

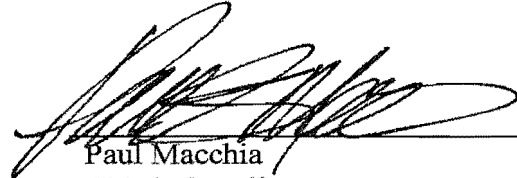
SUBJECT: Detection of Fraud, Waste and Abuse

NUMBER: 2.10.3

EFFECTIVE: March 2013

SANDY CDBG-DR

APPROVAL:



Paul Macchia
Chief of Staff

Program Monitoring

The State of New Jersey Department of Community Affairs (DCA) will oversee all activities and expenditures of the CDBG-DR funds. Existing State employees will be utilized and additional personnel and contractors will be hired to augment DCA staff, according to need, to perform monitoring of funded DR projects in accordance to the DCA CDBG-DR Monitoring Plan.

DCA will maintain a high level of transparency and accountability using a combination of risk analysis of programs and activities, desk reviews, site visits, and using monitoring checklists modeled after HUD's Disaster Recovery Monitoring Checklists and existing monitoring checklists used in monitoring regular CDBG program activities. DCA will determine appropriate monitoring of grants, taking into account prior CDBG grant administration and performance, audit findings, as well as factors such as the complexity of the project.

The primary purpose of the State's monitoring strategy is to ensure that all projects comply with applicable federal regulations and are effectively meeting their stated goals. The frequency and program components monitored will be determined by a risk analysis. All projects will be monitored at least once on-site during the life of the activity. The results of monitoring and audit activities will be reported to the Commissioner of DCA.

The monitoring will address program compliance with contract provisions, including but not limited to environmental reviews, procurement, fair housing, Section 3, Davis-Bacon Act and other labor standard provisions, URA, equal opportunity requirements, OMB Circular A-87, program income and other CDBG financial requirements. These policies and procedures are consistent with those used by HUD to monitor state administered programs. All necessary environmental reviews shall be performed on each project prior to funding.

Procedures for verification of the accuracy of information provided by applicants for assistance are provided in the individual program policies and procedures. DCA's oversight and monitoring shall include procedures to ensure the veracity of the information being provided by applicants. DCA's existing staff and contractors will test program staff's adherence to the verification procedures by testing applicant files using judgmental sampling techniques and by utilizing analytics software designed to identify anomalies and irregularities. Further, DCA shall embed quality assurance monitors into the intake process who will be charged with ensuring adherence to prescribed applicant verification procedures.

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On February 8, 2013, Governor Christie signed Executive Order (EO) No. 125 concerning the monitoring and oversight of federal construction funds. Accordingly, EO 125 directed all Executive Branch departments administering federal reconstruction resources to follow a framework that will provide comprehensive and stringent safeguards to make certain all federal resources are utilized through an ethical and transparent process. Among other things, such safeguards are to include:

- Each principal department of the State shall submit all potential State procurements involving expenditure of federal reconstruction resources to the New Jersey Office of the State Comptroller for review prior to commencement of the procurement process. The State Comptroller shall determine whether the proposed procurement process complies with applicable public contracting laws, rules and regulations. Pursuant to its enabling legislation, the State Comptroller's Office is an independent office that is charged with evaluating the efficiency, effectiveness, and transparency of all government entities and to identify and eliminate fraud, waste and abuse throughout state and local government.
- Each principal department and agency of the State is directed to appoint an "Accountability Officer" to oversee the responsible disbursement and utilization of federal reconstruction resources allocated by or through that department or agency. Each Accountability Officer shall serve as a liaison to the Governor's Office of Recovery and Rebuilding and the State Comptroller.

The New Jersey Department of Community Affairs has designated the Director of Auditing, to serve as the department's Accountability Officer. The attached "Role of the Internal Auditor" document affirms and describes this role in detecting fraud, waste, and abuse.

To establish an effective system of internal control and a program of audit and evaluation which will provide assurances and safeguards concerning DCA's disbursement of federal reconstruction funds, DCA's Office of Auditing, in conjunction with other departmental personnel, will conduct a thorough and comprehensive enterprise-wide risk assessment related to federal reconstruction funds every six months.

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The risk-assessment will serve as the basis for the audit and compliance plans which will address the following:

1. Audit of paper application files for anomalies through risk-based sampling.
 2. Evaluate and test selected internal controls, including IT-related controls.
 3. Deliver training to all staff responsible for monitoring or administering federal reconstruction funds that will focus on identification of risk factors, identification of fraud indicators, and the implementation a system of internal control that provides reasonable assurances that funds are being administered in accordance with law, code and policy. The training sessions will emphasize that sound internal controls require the efforts of all departmental personnel, not only auditors and compliance staff.
 4. Ensure that anti-fraud brochures and posters that include a fraud tip-line to the State Comptroller's Office are distributed and prominently displayed throughout the department, satellite offices and construction sites.
 5. Liaise with applicable Federal, State and Local law enforcement authorities concerning the disbursement of federal reconstruction funds.
 6. Implement a comprehensive and effective compliance program that includes: investigative protocols, whistleblower procedures, and a process to refer matters to local, state and federal authorities.
 7. Ensure that DCA's auditing, monitoring and evaluation process effectively mitigates the risk of fraud, waste and abuse and the disbursement of reconstruction funds is transparent to all stakeholders.
 8. Establish a Quality Assurance mechanism to ensure all federal reporting of CDBG-DR funds are accurate and timely.
 9. Development and implementation of policies and procedures to assist in ensuring that program requirements are met, including preventing a duplication of benefits, and measures to detect and prevent fraud, waste abuse and mismanagement of funds.
 10. Compliance with Federal and State laws, and DRGR requirements.
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In addition, the State intends to hire additional contractors to assist the State in its efforts to prevent and detect fraud, waste, and mismanagement of recovery funds. The State intends to maintain a selection of monitoring contractors through the following solicitation issued in March 2013: *RFQ for Program and Process Management Auditing, Financial Auditing and Grant Management, and Integrity Monitoring/Anti-Fraud Services for Disaster Recovery Assistance.*