher Education, a public agency of the State of New Jersey, entered into an agreement with a university to assist with expenses such as cleaning and disinfection supplies and the transition to online learning. Castro selected three transactions totaling \$2,301,279 for testing and identified \$35,889 of unsupported questioned costs as detailed below. Also, Castro identified reporting misclassification errors that did not comply with Treasury's Guidance, where transactions were reported as Direct Payments greater than or equal to \$50,000 within the GrantSolutions portal but should have been classified as Grants greater than or equal to \$50,000.

For one out of three transaction selections totaling \$35,889, the transaction related to non-substantially dedicated payroll expenses claimed by the university. The supporting activity log detailed that the payroll costs were for a medical school professor's time spent making telehealth demonstrations for faculty and staff. Based on the duration of the appointments listed in the activity log, Castro confirmed that the university professor was working on an ad hoc assignment and was not substantially dedicated to the COVID-19 pandemic. New Jersey provided a

²¹ Payroll costs that were not substantially dedicated meant payroll costs that were not for public health and safety, and which were not substantially dedicated to performing COVID-19 related tasks.

payroll distribution report, but it was missing significant payroll distribution report fields, such as hours worked, pay rates needed to recalculate the amount claimed, pay types, department, descriptions defining codes that the amounts and hours were being charged to, etc. Castro did not receive any supporting documentation to recalculate the CRF amounts claimed by the end of fieldwork. As such, Castro could not determine whether the payroll amounts claimed were properly supported by payroll distribution reports and were for eligible expenditures. Castro questions \$35,889 as unsupported.

Other Matter for Treasury OIG Consideration – Additional Potential Unsupported Non-Substantially Dedicated Payroll Questioned Costs Related to a Higher Education Grant

Castro tested \$2,301,279 out of the total amount of \$29,142,450 in non-substantially dedicated payroll claimed by New Jersey related to the higher education grant noted above. Since Castro identified unsupported questioned costs within these non-substantially dedicated payroll expenditures tested, we recommend Treasury OIG determine the feasibility of performing additional follow-up with New Jersey to determine if there were other instances of unsupported balances within the remaining portion of this grant balance.

Grant Exception #2 – Long-Term Care Facility Staff Testing Grant Program

New Jersey claimed \$26,000,000 in grant expenses related to transactions incurred by the New Jersey Department of Health. Castro selected two transactions totaling \$250,398 for testing out of the total amount of \$26,000,000 in grant expenditures claimed. These transactions related to a long-term care facility (LTCF) staff testing program, which required the ongoing weekly COVID-19 testing of all staff and the retesting of staff who had previously tested positive for COVID-19. We are questioning the entire amount tested of \$250,398 as unsupported, as detailed below.

Castro requested underlying invoices incurred by the LTCFs needed to verify that the LTCFs expended funds on COVID-19 testing, as required by the grant agreement. New Jersey provided LTCF signed attestation agreements for the expended funds which Castro reviewed and noted that the LTCFs were required to retain and provide, upon request, “proof of costs” incurred/related to COVID-19 staff testing, such as laboratory testing charges, supplies purchased to test staff, and personal protective equipment (PPE) invoices. Castro requested this underlying support and New Jersey confirmed that it had requested that these two grant awardees provide these invoices to support COVID-19 tests from the sub-recipient as part of our desk review but indicated that it was not able to obtain and provide this support prior to the end of our fieldwork. Without the underlying sub-recipient invoices, Castro could not verify that the LTCFs expended funds on COVID-19

testing, as required by the grant agreement. Castro questioned \$250,398 as unsupported.

Other Matter for Treasury OIG Consideration – Additional Potential Unsupported Questioned Costs Related to Long-Term Care Facility Staff Testing Grant Program

Castro tested \$250,398 out of the total amount of \$26,000,000 in grant expenses claimed by New Jersey related to the long-term care facility staff testing grant program noted above. Since Castro identified unsupported questioned costs within these grant expenditures tested, we recommend Treasury OIG determine the feasibility of performing additional follow-up with New Jersey to determine if there were other instances of unsupported balances within the remaining portion of this grant balance.

Transfers Greater Than or Equal to \$50,000

We determined New Jersey's Transfers greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested \$41,428,536 of transaction expenditures for seven transfers. The transactions tested included expenditures related to COVID-19 consulting services procured to analyze the economic impact of COVID-19; purchase of laptops used for health monitoring needed due to the COVID-19 pandemic; grants awarded within small business assistance programs and payroll for grant administrators; PPE needed due to the COVID-19 pandemic; public health and safety payroll; and payments to reimburse Counties for inmates held in County jails. For three transfers, we identified testing exceptions resulting in total unsupported questioned costs of \$29,342,591 and ineligible questioned costs of \$10,068,090, as detailed below. For the four remaining transfers, we did not identify any exceptions based on testing, but we did identify other reconciling errors that resulted in \$205,520,362 of unsupported questioned costs.

Transfer Exception #1 – The New Jersey Transit Corporation (Unsupported, and Ineligible Costs)

New Jersey claimed and Castro tested the full amount of \$30,000,000 in the Treasurer of the New Jersey Transit Corporation payroll expenditures. Expenditures claimed included payroll and benefits expenses for public health and safety employees.

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Castro requested payroll distribution reports that supported the claimed public health and safety²² expenditure amounts. New Jersey provided total summary information of \$34,341,866, which exceeded the \$30,000,000 claimed in the GrantSolutions portal by \$4,341,866. Castro disregarded this \$4,341,866 difference for testing purposes since it was not included within the amount claimed within the GrantSolutions portal. Our review resulted in questioning \$30,000,000 in payroll costs, which consisted of \$19,931,910 and \$10,068,090 of unsupported and ineligible questioned costs, respectively, as detailed below.

A total of \$19,931,910 of the payroll distribution reports we received to support the \$30,000,000 amount claimed did not list employee positions, hours worked, department codes, and pay rates. Castro requested New Jersey provide an updated report with the missing categories needed to verify these were public health and safety employees. New Jersey did not provide any additional payroll distribution reports by the end of fieldwork. Castro questioned \$19,931,910 as unsupported.

Additionally, Castro reviewed the detailed support provided and determined New Jersey utilized an indirect cost rate to calculate the associated fringe benefits costs of \$10,068,090. Castro noted that New Jersey calculated its fringe benefits costs utilizing a negotiated rate, and therefore Castro considered these fringe benefit expenditures charged to the CRF to be calculated using an indirect cost estimate instead of charging direct administrative costs as required by Treasury's Guidance. New Jersey applied the fringe benefit rates of 14.03 percent for Federal Insurance Contributions Act (FICA) and 82.03 percent for regular pay within fiscal year 2020, and 12.68 percent for FICA and 79.81 percent for regular pay within fiscal year 2021, and multiplied them by the summary payroll amounts provided.

²² Treasury's Federal Register Guidance provided the following examples of public health and safety employees: "police officers (including state police officers), sheriffs and deputy sheriffs, firefighters, emergency medical responders, correctional and detention officers, and those who directly support such employees such as dispatchers and supervisory personnel... employees involved in providing medical and other health services to patients and supervisory personnel, including medical staff assigned to schools, prisons, and other such institutions, and other support services essential for patient care (e.g., laboratory technicians) as well as employees of public health departments directly engaged in matters related to public health and related supervisory personnel."

New Jersey claimed indirect cost rates by employing guidance from the Code of Federal Regulations (CFR), 2 CFR 200.414(f)), Grants and Agreements, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Direct and Indirect (F&A) Costs.²³ This guidance defined indirect cost rates and sets forth the 10 percent de minimis²⁴ indirect cost rate (or other similar agreed upon rate) that could be used indefinitely instead of charging the actual administrative costs. However, Treasury's Guidance in the Federal Register Notice Volume 86, Number 10,²⁵ Supplemental Guidance on Use of Funds to Cover Administrative Costs, indicates that "provisions of the Uniform Guidance, 2 CFR part 200, that are applicable to indirect costs do not apply. Recipients may not apply their indirect costs rates to payments received from the Fund." We determined the CRF guidance did not permit CRF recipients to charge indirect costs to their CRF award or for sub-recipients to charge indirect costs to their CRF sub-awards. Since these costs were charged as direct costs to the CRF sub-award, New Jersey must provide supporting expenditure documentation for it to be considered allowable. Therefore, New Jersey, by applying the indirect cost rate, did not comply with Treasury's Guidance, resulting in an ineligible use of CRF in the amount of \$10,068,090 of questioned costs.

Transfer Exception #2 – Casino Reinvestment Development Authority (Unsupported Costs)

New Jersey claimed and Castro tested \$9,410,681 in transferred expenses to the Casino Reinvestment Development Authority for grant expenditures made to awardees and to construct a temporary hospital facility with the extra space in the Atlantic City Convention Center.

Castro was unable to obtain the sub-recipient GL detail to ensure the expenditure balances were supported by complete and accurate expenditure GL details and to select sub-recipient invoice level transactions for CRF eligibility testing. Therefore, Castro questioned the full balance of \$9,410,681 as unsupported costs.

²³ Code of Federal Regulations (CFR), 2 CFR 200.414(f)), *Grants and Agreements, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Direct and Indirect (F&A) Costs* states: "...any non-Federal entity that does not have a current negotiated (including provisional) rate...may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. No documentation is required to justify the 10% de minimis indirect cost rate. As described in § 200.403, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time."

²⁴ De minimis means lacking significance or importance: so minor as to merit disregard.

²⁵ Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021). https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf

Other Matters Questioned Costs for Treasury OIG Consideration - Population Reconciling Errors for Transfers 3, 4, 5, and 6

As discussed above within the **Financial Reporting Control Issues** section, Castro requested that New Jersey perform a reconciliation and it provided Castro corrected GL detail balances they believed should have reported in the GrantSolutions portal in their final submission. As part of Castro’s reconciliation procedures, we determined that New Jersey was only able to provide sub-recipient GL details totaling \$141,648,405 out of the total CRF claimed amount of \$347,168,767, resulting in a variance of \$205,520,362. We followed up with New Jersey for missing sub-recipient GL details to support this variance; however, New Jersey did not provide additional GL details by the end of our fieldwork. Castro questioned \$205,520,362 as other matter unsupported costs because New Jersey claimed more than its sub-recipients spent. See summary of variances identified:

Table 3 - Reconciling Differences for Transfers Selections

Transaction No.	Total Claimed in Corrected GL Detail (A)	Sub-Recipient GL Detail Population Total (B)	Total Reconciling Differences (C = A-B)
Transfer 3 – New Jersey Economic Development Authority	\$ 285,794,588	\$ 95,507,646	\$ 190,286,942
Transfers 4 – New Jersey Economic Development Authority	\$ 51,000,000	\$ 43,825,887	\$ 7,174,113
Transfers 5 – County of Morris	\$ 9,879,648	\$ 1,828,591	\$ 8,051,057
Transfers 6 – Municipality of Princeton	\$ 494,531	\$ 486,281	\$ 8,250
Total	\$ 347,168,767	\$ 141,648,405	\$ 205,520,362

Castro recommends Treasury OIG determine the feasibility of performing additional follow up with New Jersey to determine if there were other instances of unsupported questioned costs within the Transfers greater than or equal to \$50,000 population. Castro did not identify any other discussion points related to transfers 5 and 6 within the table above; however, see below for discussion on additional exceptions for transfers 3 and 4.

Other Matter Transfer Exception #s 3 & 4 – Self-Identified Fraudulent Transactions

Castro found transfers were made to the New Jersey Economic Development Authority (NJEDA) that were spent on programs such as the Small Business Emergency Grant Program, COVID-19 Emergency Assistance Programs, and Small and Micro Business PPE Access Programs.

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Additionally, Castro noted that in response to inquiries to New Jersey about the existence of potential fraud within its CRF claimed expenses during the planning phase of our desk review, New Jersey acknowledged the NJEDA identified potential fraudulent transactions through their own fraud detection program that were still being investigated by NJEDA during the course of our desk review. Castro obtained and utilized the listing of potential fraudulent transactions totaling \$1,007,050 provided by NJEDA to scan through the NJEDA GL detail provided in response to our transaction selections in attempt to identify if the potential fraudulent amounts were still claimed in the GL transactions, but Castro did not identify any of the potential fraudulent transactions within the provided GL detail. However, Castro was unable to verify whether these potential fraudulent amounts were properly reversed from New Jersey's CRF claim due to the \$197,461,055 of missing sub-recipient GL details questioned as unsupported costs for transfers 3 and 4, as discussed in the finding immediately preceding this. Castro recommends that Treasury OIG determine the feasibility of requesting that New Jersey perform an assessment to determine if all of the potential fraudulent transactions were removed from NJEDA's CRF claimed amounts. Then, we recommend Treasury OIG determine the feasibility of following up with New Jersey to obtain the missing NJEDA populations questioned as other matters and, utilizing the listing provided by NJEDA, determine if the \$1,007,050 in potential fraudulent amounts were properly reversed.

Direct Payments Greater Than or Equal to \$50,000

We determined New Jersey's Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested one direct payment totaling \$12,674,130 and identified unsupported questioned costs for the full amount of \$12,674,130. We also identified a reporting misclassification that did not comply with Treasury's Guidance, as this transaction was a grant that was misclassified as a direct payment. The transaction tested included expenditures related to childcare stabilization grants that were provided to childcare centers and in-home daycares to either reopen or to provide financial assistance with ongoing increased COVID-19 related costs, such as making changes to physical space to support social distancing, purchasing PPE and cleaning supplies, hiring additional staff, and paying increased hazard staff wages.

Direct Payment Exception #1 – Childcare Stabilization Initiative Program

New Jersey claimed and Castro tested \$12,674,130 in expenditures related to the Childcare Stabilization Initiative Grant Program expenditures that New Jersey misclassified as a direct payment instead of a grant. We considered this to be a reporting error that did not comply with Treasury's Guidance. The New Jersey Department of Human Services entered into an agreement with the Treasurer of the

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State of New Jersey to create the Child Care Assistance and Stabilization Initiative Grant Program. Castro noted that the GL detail balance used to select this transaction was a batched transaction and Castro needed the sub-recipient's GL detail at the transactional level to support the claimed expenditures and to select transactions at the invoice level to verify eligibility. Castro requested the sub-recipient's GL detail at the transactional level, but New Jersey did not provide any documentation by our end of fieldwork. Castro questions \$12,674,130 as unsupported.

Direct Payment Anomalies (Potential Duplicate Payments)

We tested 13 potential duplicate transactions identified by the Treasury OIG totaling \$4,123,891. Castro identified nine transactions totaling \$3,648,886 that we determined to be duplicates. Castro considers these other matters unsupported questioned costs, as detailed below.

Other Matter for Treasury OIG Consideration – Direct Payments Duplicate Transactions

For eight out of 13 potential Direct Payments duplicate selections totaling \$3,438,886, New Jersey responded to each potential duplicate payment by stating they were not duplicates because they had different transaction identification numbers or the transactions netted to zero in the GL detail. New Jersey did not provide a copy of the vendor invoices to support that the transactions were not duplicates. New Jersey responded that there were no obligation documents or invoices to provide. New Jersey confirmed that these transactions had no invoices to support the reported expenditure amounts. As such, Castro determined that these were duplicate reported obligations and the amounts claimed did not represent valid expenditures. Castro determined that New Jersey should have removed these obligation entries from the GrantSolutions portal and reported actual expenditures incurred instead. As such, Castro confirmed these payments to be duplicate entries in the GrantSolutions portal. Castro questions \$3,438,886 as other matter identified unsupported costs.

For two out of 13 potential Direct Payments duplicate selections totaling \$420,000 (\$210,000 each), Castro followed up with New Jersey about providing invoices or supporting documentation that showed that these transactions were not duplicates. New Jersey provided one invoice for \$210,000 out of \$420,000, but stated that there was no second invoice for the second potential duplicate transaction of \$210,000. As such, Castro determined that these were duplicate reported obligations and that amounts claimed did not represent valid expenditures. Castro determined that New Jersey should have removed this obligation entry from the GrantSolutions portal and reported actual expenditures incurred instead. As such, Castro confirmed that the first payment for \$210,000 was not a duplicate

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payment and the second payment of \$210,000 was a duplicate entry in the GrantSolutions portal. Castro questions \$210,000 as other matter identified unsupported costs.

Aggregate Reporting Less Than \$50,000

We determined New Jersey's Aggregate Reporting less than \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested one aggregate reporting transaction totaling \$49,644 and identified no testing exceptions. The aggregate reporting transaction tested included expenditures related to Community Care Residences (CCR) staff that served adults with developmental disabilities who resided in their personal residences. CCR staff provided essential tasks such as supervision, feeding, and other personal care to adults with developmental disabilities during the COVID-19 pandemic.

Although we did not identify any exceptions based on testing of CCR expenditures, we identified other matter reconciling errors that resulted in \$72,008,351 of questioned costs which caused us to conclude that New Jersey Aggregate Reporting less than \$50,000 did not comply with the CARES Act and Treasury's Guidance, which we discuss directly below.

Other Matters Questioned Costs for Treasury OIG Consideration – No Vendor Name Transactions with Missing Underlying Expenditure GL Details

During Castro's reconciliation of the \$85,602,371 reported in the corrected GL detail population for the Aggregate Reporting less than \$50,000 payment type, we identified a balance of \$72,008,351 that consisted of budgetary transactions allocating funding between New Jersey and its state agencies, adjusting entries, and transactions without vendor names, which we did not consider to be sufficient GL details at the expenditure level. Castro considers the GL detail crucial to verify that the prime recipient had complete and accurate populations of expenditures that were supported by expenditure transactions and for selecting items at the transaction level for testing to verify eligibility.

Castro followed up with New Jersey requesting that New Jersey provide the state agency subsidiary ledger detailing the transactions at the invoice level that included vendor names to substantiate the \$72,008,351 amount claimed, but New Jersey did not provide the expenditure level GL detail by the end of our fieldwork. As such, Castro questions \$72,008,351 as other matter identified unsupported questioned costs because the level of detail was not sufficient to verify the expenses related to the COVID-19 pandemic. Castro recommends Treasury OIG determine the feasibility of performing additional follow up with New Jersey to obtain expenditure support with sufficient expenditure level detail such as vendor names needed to support CRF amounts claimed.

Aggregate Payments to Individuals

CRF payments made to individuals, regardless of amount, were required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information. Castro notes that Aggregate Payments to Individuals consists of the following broad types of potential costs, which we have defined from the Treasury's guidance as published in the Federal Register.²⁶ Prime recipients may or may not have claimed all these types of expenditures.

- **Public Safety/Health Payroll** – consisted of payroll costs for public health and safety department personnel.
- **Substantially Dedicated Payroll**²⁷ – consisted of payroll costs for non-public health and safety personnel who were substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- **Non-Substantially Dedicated Payroll**²⁸ – consisted of payroll costs for personnel who performed COVID-19 related tasks on a part-time basis.
- **Non-Payroll Expenditures** – consisted of financial assistance payments to citizens due to hardship or loss of income, unemployment claims, and other non-payroll related expenses made to individuals.

²⁶ *Coronavirus Relief Fund Guidance* as published in the Federal Register (January 15, 2021). https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf

²⁷ Substantially dedicated payroll costs meant that personnel must have dedicated over 50 percent of their time to responding or mitigating COVID-19. Treasury's Federal Register Guidance stated that: "The full amount of payroll and benefits expenses of substantially dedicated employees may be covered using payments from the Fund. Treasury has not developed a precise definition of what "substantially dedicated" means given that there is not a precise way to define this term across different employment types. The relevant unit of government should maintain documentation of the "substantially dedicated" conclusion with respect to its employees."

²⁸ Payroll costs that were not substantially dedicated meant payroll costs that were not for public health and safety, and which were not substantially dedicated to performing COVID-19 related tasks. Treasury's Federal Register Guidance defined more stringent tracking requirements for these types of payroll costs. Specifically, the Treasury's Federal Register stated that agencies must: "track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department. This means, for example, that a government could cover payroll expenses allocated on an hourly basis to employees' time dedicated to mitigating or responding to the COVID-19 public health emergency."

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New Jersey's Aggregate Payments to Individuals balance consisted of payroll and other transactions from the following types of claimed costs. New Jersey did not report any substantially dedicated payroll.

Aggregate Payments to Individuals (API) Category Types	Adjusted GL API Analysis Expenses Claimed*
Public Safety/Health Payroll	\$ 603,357,099
Non-Substantially Dedicated Payroll	\$ 21,042,066
Non-Payroll Expenditures ²⁹	\$ 238,656,400
Totals	\$ 863,055,565

* New Jersey changed the amount of its Aggregate Payments to Individuals payment type reported in the GrantSolutions portal by providing a different GL detail to Castro during our reconciliation procedures. We utilized the amounts reported by New Jersey in the GL details for transaction testing purposes. See **Financial Reporting Control Issues** section above for additional discussion.

Castro noted that public health and safety payroll transactions were subject to Treasury's administrative accommodation,³⁰ and therefore, were subject to less detailed documentation requirements. Castro tested public health and safety payroll transactions by reviewing itemized payroll distribution reports to support these balances. Non-substantially dedicated payroll balances were not subject to this administrative accommodation, and therefore, Castro attempted to test these transactions by requesting payroll distribution files and by performing tests over specific employee timesheet submissions.

²⁹ The majority of the non-payroll expenses were related to hardship programs to assist individuals who suffered a loss due to the COVID-19 pandemic. Castro selected \$92,628,000 in original transaction amounts from this category type. We then obtained populations needed to make additional selections at the hardship beneficiary level, and we did not identify any exceptions in amounts tested. New Jersey also confirmed that it did not make any replenishment payments to its unemployment insurance trust fund.

³⁰ Treasury's Federal Register Guidance stated that the administrative accommodation meant "In recognition of the particular importance of public health and public safety workers to State, local, and tribal government responses to the public health emergency, Treasury has provided, as an administrative accommodation, that a State, local, or tribal government may presume that public health and public safety employees meet the substantially dedicated test...This means that, if this presumption applies, work performed by such employees is considered to be a substantially different use than accounted for in the most recently approved budget as of March 27, 2020. All costs of such employees may be covered using payments from the Fund for services provided during the period that begins on March 1, 2020, and ends on December 31, 2021."

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We determined New Jersey's Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We tested a total of \$594,921,502 of transaction expenditures for nine Aggregate Payments to Individuals transactions. Out of those nine transactions, six were for public health and safety payroll, one was for non-substantially dedicated payroll, and two were for non-payroll expenditures. As a result of our testing, we identified exceptions in four public health and safety transactions and one non-substantially dedicated transaction. We questioned a total of \$523,485,702, which consisted of \$399,154,192 and \$124,331,510 as unsupported and ineligible costs, respectively.

Additionally, we identified other matters related to reconciling errors that resulted in \$137,077,969 of unsupported questioned costs. See **Other Matters Questioned Costs for Treasury OIG Consideration – Budgetary Non-Payroll Transactions with Missing Transaction Level Expenditure GL Details** section below for further discussion.

Public Health and Safety Payroll & Non-Substantially Dedicated – Unsupported Transactions

For three out of six public health and safety payroll transactions and the one non-substantially dedicated transaction selected totaling \$399,154,192, Castro requested that New Jersey provide payroll distribution reports to support the total claimed amount of \$399,154,192. However, New Jersey did not provide any payroll distribution reports to substantiate the balance or eligibility of the transaction amounts prior to the end of our fieldwork. We needed the payroll distribution report to verify employee positions, hours worked, department codes, and pay rate, which were essential to determining that the employees were in fact public health and safety employees. Castro questioned these costs of \$399,154,192 as unsupported.

Public Health and Safety Payroll – Ineligible Transactions

For one of the public health and safety payroll transactions totaling \$124,331,510, New Jersey did not provide any payroll distribution reports to substantiate the transaction amounts prior to the end of our fieldwork. However, we reviewed a document provided by New Jersey entitled, "Fiscal Year 20 Fringe Rate Circular Letter". Based on Castro's review of this letter, we determined that New Jersey applied a fringe rate to calculate the fringe benefit expenses charged to the CRF program. We considered the fringe benefit rate application to be similar to an indirect cost rate application. Treasury's Guidance in the Federal Register Notice Volume 86, Number 10, Supplemental Guidance on Use of Funds to Cover Administrative Costs, indicates that "provisions of the Uniform Guidance, 2 CFR part 200, that are applicable to indirect costs do not apply. Recipients may not

apply their indirect costs rates to payments received from the Fund.” We determined that the CRF guidance did not permit CRF recipients to charge indirect costs to their CRF award. Therefore, Castro questioned these costs of \$124,331,510 as ineligible.

Other Matters Questioned Costs for Treasury OIG Consideration – Budgetary Non-Payroll transactions with Missing Transaction Level Expenditure GL Details

Additionally, during Castro’s reconciliation of the \$863,055,565 reported in the corrected GL detail population for the Aggregate Payments to Individuals payment type, we determined \$137,077,969 flagged as non-payroll transactions in the GL detail did not include sufficient identifying details needed to determine what the expenses were incurred for and how those expenses related to the COVID-19 pandemic. The GL details Castro received from New Jersey appeared to be interagency budgetary transactions from New Jersey to its state agencies and Castro considered these transactions to be at the batch budgetary level, instead of at the invoice/expenditure level detail. Castro considers the GL detail crucial to verify that the prime recipient had complete and accurate populations of expenditures that were supported by expenditure transactions and for selecting items at the transaction level for testing to verify eligibility.

Castro followed up with New Jersey requesting a state agency subsidiary ledger detailing the transactions at the invoice level, but New Jersey did not provide the expenditure level GL detail by the end of our fieldwork. Castro questions \$137,077,969 of Aggregate Payments to Individuals balances as other matter identified unsupported questioned costs because the level of detail was not sufficient to verify these expenses related to the COVID-19 pandemic. Castro recommends Treasury OIG determine the feasibility of performing additional follow up with New Jersey to obtain expenditure support with sufficient expenditure level detail needed to support CRF amounts claimed.

Conclusion

We determined that the expenditures related to the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types did not comply with the CARES Act and Treasury's Guidance.

We identified unsupported and ineligible questioned costs of \$976,160,389 and \$134,399,600, respectively, with total questioned costs of \$1,110,559,989. Also, we identified GrantSolutions portal misclassification reporting issues related to the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types that did not comply with Treasury's Guidance. Additionally, New Jersey's risk of unallowable use of funds is **high**.

Castro recommends that Treasury OIG follow up with New Jersey's management to confirm if the \$976,160,389 noted as unsupported expenditures within the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request that New Jersey management provide support for other eligible replacement expenses, not previously charged to CRF, that were incurred during the period of performance.

In addition, Castro recommends that Treasury OIG request New Jersey management to provide support for other eligible replacement expenses, not previously charged to CRF, that were incurred during the period of performance for the \$134,399,600 of ineligible costs charged to the Transfers greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types. If support is not provided, Treasury OIG should recoup the funds.

Further, based on New Jersey's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation and/or replace unsupported and ineligible transactions charged to CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types.

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Castro also identified other matters throughout the course of our desk review, which warrant recommendations to Treasury OIG for additional action. Castro recommends Treasury OIG follow-up on these issues:

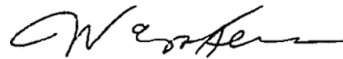
- Castro tested \$2,301,279 out of the total amount of \$29,142,450 in non-substantially dedicated payroll claimed by New Jersey related to a higher education grant. Since Castro identified unsupported questioned costs within these non-substantially dedicated payroll expenditures tested, we recommend Treasury OIG determine the feasibility of performing additional follow-up with New Jersey to determine if there were other instances of unsupported balances within the remaining portion of this grant balance.
- Castro tested \$250,398 out of the total amount of \$26,000,000 in grant expenses claimed by New Jersey related to a long-term care facility staff testing grant program. Since Castro identified unsupported questioned costs within these grant expenditures tested, we recommend Treasury OIG determine the feasibility of performing additional follow-up with New Jersey to determine if there were other instances of unsupported balances within the remaining portion of this grant balance.
- Castro noted unsupported Aggregate Reporting less than \$50,000 and Aggregate Payments to Individuals questioned costs of \$72,008,351 and \$137,077,969, respectively, resulting from our reconciliation procedures performed over New Jersey's GrantSolutions portal reporting and its GL detail. Castro recommends Treasury OIG determine the feasibility of performing additional follow up with New Jersey to obtain expenditure support with sufficient expenditure level detail needed to support CRF amounts claimed, such as vendor names and identifying transaction details.
- Castro noted unsupported questioned costs of \$205,520,362 in the form of discrepancies between the corrected GL detail expenditures against the sub-recipient GL details for the Transfers greater than or equal to \$50,000 population. Castro recommends Treasury OIG determine the feasibility of performing additional follow up with New Jersey to determine if there were other instances of unsupported questioned costs within the Transfers greater than or equal to \$50,000 population.
- New Jersey self-identified a total of \$1,007,050 in potential fraudulent transactions for the New Jersey Economic Development Authority that were still being investigated during our desk review. We recommend Treasury OIG determine the feasibility of requesting that New Jersey perform an assessment to determine if all fraudulent transactions have been removed from NJEDA's CRF claimed amounts in the GL balances. Then, we recommend Treasury OIG determine the feasibility of following up with New Jersey to obtain the missing NJEDA populations questioned as other matters and, utilizing the listing of potential fraudulent

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transactions provided by NJEDA, determine if the \$1,007,050 potential fraudulent amounts were properly reversed.

All work completed with this letter complies with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General*, which require that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.³¹ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

³¹ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>