

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**NEW JERSEY CLAIMED SOME  
UNALLOWABLE COSTS UNDER A  
HURRICANE SANDY DISASTER  
RELIEF ACT GRANT**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



**Gloria L. Jarmon  
Deputy Inspector General  
for Audit Services**

**February 2017  
A-02-15-02005**

# ***Office of Inspector General***

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The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## EXECUTIVE SUMMARY

*New Jersey claimed \$23,000 in unallowable Hurricane Sandy Disaster Relief Act funds related to a home repair and advocacy program grant.*

### 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 \$8.2 million for Home Repair and Advocacy Program (HRAP) services designed to provide eligible seniors and disabled individuals with assistance in repairing damage to their primary residence. The State agency awarded \$1,889,456 of these HRAP funds to Ocean County.

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's budgeted costs under its Disaster Relief Act HRAP subaward to Ocean County were appropriate and the State agency's claimed costs under that subaward were allowable in accordance with the Disaster Relief Act.

### 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.

ACF awarded \$226.8 million of these funds to the State agency for SSBG activities, including \$8.2 million for HRAP services. HRAP services include debris removal; electrical work; interior repairs; mold remediation; plumbing; property repairs; restoration of heating and cooling systems; and repair or replacement of roofing, windows, and doors. The State agency awarded \$1,889,456 in HRAP funds to Ocean County. As of March 31, 2015, Ocean County had expended \$948,265 of these funds for services provided to 552 individuals and had budgeted but not expended the remaining \$941,191.

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 that these costs aligned with purposes specified in the bill and were not reimbursable by the Federal Emergency Management Agency or covered by insurance.

## **HOW WE CONDUCTED THIS REVIEW**

We reviewed Disaster Relief Act funds totaling \$941,191 that Ocean County had budgeted but not expended for HRAP services as of March 31, 2015. We also reviewed \$198,183 in Disaster Relief Act funding that the State agency claimed during the period October 1, 2013, through March 31, 2015, for HRAP services under its subaward to Ocean County. Further, we reviewed Ocean County's internal controls for managing Disaster Relief Act funds.

## **WHAT WE FOUND**

The State agency budgeted Disaster Relief Act funds under its HRAP subaward to Ocean County that were appropriate. However, the State agency claimed some Disaster Relief Act costs under its HRAP subaward to Ocean County that did not comply with the Disaster Relief Act. Of the \$198,183 in costs that we reviewed, \$161,636 complied with the Disaster Relief Act. The State agency claimed costs totaling \$22,580 that were unallowable because they were already covered by other sources. The State also allocated \$13,967 in salary costs to the HRAP subaward without consideration of whether the employees' activities were directly related to Hurricane Sandy.

The State agency claimed unallowable Disaster Relief Act funds because it (1) did not consider the funding disclosed by applicants and (2) had not established a methodology for ensuring that only Hurricane Sandy expenses were charged to the award; therefore, funds that were to be used only for Sandy-related activities were used to benefit other activities.

## **WHAT WE RECOMMEND**

We recommend that ACF ensure that the State agency:

- refunds \$22,580 to the Federal Government,
- identifies and refunds the portion of \$13,967 in salary costs that was improperly allocated to the HRAP subaward,
- verifies other funding sources for all services provided and recovers costs claimed under the State agency's HRAP subaward to Ocean County that were already covered, and
- establishes a methodology to ensure that SSBG supplemental funding is used solely for expenses directly related to Hurricane Sandy recovery activities.

## **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, disagreed with our finding that certain costs were unallowable because they were already covered by other sources and requested that we clarify that employee leave costs are allowable under Federal grants.

After reviewing the State agency's comments, we maintain that our findings are valid. However, we modified our finding related to salary costs and added a recommendation to reflect that some portion of the \$13,967 in salary costs may have been allocable to the HRAP subaward.

## **ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS**

In written comments on our draft report, ACF did not indicate concurrence or nonconcurrence with our recommendation to refund \$22,580. ACF concurred with our remaining recommendations.

## TABLE OF CONTENTS

INTRODUCTION .....	1
Why We Did This Review .....	1
Objectives .....	1
Background .....	1
Administration for Children and Families .....	1
Social Services Block Grant .....	2
Home Repair and Advocacy Program .....	2
How We Conducted This Review.....	3
FINDINGS .....	3
Costs Covered by Federal Emergency Management Agency or Other Insurance.....	3
Unallocable Salary Costs .....	4
RECOMMENDATIONS .....	5
STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE.....	5
State Agency Comments.....	5
Office of Inspector General Response .....	5
ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS .....	6
APPENDIXES	
A: Related Office of Inspector General Reports.....	7
B: Audit Scope and Methodology.....	8
C: State Agency Comments.....	10
D: Administration for Children and Families Comments.....	14

## 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.<sup>1</sup> 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 \$8.2 million for Home Repair and Advocacy Program (HRAP)<sup>2</sup> services designed to provide eligible seniors and disabled individuals with assistance in repairing damage to their primary residence. The State agency awarded \$1,889,456 of these HRAP funds to Ocean County.<sup>3</sup>

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's budgeted costs under its Disaster Relief Act HRAP subaward to Ocean County were appropriate and the State agency's claimed costs under that subaward were allowable in accordance with the Disaster Relief Act.

### 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

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<sup>1</sup> 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 determined that disaster relief funds were subject to sequestration, and as a result, the funds were reduced by approximately \$40.5 million.

<sup>2</sup> Information on the HRAP program is available online at <http://www.state.nj.us/humanservices/doas/services/hrap/shrap.html>.

<sup>3</sup> Specifically, the funds were awarded under State agency grant number DOAS13AAA035.

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.

### **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 (1) services to be provided, (2) program eligibility requirements, and (3) how funds are distributed 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 that 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 originally required States to expend these funds by September 30, 2015, and return any unexpended funds to the Federal Government.<sup>4</sup> However, on June 12, 2015, ACF issued guidance that revised the deadline to September 30, 2017.<sup>5</sup>

### **Home Repair and Advocacy Program**

HRAP services include debris removal; electrical work; interior repairs; mold remediation; plumbing; property repairs; restoration of heating and cooling systems; and repair or replacement of roofing, windows, and doors. HRAP assistance was generally capped at \$5,000 per household, and the related repairs were to be essential to safely sustain the individual(s) in their home. Although HRAP was intended to serve Ocean County and eight other New Jersey counties most impacted by Hurricane Sandy, eligible individuals statewide could apply for assistance.

The State agency awarded \$1,889,456 in HRAP funds to Ocean County, which worked with the State agency to manage these funds.<sup>6</sup> Ocean County staff met with HRAP applicants to determine eligibility and identify appropriate services. During these meetings, applicants were required to explain needed repairs and complete a checklist that identified any benefits already received from FEMA or other insurance. State agency staff then performed site visits to applicants' homes to evaluate damage. After an applicant obtained cost estimates from three licensed contractors, State agency staff made a final determination as to the amount of HRAP funds to be awarded, coordinated the repairs, and reported the HRAP expenditures to ACF.

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<sup>4</sup> SSBG Program, Information Memorandum, Transmittal No. 01-2013, March 28, 2013.

<sup>5</sup> SSBG Program, Information Memorandum, Transmittal No. 01-2015, June 12, 2015.

<sup>6</sup> Ocean County reported its expenditures to the State agency. The State agency submitted its expenditures to ACF under the ACF-administered grant.

As of March 31, 2015, Ocean County had expended \$948,265 in HRAP funds for services provided to 552 individuals and had budgeted but not expended the remaining \$941,191.

## **HOW WE CONDUCTED THIS REVIEW**

We reviewed Disaster Relief Act funds totaling \$941,191 that Ocean County had budgeted but not expended for HRAP services as of March 31, 2015. We also reviewed \$198,183 in Disaster Relief Act funding that the State agency claimed during the period October 1, 2013, through March 31, 2015, for HRAP services under its subaward to Ocean County. Further, we reviewed Ocean County's internal controls for managing Disaster Relief Act funds.

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**

The State agency budgeted Disaster Relief Act costs under its HRAP subaward to Ocean County that were appropriate. However, the State agency claimed some Disaster Relief Act costs under its subaward to Ocean County that did not comply with the Disaster Relief Act. Of the \$198,183 in costs that we reviewed, \$161,636 complied with the Disaster Relief Act. The State agency claimed costs totaling \$22,580 that were unallowable because they were already covered by other sources. The State also allocated \$13,967 in salary costs to the HRAP subaward without consideration of whether employees' activities were directly related to Hurricane Sandy.

The State agency claimed unallowable Disaster Relief Act funds because it (1) did not consider the funding disclosed by applicants and (2) had not established a methodology for ensuring that only Hurricane Sandy-related expenses were charged to the award; therefore, funds that were to be used only for Hurricane Sandy-related activities were used to benefit other activities.

## **COSTS COVERED BY FEDERAL EMERGENCY MANAGEMENT AGENCY OR OTHER INSURANCE**

Supplemental SSBG funds appropriated by the Disaster Relief Act shall not be available for costs that are reimbursed by FEMA, under a contract for insurance, or by self-insurance (Division A, Title VI of the Disaster Relief Act).

The State agency claimed Disaster Relief Act funds to pay for HRAP services already reimbursed by FEMA or other insurance. We judgmentally selected 19 HRAP services (associated with 16 individuals) paid with Disaster Relief Act funds, totaling \$89,922, and found that FEMA or private insurance reimbursed individuals for 5 of these services, totaling \$22,580. For example, one individual received \$5,000 in HRAP funds to repair and restore their home heating and cooling systems, including the replacement of an air conditioner, even though

FEMA paid the individual \$4,578 to cover the costs of these same repairs. In another instance, an individual's flood insurance policy covered repairs to their living room, dining room, and kitchen. However, the individual applied for and the State agency staff approved HRAP funds totaling \$5,850<sup>7</sup> for repairs to these same areas because, according to the individual's application, the areas needed to be worked on. State agency staff subsequently determined that the original repairs were unacceptable and approved the individual's application for HRAP funds. When repairs were considered unacceptable, the flood insurance company should have been contacted for additional funds. HRAP is responsible only for repairs not covered by other sources. This individual received funding from flood insurance for these repairs; therefore, the State approving the same repairs would be duplicative.

Although applicants were required to disclose funding received from other sources and provide documentation, State agency staff did not consider this information when they determined the amount of HRAP funds to be awarded.<sup>8</sup> State agency staff told us that benefits received under FEMA and other insurance did not fulfill applicants' financial needs; however, the State agency did not attempt to obtain from FEMA a detailed listing of repairs paid for by FEMA.<sup>9</sup> We obtained and reviewed itemized totals from FEMA and found that FEMA and other insurance had already met the applicants' financial needs.

## **UNALLOCABLE SALARY COSTS**

Supplemental SSBG funding authorized by the Disaster Relief Act was to be used for "disaster response and recovery, and other expenses directly related to Hurricane Sandy" (Division A, Title VI of the Disaster Relief Act).

Ocean County used HRAP funds for activities not directly related to Hurricane Sandy. Specifically, Ocean County improperly charged all vacation, sick, personal, holiday, and bereavement leave earned by two of its employees to the HRAP grant, even though the employees also worked on other non-Sandy-related projects. These improper charges occurred because Ocean County had not established a methodology for ensuring that Sandy supplemental SSBG funding covered only the portion of employee activities and expenses directly related to Hurricane Sandy activities. As a result, the State agency used HRAP funds totaling \$13,967 for the employees' salary costs without consideration of whether the employees' activities were directly related to Hurricane Sandy.<sup>10</sup>

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<sup>7</sup> The amount greater than \$5,000 was justified in a waiver and approved by the State agency.

<sup>8</sup> In one instance, an applicant disclosed to the State agency that FEMA provided them funding. The State agency paid the applicant \$785 to cover the cost of a door. However, FEMA had already paid the applicant for the door.

<sup>9</sup> Applicants were required to provide the State agency with FEMA determination letters; however, the documentation did not specify what repairs FEMA covered.

<sup>10</sup> The amount represents all of the costs associated with the vacation, sick, personal, holiday, and bereavement leave. We did not calculate what portion of these costs may have been allocable to the HRAP grant.

## **RECOMMENDATIONS**

We recommend that ACF ensure that the State agency:

- refunds \$22,580 to the Federal Government,
- identifies and refunds the portion of \$13,967 in salary costs that was improperly allocated to the HRAP subaward,
- verifies other funding sources for all services provided and recovers costs claimed under the State agency's HRAP subaward to Ocean County that were already covered, and
- establishes a methodology to ensure that SSBG supplemental funding is used solely for expenses directly related to Hurricane Sandy recovery activities.

## **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, disagreed with our finding that certain costs were unallowable because they were already covered by other sources. Specifically, the State agency asserted that the HRAP program acts as a “gap filler” for homeowners that have unmet repair needs and that home repair coordinators visit applicants’ homes to ensure that any remaining damage was from Hurricane Sandy. The State agency also detailed the HRAP funding that one homeowner, referenced in our report, received to restore their home heating and cooling systems. The restoration included costs associated with raising the homeowner’s air conditioning unit onto a platform. Further, the State agency claimed that it was in frequent contact with FEMA to ensure that no duplication of benefits were provided to HRAP applicants. Finally, the State agency did not agree with our finding that employee leave costs were unallowable and requested that we clarify that such costs are allowable under Federal grants.

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

### **OFFICE OF INSPECTOR GENERAL RESPONSE**

After reviewing the State agency’s comments, we maintain that our findings are valid. However, we modified our finding related to salary costs and added a recommendation to reflect that some portion of the \$13,967 in salary costs may have been allocable to the HRAP subaward.

We note that the State agency’s description of the costs associated with the one homeowner’s home heating and cooling systems is not supported by the State’s agency documentation of these costs. In its comments, the State agency stated that FEMA only provided funds to repair the homeowner’s air conditioning unit and that HRAP funding was used to purchase a new unit for the homeowner and to raise it onto a platform. However, the State agency did not provide

documentation to support its assertion that FEMA funds were actually used to repair the air conditioner. Finally, the State agency did not provide evidence that it contacted FEMA to determine if there was any duplication of benefits for HRAP applicants. Further, we noted that, the State agency relied on lump-sum totals of FEMA funds provided by homeowners without attempting to obtain itemized totals that were readily available from FEMA. We requested and obtained from FEMA the itemized totals within a few hours. We reviewed the itemized totals and found duplication of benefits. The State agency should have followed up with FEMA to determine if such itemized totals were available.

#### **ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS**

In written comments on our draft report, ACF did not indicate concurrence or nonconcurrence with our recommendation to refund \$22,580. Specifically, ACF stated that it plans to investigate the related finding with the State agency before making a final determination. ACF concurred with our remaining recommendations. ACF's comments are included in their entirety as Appendix D.

**APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>New Jersey Should Strengthen Hurricane Sandy Social Services Block Grant Internal Controls</i>	<a href="#"><u>A-02-14-02010</u></a>	1/17/2017
<i>Visiting Nurse Service of New York Budgeted Costs That Were Not Appropriate and Claimed Some Unallowable Hurricane Sandy Disaster Relief Act Funds</i>	<a href="#"><u>A-02-14-02012</u></a>	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>	<a href="#"><u>A-02-14-02009</u></a>	5/18/2016
<i>Columbia University Claimed Allowable Hurricane Sandy Disaster Relief Act Funds</i>	<a href="#"><u>A-02-15-02007</u></a>	5/18/2016
<i>Bayview Nursing and Rehabilitation Center Claimed Allowable Hurricane Sandy Disaster Relief Act Funds</i>	<a href="#"><u>A-02-15-02010</u></a>	4/4/2016
<i>Link2Health Solutions, Inc., Budgeted Costs That Were Not Appropriate and Claimed Some Unallowable Hurricane Sandy Disaster Relief Act Funds</i>	<a href="#"><u>A-02-14-02013</u></a>	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>	<a href="#"><u>A-02-15-02006</u></a>	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>	<a href="#"><u>A-02-14-02011</u></a>	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>	<a href="#"><u>A-02-13-02010</u></a>	7/24/2014

## APPENDIX B: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed Disaster Relief Act funds totaling \$941,191 that Ocean County had budgeted but not expended for HRAP services as of March 31, 2015, and the internal controls Ocean County implemented to manage Disaster Relief Act funds. We also reviewed \$198,183 in Disaster Relief Act funding that the State agency claimed during the period October 1, 2013, through March 31, 2015, for HRAP services under its subaward to Ocean County (State agency grant number DOAS13AAA035).

We performed our fieldwork at Ocean County's offices in Toms River, New Jersey, from July through December 2015.

### METHODOLOGY

To accomplish our objectives, we:

- reviewed Disaster Relief Act requirements;
- met with State agency officials to discuss procedures for allocating, accounting for, reporting on, and monitoring the use of Disaster Relief Act funds;
- reviewed Ocean County's budgeted costs included in the Notice of Grant Award and determined whether proposed budgeted costs were appropriate;
- reviewed Ocean County's financial, budgeting, and procurement policies;
- reviewed Ocean County's internal controls for managing Disaster Relief Act funds;
- reviewed the State agency's internal controls and procedures for managing and claiming Disaster Relief Act funds;
- reconciled the State agency's actual cumulative expenditures reported on its quarterly Federal Financial Report;
- judgmentally selected 19 HRAP services associated with 16 of the 552 individuals who received HRAP services,<sup>11</sup> totaling \$89,922, and for each individual:
  - reviewed the associated HRAP application and documentation (i.e., itemized totals) supporting other insurance and FEMA assistance received and
  - interviewed the State agency staff member responsible for coordinating the individual's home repairs;

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<sup>11</sup> We selected the services based on the service type applied for and the dollar amount awarded.

- reviewed payroll and time-and-effort reports for two Ocean County employees whose salaries were charged to the HRAP grant; 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.

## APPENDIX C: STATE AGENCY COMMENTS



CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

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July 19, 2016

James P. Edert  
Regional Inspector General for Audit Services  
U.S. Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services, Region II  
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**Re: The State of New Jersey's Response to the Office of Inspector General's Draft Audit Report No. A-02-15-02005 on the Ocean County Home Repair and Advocacy Program**

Dear Mr. Edert:

On behalf of Elizabeth Connolly, Acting Commissioner of the State of New Jersey Department of Human Services, we have reviewed the Department of Health and Human Services ("DHHS"), Office of the Inspector General's ("OIG") draft audit report evaluating the Division of Aging Services' performance in expending and managing Social Service Block Grant ("SSBG") funds provided to the Ocean County Area Agency on Aging ("AAA") for Superstorm Sandy recovery. The audit pertains to the Home Repair and Advocacy Program ("HRAP"), which was administered by the New Jersey Department of Human Services ("DHS") through specific county AAAs. The State initially allocated \$1.9 million HRAP funds to the Ocean County AAA to provide up to \$5,000<sup>1</sup> in home repair assistance for seniors or people with disabilities in households impacted by Superstorm Sandy to pay for costs incurred from projects not covered by Federal Emergency Management Agency ("FEMA") assistance, homeowners insurance, or other grants.

The State appreciates the opportunity to respond to the OIG's draft audit report and agrees with the OIG's conclusion that it appropriately budgeted SSBG funds for HRAP. However, the State disputes the OIG's determination that certain costs were unallowable. The State already has provided supplemental documentation to support its position that SSBG funds were not duplicative in the cases cited in the audit.

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<sup>1</sup> As noted in the OIG audit report, footnote 7, amounts greater than \$5,000 were justified in a waiver and approved by the State agency.



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Please allow the following to fully explain the protections in place to ensure the proper distribution of SSBG funds in the HRAP program and to respond to each of the audit findings.

#### Internal/External Controls and Program Safeguards

Sandy SSBG policies and procedures were developed by the Division of Aging Services ("DoAS") based on a plan approved by the Administration for Children and Families ("ACF"). These policies established the State's allocation methodology and utilization of funds in response to Sandy. The ACF-approved plan also contained protocols to verify and ensure that SSBG funds did not duplicate assistance provided by other funding sources, such as private insurance or FEMA. The State recognized that SSBG grants act as the funding source of last resort and has managed its related Sandy-recovery programs accordingly.

The State's internal controls for safeguarding SSBG funds against duplication were robust. HRAP applicants 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 services for which they were receiving HRAP funds. The State also contacted FEMA to obtain documentation of benefits provided to HRAP applicants to avoid any unnecessary duplications. 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.

In addition to the affidavit and contacting FEMA, HRAP utilized home repair coordinators ("HRCs") to further ensure that SSBG funds were not duplicative and to assist applicants through the completion of home repairs. HRCs are experienced, knowledgeable home repair experts. A significant part of the HRCs' duties included visits to an applicant's home to determine that the damage was Sandy-related and to establish the eligible and appropriate scope of service. Ocean County has three dedicated HRCs focused on SSBG Sandy operations and compliance. This extra layer of controls further assured that grants were provided only to eligible applicants for eligible expenses that were not already covered by other sources.

The State also employed complementary control mechanisms to ensure HRAP grants were properly awarded and administered. First, DHS provided training for the county AAAs and HRCs to ensure that grants were awarded to eligible applicants for eligible services. Second, DHS conducted a post-grant monitoring program to review each agency that administered SSBG housing funds. As part of this monitoring, DHS reviewed agency internal controls, emphasizing safeguards against duplication of benefits.

#### Response to OIG Finding One: HRAP Funds Did Not Duplicate Assistance Provided by FEMA or Private Insurance

The State continues to assert that it did not utilize SSBG funds to pay for HRAP services already reimbursed by FEMA or insurance. The HRAP program acts as a "gap filler" for homeowners who have exhausted other funding sources but still have unmet repair needs. Funds from FEMA, flood insurance, and homeowner's insurance have a multitude of limitations (such as deductibles and depreciation) and rarely cover all of a homeowner's needs. After these funds are fully exhausted, homeowners frequently are left

with unrepaired damage that threatens their health and safety. Sometimes this damage is ineligible for repair under FEMA or insurance, or was Sandy-related but only became a dangerous hazard months after the storm and after FEMA or private insurance claims have already been exhausted. To ensure that any remaining damage was from Superstorm Sandy, as mentioned above, the HRAP HRCs personally visited applicant homes.

For instance, OIG's draft audit report claims that one individual (hereinafter referred to as "Homeowner A") received "\$5,000 in HRAP funds to repair and restore their home heating and cooling systems even though FEMA paid [Homeowner A] \$4,578 for the same repairs." *OIG Draft Audit Report*, p. 3. This determination does not consider Homeowner A's full funding circumstances. This funding context is necessary to demonstrate that there was no duplication of benefits.

Homeowner A sustained substantial damage after the storm and was awarded a total of \$25,899 by FEMA for a variety of home repairs. However, Homeowner A's FEMA award was not sufficient to pay for all the services required to the home's heating and cooling systems. Specifically, FEMA provided \$647.28 only for the repair of the "Central Air Conditioner." The \$647.28 was used to repair the cooling unit, yet the repairs were insufficient and unsustainable. During the storm, the cooling unit was submerged in salt water, and as time progressed, the unit deteriorated and rusted. Upon inspection, the HRC appropriately determined that the cooling unit was no longer viable and a replacement was necessary. The Township also required Homeowner A to raise the cooling unit on a platform. The total replacement cost with the required platform was \$6,850 (the lowest estimate from three vendors). The homeowner was able to provide \$1,850, and the HRAP grant contributed the remaining \$5,000.

Because the cooling unit deteriorated and rusted after the original salt water exposure, there remained an unmet need for Homeowner A that the HRAP grant appropriately covered. With FEMA funds exhausted, HRAP funds used to meet Homeowner A's unmet need were not a duplication of benefits. Homeowner A's case is merely one example of HRAP funding being used for costs that were not covered by FEMA or private insurance claim reimbursement.

The draft audit report also notes that the State did not contact FEMA for a detailed listing of repairs already paid for by FEMA. *See Draft Audit Report*, p. 4. On the contrary, the State was in frequent contact with FEMA since the HRAP program inception in 2013 to obtain duplication of benefit information. In documented emails, the State requested from FEMA a "check that [an applicant] didn't receive any FEMA funds for the exact same purpose to ensure no duplication of benefits." In response, FEMA provided lump sum totals of funds provided to an applicant but never indicated that it could provide itemized lists. The State calls attention to footnote 9 in the draft audit report, in which the OIG concedes that FEMA's determination letters did not itemize or specify what repairs FEMA covered. The draft audit report should be changed to accurately reflect the State's efforts to obtain duplication of benefit information from FEMA.

**Response to OIG Finding Two: HRAP Employee Leave Costs Were Allowable Pursuant to Federal Regulations**

The OIG draft audit report appears to suggest that employee leave costs are not chargeable to a federal grant. In fact, employee leave time is an allowable fringe benefit cost that may be charged to a federal grant program pursuant to federal cost principles. See 2 C.F.R. Part 225, Appendix (B)(8)(d) (“[f]ringe benefits include, but are not limited to, the costs of leave. . . . the costs of fringe benefits are allowable . . . .”). Indeed, footnote 10 in the draft audit report infers that a portion of the \$13,967 in leave costs was allowable. See *OIG Draft Audit Report*, p. 4, fn. 10. However, the draft audit report, as written, implies that all of the Ocean County employees’ \$13,967 in leave costs were improperly charged to HRAP and must be repaid. *Id.* at 4-5. The State requests that the draft audit report clarify that employee leave costs are allowable under federal grants.

The State will work with its partners at Ocean County and ACF to ensure that employee leave costs charged to HRAP are appropriately documented.

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The State respectfully requests that the OIG reconsider its findings based on these critical points. As always, we look forward to continuing our close partnership with ACF and OIG as we address these important disaster recovery issues.

Respectfully submitted,

Christopher S. Porrino  
Acting Attorney General of New Jersey

By: /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, D.C. 20201 | [www.acf.hhs.gov](http://www.acf.hhs.gov)

January 18, 2017

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:

ACF appreciates the opportunity to respond to the Office of Inspector General's (OIG) report regarding the review of New Jersey's budgeted and claimed Disaster Relief Act funds under Home Repair and Advocacy Program (HRAP) grant (A-02-15-02005). This review was performed as part of the Office of Inspector General's (OIG) Hurricane Sandy oversight activities.

#### **Recommendation:**

The OIG recommends that ACF ensures that the State agency:

1. Refunds \$22,580 to the Federal Government.
2. Identifies and refunds the portion of \$13,967 in salary costs that were improperly allocated to a HRAP sub-award.
3. Verifies other funding sources for all services provided and recovers costs claimed under the State agency's HRAP sub-award to Ocean County that were already covered.
4. Establish a methodology to ensure SSBG Supplemental funding is used solely for expenses directly related to Hurricane Sandy recovery activities.

*Response:*

1. ACF reviewed the OIG's findings and consulted with the State of New Jersey. As the OIG noted in the report, the State of New Jersey disagrees with the OIG's finding that SSBG funds were used to pay for HRAP services already reimbursed by the U.S. Federal Emergency Management Agency. The OIG posited that that the State's lack of supporting documentation constitutes an improper expenditure that should be repaid.

As part of the Hurricane Sandy oversight activities, ACF established procedures for improper payment reviews and re-capture. These procedures include the identification of improper payments and root causes, development and implementation of corrective action plans, and re-capture of improper payments (if applicable). At this time, ACF is unable to make a final determination regarding concurrence with this finding; however, we will investigate with the State the root cause of the amount cited by the OIG and make

we will investigate with the State the root cause of the amount cited by the OIG and make a final determination on this recommendation, as well as the re-capture of any determined improper payment.

2. ACF concurs with the OIG recommendation to ensure that the State agency identifies and refunds the portion of \$13,967 in salary costs that were improperly allocated to the HRAP sub-award.
3. ACF concurs with the OIG recommendation that the State agency should verify other funding sources for all services provided and recover costs claimed under the State agency's HRAP sub-award to Ocean County that were already covered.
4. ACF concurs with the OIG recommendation that the State agency establish a methodology to ensure SSBG Supplemental funding is used solely for expenses directly related to Hurricane Sandy recovery activities. SSBG Hurricane Sandy Supplemental Funds are administered under the laws and regulations of the regular SSBG, which specify that States determine the types of services supported with SSBG funds and eligibility for these services. The Disaster Relief Act provides States with increased flexibility to use SSBG Hurricane Sandy Supplemental Funds for certain traditionally disallowed services, including repair, renovation, and rebuilding of social service facilities.

During the grant administration period, which will continue through September 30, 2017, ACF will also work with States to identify best practices, technical assistance, and guidance that can be provided to other States in the event of a future disaster supplemental. We will conduct a "lessons learned" internal administrative review to identify future strategies to avoid duplication of benefits issues.

**Summary**

In closing, we support the OIG's efforts in improving New Jersey's use of budgeted and claimed costs under the HRAP grant. 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