MEMORANDUM OF UNDERSTANDING
BETWEEN
THE NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS
AND
THE NEW JERSEY BOARD OF PUBLIC UTILITIES
FOR
SCHOOL AND SMALL BUSINESS ENERGY EFFICIENCY STIMULUS PROGRAM
INTEGRITY MONITOR FUNDING

This **MEMORANDUM OF UNDERSTANDING** ("MOU") (MOU Number 2022-37), is made by and between the New Jersey Department of Community Affairs ("DCA") and the New Jersey Board of Public Utilities ("Board"), both instrumentalities of the State of New Jersey ("State") (hereinafter collectively referred to as the "Parties"). This MOU sets forth the terms and conditions for the disbursement of American Rescue Plan Act – Coronavirus State Fiscal Recovery Fund ("CSFRF") monies for the retention of an Integrity Monitor ("IM Costs") for the School and Small Business Energy Efficiency Stimulus Program ("Program"), pursuant to P.L. 2021, c. 200 and Executive Order No. 166 (Murphy 2020) ("EO 166").

PREAMBLES

WHEREAS, due to the increase in the number of novel coronavirus ("COVID-19") cases in New Jersey, the surrounding region, and across the globe, the Governor of the State of New Jersey issued Executive Order No. 103 on March 9, 2020 declaring a public health emergency and a state of emergency, which authorized certain executive actions to respond to the increase in COVID-19 cases within the State; and

WHEREAS, on March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic ("COVID-19 Pandemic"), and on March 13, 2020, the President of the United States ("President") declared a national state of emergency; and

WHEREAS, in response to the COVID-19 Pandemic, Congress enacted a series of laws to address the impacts of the COVID-19 Pandemic; and

WHEREAS, on March 11, 2021, the President signed the "American Rescue Plan Act of 2021" P.L. 117-2 ("ARP Act") into law; and

WHEREAS, as part of the ARP Act, Congress amended Title VI of the Social Security Act (42 U.S.C. 801 et seq.) at subtitle M by adding Sections 602 and 603 to create the "Coronavirus State Fiscal Recovery Fund" ("CSFRF") ("Amended Title VI"); and

WHEREAS, the Amended Title VI provides that CSFRF monies ("CSFRF Funds") may generally be used to: (a) respond to the negative economic impacts of the COVID-19 public health emergency by providing assistance to households, small businesses, and nonprofits, as well as providing aid to impacted industries such as tourism, travel, and hospitality; (b) respond to those workers performing essential work in the State during the COVID-19 public health emergency by providing premium pay or grants to those eligible workers; (c) secure the provision of government

services relative to the reduction in revenue of the State due to the COVID-19 public health emergency as compared to revenues collected in the most recent full fiscal year of the State prior to said emergency; or (d) make necessary investments in water, sewer, or broadband infrastructure; and

WHEREAS, the State received Six Billion Two Hundred Forty-Four Million Five Hundred Thirty-Seven Thousand Nine Hundred Fifty-Five Dollars and Fifty Cents ($6,244,537,955.50) in CSFRF Funds under the ARP Act to be used in conformance with the requirements of the ARP Act; and

WHEREAS, pursuant to the Fiscal Year 2022 Appropriations Act, L. 2021, c.133, as may be amended from time to time ("Consolidated Appropriations Act"), One Hundred Fifty Million Dollars ($150,000,000.00) of CSFRF Funds were appropriated for allocation to Administrative Costs across all pandemic-related programs; and

WHEREAS, pursuant to the Consolidated Appropriations Act, Two Hundred Million Dollars ($200,000,000.00) of CSFRF Funds were appropriated for allocation to pandemic-related programs as determined by the Executive Director of the Governor's Disaster Recovery Office ("GDRO"), subject to approval from the Director of the Division of Budget and Accounting ("Budget and Accounting"), without notice provided to the Joint Budget Oversight Committee with respect to appropriations of CSFRF Funds of less than Ten Million Dollars ($10,000,000.00); and

WHEREAS, pursuant to the Consolidated Appropriations Act, the GDRO, with the approval from Budget and Accounting, has allocated Five Million Dollars ($5,000,000.00) from the United States Department of Treasury's Integrity Monitor Program funds to the State Treasurer for IM costs ("IM Fund"); and

WHEREAS, pursuant to the Consolidated Appropriations Act, the GDRO, with approval from Budget and Accounting, has determined the costs associated with the retention of an IM is an eligible use of CSFRF Funds, and has accordingly authorized an initial allocation of Five Hundred Thousand Dollars ($500,000.00) from the IM Fund to the Board for the retention of an IM for the Program required by EO 166; and

WHEREAS, pursuant to the Consolidated Appropriations Act, DCA, as the State-designated grants manager ("Grants Manager"), is responsible for overseeing the entire portfolio of CSFRF Funds in accordance with CSFRF requirements; and

WHEREAS, on July 22, 2021, the State Treasurer has entered into a Memorandum of Understanding with DCA as Grants Manager for the CSFRF Funds, to provide those grant management functions and processes for the State that are necessary to administer, manage, and monitor State entity grant awards and disburse funds accordingly; and

WHEREAS, DCA will use its SIROMS grant management system to track State entity expenditures and obligations, administer approved grant funds, and track compliance with applicable laws, regulations, guidance, and project requirements; and

WHEREAS, under the authority of the GDRO, with approval from Budget and Accounting, and as Grants Manager, DCA is authorized to distribute to the Board an amount not to exceed Five Hundred Thousand Dollars ($500,000.00) under this MOU for the retention of an IM for the Program required under EO 166; and

WHEREAS, the funding for the IM costs shall be undertaken in compliance with federal, state and local laws and regulations, as well as the requirements of this MOU, EO 166, 31 CFR Part 35 U.S. Treasury Coronavirus State and Local Fiscal Recovery Funds – Final Rule, and Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("2 CFR Part 200"); and

WHEREAS, it is in the Parties' interest and in the public's interest to have the duties and obligations of the Parties in connection with the funding for the retention of an IM be memorialized in a written agreement.

NOW, THEREFORE, DCA and the Board agree as follows:

Section 1. Grant Award

1.1 Subject to the terms and conditions of this MOU, DCA shall make available to the Board funds in an amount not to exceed Five Hundred Thousand Dollars ($500,000.00) ("Grant Funds"), which represents the initial costs for the retention of the IM for the Program.

1.2 In the event the actual or committed disbursement of funds is less than the amount of the Grant Funds, or at the conclusion of the engagement between the Board and the IM, the Board shall promptly remit to DCA any unexpended portion of the Grant Funds.

1.3 All obligations of the Parties pursuant to this MOU are subject to appropriations and the availability of funds. A failure by either party to perform any condition required under this MOU resulting from the failure of the Legislature to appropriate funds shall not constitute a breach or default.

Section 2. Terms of the Grant Awards

2.1 The Board shall use the Grant Funds solely for the cost of services performed by the IM for the Program as an Allowable Cost pursuant to 2 CFR § 200.403 et seq., all other applicable federal regulations, and as approved as a requirement for the Program.

2.2 The Board shall obligate the Grant Funds by December 31, 2024, and expend the Grant Funds by December 31, 2026. Any funds not obligated or expended by the respective deadlines herein shall be returned to United States Department of the Treasury ("U.S. Treasury"), unless the U.S. Treasury has otherwise extended the deadlines.

Section 3. Responsibilities of the Board

3.1 The Board hereby binds itself, certifies, and assures that it will comply with all federal, state, and local laws and regulations, policies, guidelines and requirements, as may be related to the acceptance and use of federal CSFRF Funds, including all applicable state and federal executive orders. The Parties expressly acknowledge that the subject of this MOU is governed by the ARP Act, including Amended Title VI, and administered by the U.S. Treasury, and may be subject to ongoing modifications and clarifications. The Board shall comply with all applicable CSFRF requirements and federal cross-cutting statutes and regulations as more fully described in the Schedule of Assurances attached hereto as Exhibit A and made a part hereof, the Integrity Monitor Guidelines attached hereto as Exhibit B and made a part hereof, the U.S. Treasury Guidance and Frequently Asked Questions, the U.S. Treasury Final Rule (31 CFR Part 35), as updated from time to time, and subject to any other exceptions and waivers that may be issued by the U.S. Treasury that affect CSFRF Funds.

3.2 The Board shall require all of its sub-recipients, contractors, and all tiers of sub-contractors, as applicable, to adhere to all applicable federal and state laws and regulations, including the ARP Act, all other applicable federal statutes, U.S. Treasury regulations, and the requirements set forth in this MOU, and shall further conduct all necessary monitoring for such compliance.

3.3 The Board shall provide DCA with a report of the expenditure of the Grant Funds with any necessary supporting documentation, on a monthly basis unless the Parties agree otherwise.

3.4 The Board shall submit a record of all their obligations and expenditures into SIROMS with necessary supporting documentation, along with other obligations such as grants, sub-recipient agreements, and contracts. In addition to data entry, review, and other document submittals, the Board shall upload all monthly and quarterly reports, as required herein, and other federal and state reports into SIROMS, as appropriate.

3.5 The Board shall cooperate with DCA, including the DCA monitoring team, with any audit conducted of the activities performed under this MOU, including compliance with various operating and reporting procedures, which may hereinafter be promulgated by DCA or federal funding sources. The Board shall provide DCA with access to and reporting from the Board's financial records and management systems, including, but not limited to, paper documents, worksheets, grant management systems, contract management systems, and databases.

3.6 To the extent that the U.S. Treasury performs an audit of the use of the Grant Funds, the Board shall coordinate with DCA in drafting a response to such audit(s). The Board shall be responsible for any recoupment of the Grant Funds that U.S. Treasury may require as a result of its audit findings.

3.7 The Board shall ensure use of Grant Funds do not constitute "Improper Payments" as defined by the Uniform Administrative Requirements at 2 C.F.R. § 200.1. The Board shall establish appropriate policies and procedures to prevent Improper Payments and shall cooperate

and coordinate with other State departments and agencies to prevent and rectify Improper Payments, which may include, but is not limited to, recoupment of Grant Funds.

3.8 The Accountability Officer for the Board relative to this MOU is the Chief Fiscal Officer of the Board who shall be the point of contact for DCA, the Governor's Office, and the Office of the State Comptroller, and who shall be responsible for compliance of the duties and obligations provided herein.

3.9 The Board shall provide to DCA any complaint it receives related to allegations of discrimination on the grounds of race, color, or national origin, and limited proficiency covered by Title VI of the Civil Rights Act of 1964, along with information on the status of any review, proceeding, and outcome related to the complaint.

3.10 The Board shall maintain records related to this MOU for seven (7) years as required for federal grants.

Section 4. General Provisions

4.1 Any amendment, modifications, or revision to this MOU must be mutually agreed to by the Parties and shall be in writing. Either DCA or the Board may terminate this MOU upon thirty (30) days' prior written notice to the other.

4.2 This MOU serves as a memorialization of the mutual understanding and intention of the Parties as to the duties and obligations of the respective party concerning the distribution of the Grant Funds.

4.3 There are no third-party beneficiaries of this Agreement.

4.4 This MOU is in accordance with N.J.S.A. 52:14-1 et seq.

4.5 The effective date of this MOU shall be the later of the date executed by the Parties below and shall end on March 31, 2027 or sooner, as may be appropriate and agreed to by the Parties.

4.6 The execution of this MOU does not serve as a waiver by either Parties of their respective rights, powers, obligations, and immunities provided by law.

4.7 The Parties shall work cooperatively to achieve the intended goals of this MOU.

4.8 The recitals appearing before Section 1 are made part of this MOU and are specifically incorporated herein by reference.

4.9 This MOU may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute a single instrument.

4.10 The Parties agree to accept electronic signatures as if they were original signatures.

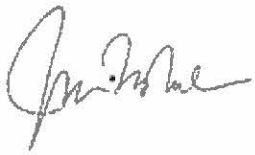
IN WITNESS WHEREOF, the Parties have executed and delivered this MOU on the date set forth next to their respective signatures below.

New Jersey Department of Community Affairs

Date: 1/26/2023

By: Samuel Viavattine
Deputy Commissioner

New Jersey Board of Public Utilities



Date: January 26, 2023

By: Joseph L. Fiordaliso
President

Exhibit A – Schedule of Assurances
Exhibit B – Integrity Monitor Guidance

EXHIBIT A
SCHEDULE OF ASSURANCES

The New Jersey Board of Public Utilities ("Board") will comply with the provisions of the following federal statutes, rules, and regulations in connection with the American Rescue Plan Act – Coronavirus State Fiscal Recovery Fund:

A. Federal regulations applicable include, without limitation, the following:

1. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200, other than such provisions as U.S. Treasury may determine are inapplicable to this Award and subject to such exceptions as may be otherwise provided by U.S. Treasury. Subpart F – Audit Requirements of the Uniform Guidance, implementing the Single Audit Act, shall apply to this award. See https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/recipient-compliance-and-reporting-responsibilities

2. Universal Identifier and System for Award Management (SAM), 2 C.F.R. Part 25, pursuant to which the award term set forth in Appendix A to 2 C.F.R. Part 25 is hereby incorporated by reference.

3. Reporting Subaward and Executive Compensation Information, 2 C.F.R. Part 170, pursuant to which the award term set forth in Appendix A to 2 C.F.R. Part 170 is hereby incorporated by reference.

4. OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Non-procurement), 2 C.F.R. Part 180, including the requirement to include a term or condition in all lower tier covered transactions (contracts and subcontracts described in 2 C.F.R. Part 180, subpart B) that the award is subject to 2 C.F.R. Part 180 and U.S. Treasury's implementing regulation at 31 C.F.R. Part 19.

5. Recipient Integrity and Performance Matters, pursuant to which the award term set forth in 2 C.F.R. Part 200, Appendix XII to Part 200 is hereby incorporated by reference.

6. Government-wide Requirements for Drug-Free Workplace, 31 C.F.R. Part 20.

7. New Restrictions on Lobbying, 31 C.F.R. Part 21.

8. Executive Order 13985 On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government (January 20, 2021).

9. Uniform Relocation Assistance and Real Property Acquisitions Act of 1970 (42 U.S.C. §§ 4601-4655) and implementing regulations.

10. Generally applicable federal environmental laws and regulations.

B. Statutes and regulations prohibiting discrimination applicable include, without limitation, the following:

1. Title VI of the Civil Rights Act of 1964 (42 U.S.C. §§ 2000d et seq.) and U.S. Treasury's implementing regulations at 31 C.F.R. Part 22, which prohibit discrimination on the basis of race, color, or national origin under programs or activities receiving federal financial assistance. The following language must be included in every contract or agreement subject to Title VI and its regulations between the Recipient and the Recipient's sub-grantees, contractors, subcontractors, successors, transferees and assignees:

   The sub-grantee, contractor, subcontractor, successor, transferee, and assignees shall comply with Title VI of the Civil Rights Act of 1964, which prohibits recipients of federal financial assistance from excluding from a program or activity, denying benefits of, or otherwise discriminating against a person on the basis of race, color, or national origin (42 U.S.C. § 2000d et seq.), as implemented by the U.S. Treasury's Title VI regulations, 31 CFR Part 22, which are herein incorporated by reference and made a part of this contract (or agreement). Title VI also includes protection to persons with "Limited English Proficiency" in any program or activity receiving federal financial assistance, 42 U.S.C. § 2000d et seq., as implemented by the U.S. Treasury's Title VI regulations, 31 CFR Part 22, and herein incorporated by reference and made a part of this contract or agreement.

2. The Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§ 3601 et seq.), which prohibits discrimination in housing on the basis of race, color, religion, national origin, sex, familial status, or disability.

3. Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794), which prohibits discrimination on the basis of disability under any program or activity receiving federal financial assistance.

4. The Age Discrimination Act of 1975, as amended (42 U.S.C. §§ 6101 et seq.), and U.S. Treasury's implementing regulations at 31 C.F.R. Part 23, which prohibit discrimination on the basis of age in programs or activities receiving federal financial assistance.

5. Title II of the Americans with Disabilities Act of 1990, as amended (42 U.S.C. §§ 12101 et seq.), which prohibits discrimination on the basis of disability under programs, activities, and services provided or made available by state and local governments or instrumentalities or agencies thereto.

C. Federal Labor Standards

1. The Contract Work Hours and Safety Standards Act (40 U.S.C. §3701 et seq.), requiring that mechanics and laborers (including watchmen and guards) employed on federally assisted contracts of $100,000 or greater be paid wages of not less than one and one-half times their basic wage rates for all hours worked in excess of forty in a work-week;

2. The Federal Fair Labor Standards Act (29 U.S.C. 201 et seq.), requiring that covered nonexempt employees be paid at least the minimum prescribed wage, and also that they be paid one and one-half times their basic wage rate for all hours worked in excess of the prescribed work-week;

3. The Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented in Department of Labor regulations (29 CFR 3), which requires payment of wages once a week and allows only permissible payroll deductions.

D. Other State and federal laws applicable include, but are not limited to, the following:

1. The New Jersey Prevailing Wage Act (N.J.S.A. 34:11-56.25 et seq.), establishing a prevailing wage level for workers engaged in public works.

2. The Hatch Act (5 U.S.C. §§ 1501-1508 and 7324-7328), which limits certain political activities of State or local government employees whose principal employment is in connection with an activity financed in whole or in part by this federal assistance.

3. State of New Jersey Executive Order No. 215 (Kean 1989), requiring environmental assessments or environmental impact statements to the extent applicable for major construction projects.

4. (a) In accordance with 41 U.S.C. § 4712, The Board may not discharge, demote, or otherwise discriminate against an employee in reprisal for disclosing to any of the list of persons or entities provided below, information that the employee reasonably believes is evidence of gross mismanagement of a federal contract or grant, a gross waste of federal funds, an abuse of authority relating to a federal contract or grant, a substantial and specific danger to public health or safety, or a violation of law, rule, or regulation related to a federal contract (including the competition for or negotiation of a contract) or grant.

   (b) The list of persons and entities referenced in the paragraph above includes the following:
      a. A member of Congress or a representative of a committee of Congress;
      b. An Inspector General;
      c. The Government Accountability Office;
      d. A Treasury employee responsible for contract or grant oversight or management;
      e. An authorized official of the U.S. Department of Justice or other law enforcement agency;
      f. A court or grand jury; or
      g. A management official or other employee of DCA, contractor, or subcontractor who has the responsibility to investigate, discover, or address misconduct.

   (c) The Board shall inform its employees in writing of the rights and remedies provided under this section, in the predominant native language of the workforce.

   4. Contracting with Small, Minority-owned, Women-owned and Veteran-owned Businesses, and Labor Surplus Area Firms.

(a) The Board shall take all necessary affirmative steps to ensure contracting opportunities are provided to small, minority-owned, woman-owned, and veteran-owned businesses, and labor surplus area firms. As used in this contract, the terms "minority-owned business," "women-owned business," and "veteran-owned business" means a business that is at least fifty-one percent (51%) owned and controlled by minority group members, women or veterans. For purposes of this definition, "minority group members" are African-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and Native Americans. The Board may rely on written representations by businesses regarding their status as minority, women and veteran businesses in lieu of an independent investigation.

(b) Affirmative steps shall include:

a. Placing qualified small and minority-, veteran- and women-owned businesses on solicitation lists;

b. Ensuring that small and minority-, veteran- and women-owned businesses are solicited whenever they are potential sources for goods and/or services required in furtherance of the Agreement;

c. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority-, veteran- and women-owned businesses;

d. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority-, veteran- and women-owned businesses;

e. Using the service and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the U.S. Department of Commerce; and

f. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in subparagraphs (a) through (e) of this section.

E. Increasing Seat Belt Use in the United States.

1. Pursuant to Executive Order 13043, 62 FR 19217 (Apr. 18, 1997), The Board should encourage its contractors to adopt and enforce on-the-job seat belt policies and programs for their employees when operating company-owned, rented or personally owned vehicles.

F. Reducing Text Messaging When Driving

1. Pursuant to Executive Order 13513, 74 FR 51225 (Oct. 6, 2009), The Board should encourage its employees, subrecipients, and contractors to adopt and enforce policies that ban text messaging while driving, and The Board should establish workplace safety policies to decrease accidents caused by distracted drivers.

G. Personally Identifiable Information

1. To the extent The Board receives personally identifiable information, it will comply with the Privacy Act of 1974 and U.S. Treasury rules and regulations related to the protection of personally identifiable information. The term "personally identifiable information" refers to information which can be used to distinguish or trace an individual's identity, such as their

name, social security number, biometric records, etc., either alone or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc. See 2 CFR 200.79. Subrecipients shall require all persons that have access to personally identifiable information (including subcontractors/subconsultants and their employees) to sign a Non-Disclosure Agreement.

H. Conflicts of Interest.

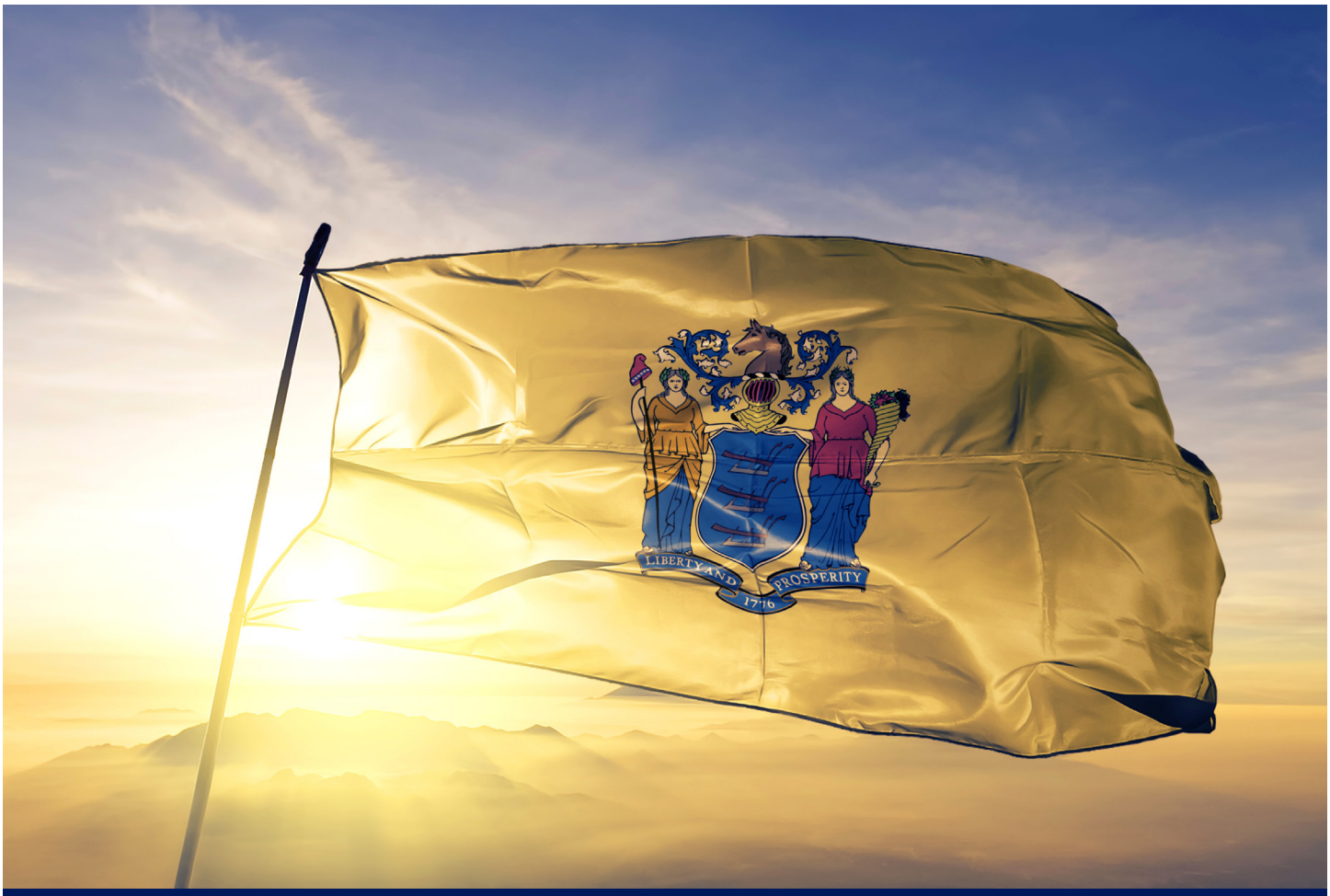
1. The Board must maintain a conflict-of-interest policy consistent with 2 C.F.R. § 200.318(c) and that such conflict-of-interest policy is applicable to each activity funded with CSFRF Funds.

2. The Board and any grantees or subrecipients must disclose in writing to U.S. Treasury or DCA, as appropriate, any potential conflict of interest affecting the CSFRF Funds in accordance with 2 C.F.R. § 200.112.

I. American Rescue Plan Act

1. Sections 602 and 603 of the Social Security Act, as added in Section 9901 of the American Rescue Plan Act (Pub. L. 117-2).

2. Implementing regulations adopted by U.S. Treasury pursuant to Section 602(f) of the Social Security Act, as added in Section 9901 of the American Rescue Plan Act (Pub. L. 117-2).



Integrity Oversight Monitor Guidelines

2021 Update

State of New Jersey COVID-19 Compliance and Oversight Taskforce

Table of Contents

Introduction

On July 17, 2020, Governor Murphy signed Executive Order 166 ("EO 166"), which, among other things, established the COVID-19 Compliance and Oversight Task Force (the "Taskforce"). The purpose of the Taskforce is to advise State departments, agencies, and independent authorities that receive or administer COVID-19 recovery funds ("Recovery Program Participants") regarding compliance with federal and State law and how to mitigate the risks of waste, fraud, and abuse. As defined in EO 166, "COVID-19 Recovery Funds" are funds awarded to state and local governments, and non-government sources to support New Jersey's residents, businesses, non-profit organizations, government agencies, and other entities responding to or recovering from the COVID-19 pandemic.

Pursuant to EO 166, the Taskforce is responsible for issuing guidelines regarding the appointment and responsibilities of COVID-19 Oversight Integrity Monitors ("Integrity Monitors"). Recovery Program Participants may retain and appoint Integrity Monitors to oversee the disbursement of COVID-19 Recovery Funds and the administration of a COVID-19 Recovery Program. They are intended to serve as an important part of the state's accountability infrastructure while working with Recovery Program Participants in developing measures to prevent, detect, and remediate inefficiency and malfeasance in the expenditure of COVID-19 Recovery Funds. Integrity Monitors may also be used, either proactively or in response to findings by an Integrity Monitor, as subject matter experts or consultants to assist Recovery Program Participants with program administration, grants management, reporting, and compliance, as approved by the Governor's Disaster Recovery Office (GDRO).

EO 166 requires Recovery Program Participants to identify a central point of contact (an "Accountability Officer") for tracking COVID-19 funds within each agency or authority. The Accountability Officer is responsible for working with and serving as a direct point of contact for the GDRO and the Taskforce. Accountability Officers should also ensure appropriate reviews are performed to assess risks and evaluate whether an Integrity Monitor can assist in reducing or eliminating risk to ensure the public that state and federal funds were used efficiently, fairly, and prudently.

Recovery Program Participants and Integrity Monitors should be focused on the common goal of maximizing the value of COVID-19 Recovery Funding by ensuring that every dollar is spent efficiently and properly. Integrity Monitors can add value to a program by assisting in implementing the fiscal controls necessary to maintain proper documentation, flagging potential issues in real time, maximizing reimbursements, sharing information with and responding to inquiries from the GDRO and Office of State Comptroller (OSC), and reporting to those offices, the Treasurer, the Attorney General, and legislative leadership.

Recovery Program Participants, Accountability Officers, and Integrity Monitors should work together to fulfill the goals of EO 166 and these guidelines. The retention of Integrity Monitors will support monitoring and oversight that will ensure that Recovery Program Participants administer COVID-19 recovery funds in compliance with program, financial, and administrative requirements set forth in the federal-state grant agreement, the State Recovery Program Participant sub-grant agreement, and applicable federal and state laws, regulations, and guidelines. Additionally, these guidelines will assist the State in fulfilling its monitoring responsibilities as set forth in 2 CFR 200 Subpart D. This may involve routine desk reviews and, when appropriate, on-site reviews by an Integrity Monitor. Recovery Program Participants that do not retain an Integrity Monitor will comply with these requirements, in coordination with the GDRO, as addressed in the Compliance Plan adopted by the Taskforce.

Establishing the Pool of Integrity Monitors

As of the issuance of this version of the Integrity Oversight Monitor Guidelines, a pool of monitors has already been established. The following provisions in this section should be used in the event it is necessary to establish additional pools of Integrity Monitors.[1]

In the event it is necessary to establish another pool of Integrity Monitors, the New Jersey Department of the Treasury, Division of Administration (Treasury) will be responsible for designating a department employee to act as the State Contract Manager for purposes of administering the overarching state contract for Integrity Monitoring Services. The State Contract Manager will establish one pool of qualified integrity monitors for engagement by eligible Recovery Program Participants. Treasury will issue a bid solicitation for technical and price quotations from interested qualified firms that can provide the following services:

- Category 1: Program and Process Management Auditing;
- Category 2: Financial Auditing and Grant Management; and
- Category 3: Integrity Monitoring/Anti-Fraud.

The specific services Integrity Monitors provide vary and will depend on the nature of the programs administered by the Recovery Program Participant and the amount of COVID-19 Recovery Funding received. The pool of Integrity Monitors should include professionals available to perform services in one or more of the following categories:

Category 1: Program and Process Management Auditing	Category 2: Financial Auditing and Grant Management	Category 3: Integrity Monitoring / Anti-Fraud
Development of processes, controls and technologies to support the execution of programs funded with COVID-19 Recovery Funds.	Plan, implement, administer, coordinate, monitor and evaluate the specific activities of all assigned financial and administrative functions. Develop and modify policies/procedures/systems in accordance with organizational needs and objectives, as well as applicable government regulations.	Forensic accounting and other specialty accounting services.

1. Agencies and authorities that are not permitted to follow all state procurement requirements due to U.S. Department of Transportation procurement policies may procure an Integrity Monitor separately in coordination with GDRO.

Review and improvement of procedures addressing financial management.	Provide technical knowledge and expertise to review and make recommendations to streamline grant management and fiscal management processes to ensure accountability of funds and compliance with program regulations.	Continuing risk assessments and loss prevention strategies.
Workload analysis; skills gap analysis, organizational effectiveness and workforce recruiting strategies.	Monitoring all grant management, accounting, budget management, and other business office functions regularly.	Performance and program monitoring and promotion of best practices.
Consulting services to support account reconciliations.	Provide and/or identify training for staff in the area of detection and prevention of waste, fraud, and abuse.	Prevention, detection and investigation of fraud and misconduct.
Quality assurance reviews and assessments associated with the payments process to ensure compliance with federal and state regulations.	Ensuring compliance with all applicable federal and state accounting and financial reporting requirements.	Implement and manage appropriate compliance systems and controls, as required by federal and state guidelines, regulations and law.
Risk analysis and identification of options for risk management for the federal and state grant payment process.	Provide tools to be used by the Recovery Program Participant for the assessment of the performance of the financial transaction process.	Provide data management systems/programs for the purpose of collecting, conducting and reporting required compliance and anti-fraud analytics.
Consulting services to reduce the reconciliation backlog for the Request for Reimbursments process.		Ability to provide integrity monitoring services for professional specialties such as engineering and structural integrity services, etc. either directly or through a subcontractor relationship.
Consulting services providing Subject Matter Expert (SME) knowledge of required standards for related monitoring and financial standards for federal funding.		

Conditions for Integrity Monitors

A Recovery Program Participant should evaluate whether it should retain an Integrity Monitor using the following standards.

Category 1 & 2 Integrity Monitors:

Category 1 and 2 Integrity Monitors are available to assist Recovery Program Participants, if, in consultation with GDRO, it has been determined that an agency or authority needs assistance in the establishment, administration, or monitoring of a program or when a Category 3 Integrity Monitor has issued findings that require the agency or authority to take corrective actions. In making the determination whether to obtain a Category 1 or 2 Integrity Monitor, a Recovery Program Participant's Accountability Officer, in consultation with GDRO, should evaluate whether an Integrity Monitor from Category 1 or 2 is necessary based on operational needs or to reduce or eliminate risk in view of the agency's or authority's existing resources, staffing, expertise or capacity. Agencies and authorities should evaluate whether the retention of a Category 1 or 2 Integrity Monitor would assist in addressing findings made by Category 3 Integrity Monitors. The availability of federal funds should be considered in evaluating whether to retain an Integrity Monitor from Category 1 or 2. In an appropriate circumstance, a Recovery Program Participant may request or may be directed by the GDRO to retain a Category 1 or 2 Integrity Monitor using non-federal funds.

Category 3 Integrity Monitors:

For Recovery Program Participants that have received or will administer a total of $20 million or more in COVID-19 Recovery Funds: A Recovery Program Participant that has received this amount of funding should retain at least one Integrity Monitor from Category 3: Integrity Monitoring/Anti-Fraud, subject to federal funding being available. The retention of Category 1 and 2 Integrity Monitors does not eliminate the obligation to retain a Category 3 Integrity Monitor. In some circumstances, multiple Category 3 Integrity Monitors may be necessary if one monitor is not adequate to oversee multiple programs being implemented by Recovery Program Participant as determined in consultation with the GDRO. In an appropriate circumstance, a Recovery Program Participant may request or may be directed by the GDRO to retain an Integrity Monitor using non-federal funds.

For Recovery Program Participants that have received or will administer a total of up to $20 million in COVID-19 Recovery Funds: A Recovery Program Participant that has received this amount of funding should evaluate in consultation with GDRO whether a Category 3 Integrity Monitor is needed based on the risks presented. The Recovery Program Participant's Accountability Officer should conduct a risk assessment taking into account both the likelihood and severity of risk in the participant's program(s) and consult with the GDRO regarding whether an Integrity Monitor from Category 3 is necessary to reduce or eliminate risk in view of the agency's or authority's existing resources, staffing, expertise or capacity. The availability of federal funds should be considered in evaluating whether to retain an Integrity Monitor. In an appropriate circumstance, a Recovery Program Participant may request or may be directed by the GDRO to retain an Integrity Monitor from Category 3 using non-federal funds.

Risk Assessment

As noted above, in certain circumstances, Recovery Program Participants seeking to retain an Integrity Monitor will be advised to conduct a risk assessment to determine the need for such services. A Recovery Program Participant's Accountability Officer, in consultation with the GDRO, should assess the risk to public funds, the availability of federal funds to pay for the Integrity Monitor, the entity's current operations, and whether internal controls alone are adequate to mitigate or eliminate risk.

An Accountability Officer, or an Integrity Monitor retained by a Recovery Program Participant, should conduct an initial review of the Recovery Program Participant's programs, procedures and processes, and assess the organizational risk and the entity's risk tolerance. The risk assessment should include a review of the agency's ability to comply with federal statutory and regulatory requirements as well as applicable state laws and regulations, including with regard to reporting, monitoring, and oversight, and a review of the agency's susceptibility to waste, fraud, and abuse.

An Accountability Officer conducting a risk assessment should complete and memorialize the assessment using the **matrix template you can download from OSC's website**. The risk assessment should be shared with the GDRO and OSC. Some of the specific factors an Accountability Officer should consider when assessing risk include:

- Organizational leadership, capacity, expertise, and experience managing and accounting for federal grant funds in general, and disaster recovery funds in particular;
- Input from the individuals/units that will be disbursing funds or administering the program;
- Review of existing internal controls and any identified weaknesses;
- Prior audits and audit findings from state or federal oversight entities;
- Lessons learned from prior disasters;
- Sub-recipient internal control weaknesses, if applicable;
- Adequacy of financial, acquisition, and grants management policies and procedures, including technological capacity and potentially outdated financial management systems;
- Ability to complete timely, accurate and complete reporting;
- Experience with state and federal procurement processes, value of anticipated procurements, and reliance on contractors to meet program goals and objectives;
- Potential conflicts of interests and ethics compliance;
- Amount of funds being disbursed to a particular category of sub-recipient and the complexity of its project(s); and
- Whether federal or state guidelines provide guidance regarding the uses of funds (*i.e.*, discretionary vs. restrictive).

The Accountability Officer should determine the organization's risk tolerance as to all recovery programs jointly and as to individual programs, recognizing that Integrity Monitors may be appropriate for some programs and not others within an agency or authority. If the risk exceeds an acceptable level of risk tolerance, the Accountability Officer should engage an Integrity Monitor.

An important element in the risk assessments is documentation of the process and results. This is critical to ensuring the extent of monitoring and oversight. The overall level of risk should dictate the frequency and depth of monitoring practices, including how to mitigate identified risks by, for example, providing training and technical assistance or increasing the frequency of on-site reviews. In some cases, monitoring efforts may lead an Accountability Officer or the GDRO to impose additional special conditions on the Recovery Program Participant. Depending on the kind of work the sub-recipient performs, it may be appropriate to reevaluate frequently, including quarterly, to account for changes in the organization or the nature of its activities. See 2 CFR Section 200.207 in the uniform guidance for examples; **GAO Report: A Framework for Managing Fraud Risk in Federal Programs (2015).**

Procedures for Requesting and Procuring an Integrity Monitor

To retain an Integrity Monitor, a Recovery Program Participant should proceed as follows:

- A Recovery Program Participant shall designate an agency employee to act as the contract manager for an Integrity Monitor engagement (Agency Contract Manager), which may be the Accountability Officer. The Agency Contract Manager should notify the State Contract Manager, on a form prescribed by Treasury, along with any required supporting documentation, of its request for an Integrity Monitor. The Agency Contract Manager should indicate which Integrity Monitoring services are required.

- The Agency Contract Manager will develop an Engagement Query.

- The Engagement Query will include a detailed scope of work; it should include specific performance milestones, timelines, and standards and deliverables.

- The Agency Contract Manager, in consultation with the Office of the Attorney General, Division of Law, will structure a liquidated damages provision for the failure to meet any required milestones, timelines, or standards or deliverables, as appropriate.

- The Agency Contract Manager will submit its Engagement Query to the State Contract Manager. Upon approval by the State Contract Manager, but prior to the solicitation of any services, the Engagement Query shall be sent to OSC for approval pursuant to EO 166. After receiving approval from OSC, the State Contract Manager will send the Engagement Query to all eligible Integrity Monitors within the pool in order to provide a level playing field.

- Interested, eligible Integrity Monitors will respond to the Engagement Query within the timeframe designated by the State Contract Manager, with a detailed proposal that includes a detailed budget, timelines, and plan to perform the scope of work and other requirements of the Engagement Query. Integrity Monitors shall also identify any potential conflicts of interest.

- The State Contract Manager will forward to the Agency Contract Manager all proposals received in response to the Engagement Query. The Agency Contract Manager will review the proposals and select the Integrity Monitor whose proposal represents the best value, price and other factors considered. The Agency Contract Manager will memorialize in writing the justification for selecting an Integrity Monitor(s).

- Prior to finalizing any engagement under this contract, the Agency Contract Manager, in consultation with the Accountability Officer, will independently determine whether the intended Integrity Monitor has any potential conflicts with the engagement.

- The State Contract Manager, on behalf of the Recovery Program Participant, will then issue a Letter of Engagement with a "Not to Exceed" clause to the engaged Integrity Monitor and work with the Agency Contract Manager to begin the issuance of Task Orders.

Integrity Monitor Requirements

A. Independence

The process by which Integrity Monitors are retained and the manner in which they perform their tasks in accordance with these guidelines are intended to provide independence as they monitor and report on the disbursement of COVID-19 Recovery Funds and the administration of a COVID-19 Recovery Program by a Recovery Program Participant. Although the Integrity Monitor and the Recovery Program Participant should share common goals, the Integrity Monitor should function as an independent party and should conduct its review as an outside auditor/reviewer would.

An Integrity Monitor for a particular Recovery Program Participant should have no individual or company affiliation with the agency or authority that would prevent it from performing its oversight as an independent third party. Integrity Monitors and Recovery Program Participants must be mindful of applicable conflicts of interest laws, including but not limited to, N.J.S.A. 52:13D-12 to -28, Executive Order 189 (Kean, 1988) and requirements set forth in the Uniform Grant Guidance, among others. To promote independence, an Integrity Monitor hired from Categories 1 or 2 may not also be engaged as a Category 3 Integrity Monitor to review the same programs for the same Recovery Program Participant. Likewise, a Category 3 Integrity may not be hired as a Category 1 or 2 Monitor to remediate any issues it identified as a Category 3 Integrity Monitor.

B. Communication

Integrity Monitors should maintain open and frequent communication with the Recovery Program Participant that has retained its services. The purpose of communicating in this manner is to make the Recovery Program Participant aware of issues that can be addressed during the administration of a program and prior to future disbursement of funds by the Participant. Therefore, Integrity Monitors should not wait until reports are issued to notify an Accountability Officer of deficiencies. This will enable the Recovery Program Participant to take action to correct any deficiencies before additional funds are expended. Substantial deficiencies should also be reported in real time to the GDRO, the State Comptroller, and the State Treasurer.

Prior to the posting of an Integrity Monitor report that contains findings of waste, fraud, or abuse, the Recovery Program Participant should be permitted to respond to the findings and have that response included in the publicly posted report. This will allow the Recovery Program Participant to highlight any course corrections as a result of the finding or to contest any finding that it feels is inappropriate. A Recovery Program Participant's response is due within 15 business days after receipt of an Integrity Monitor report.

Integrity Monitors must respond promptly to any inquiries posed by the GDRO, State Comptroller, State Treasurer, and Agency Contract Manager pursuant to EO 166.

C. General Tasks of Integrity Monitors

The tasks of an Integrity Monitor may vary based on the agency/program the Monitor is overseeing and the category of Integrity Monitor engaged. Generally, the role of a Category 1 Integrity Monitor is focused on program and process management auditing. These Integrity Monitors may assist a Recovery Program Participant in developing processes or controls to support the execution of programs, conduct risk analyses, or provide consulting or subject matter expertise to Recovery Program Participants. In general, a Category 2 Integrity Monitor's role is to provide financial auditing or grants management functions for a Recovery Program Participant. A Category 3 Integrity Monitor's primary roles are to monitor for fraud or misuse of funding, and ensure that Recovery Program Participants are performing according to the sub-award agreement and applicable federal and State regulations and guidelines. Tasks to be performed by Integrity

Monitors may include the following:

- Perform initial and ongoing risk assessments;
- Evaluate project performance;
- Evaluate internal controls associated with the Recovery Program Participant's financial management, cash management, acquisition management, property management, and records management capabilities;
- Validate compliance with sub-grant award and general term and special conditions;
- Review written documents, such as quarterly financial and performance reports, recent audit results, documented communications with the State, prior monitoring reports, pertinent performance data, and other documents or reports, as appropriate;
- Conduct interviews of Recovery Program Participant staff, as well as the constituents they serve, to determine whether program objectives are being met in an efficient, effective, and economical manner;
- Sample eligibility determinations and denials of applications for funding;
- Review specific files to become familiar with the progression of the disbursement of funds in a particular program, i.e., are actual expenditures consistent with planned expenditure and is the full scope of services listed in the project work plan being accomplished at the same rate of actual and planned expenditures;
- Ensure that the agency is retaining appropriate documentation, based on federal and state regulations and guidance, to support fund disbursement;
- Follow up with questions regarding specific funding decisions, and review decisions related to emergency situations;
- Facilitate the exchange of ideas and promote operational efficiency;
- Identify present and future needs; and
- Promote cooperation and communication among Integrity Monitors engaged by other Recovery Program Participants (e.g., to guard against duplication of benefits).

Integrity Monitors should generally perform desk reviews to evaluate the need for on-site visits or monitoring. Depending on the results of the desk review, coupled with the conclusions reached during any risk assessments that may have been conducted of the sub-recipient's capabilities, the Monitor should evaluate whether an on-site monitoring visit is appropriate. If the Monitor is satisfied that essential project goals, objectives, timelines, budgets, and other related program and financial criteria are being met, then the Monitor should document the steps taken to reach this conclusion and dispense with an on-site monitoring visit. However, the Integrity Monitor may choose to perform on-site monitoring visits as a result of any of the following:

- Non-compliance with reporting requirements;
- Problems identified in quarterly progress or financial reports;
- History of unsatisfactory performance;
- Unresponsiveness to requests for information;
- High-risk designation;
- Follow-up on prior audits or monitoring find-

ings; and

- Allegations of misuse of funds or receipt of complaints.

D. Reporting Requirements

1. Reports

Pursuant to EO 166, Integrity Monitors shall submit draft quarterly reports to the Recovery Program Participant on the last day of the quarter detailing the specific services rendered during that quarter and any findings of waste, fraud, or abuse **in accordance with the report templates found on OSC's website.**

Prior to the posting of a quarterly report that contains findings of waste, fraud, or abuse, the Recovery Program Participant should be permitted to respond to the findings and have that response included in the publicly posted report. This will allow the Recovery Program Participant to highlight any course corrections as a result of the finding or to contest any finding that it contends is inappropriate. A Recovery Program Participant's response is due within 15 business days after receipt of a quarterly report.

Fifteen business days after quarter-end, Integrity Monitors will deliver their final quarterly reports, inclusive of any comments from the Recovery Program Participant, to the State Treasurer, who shall share the reports with the GDRO, the Senate President, the Speaker of the General Assembly, the Attorney General, and the State Comptroller. The Integrity Monitor quarterly reports will be posted on the GDRO transparency website pursuant to the Executive Order.

The specific areas covered by a quarterly report will vary based on the type of Integrity Monitor engaged, the program being reviewed, the manner and use of the funds, procurement of goods and services, type of disbursements to be issued, and specific COVID-19 Recovery Fund requirements. The topics covered by the quarterly report should include the information included in **templates which you can download from OSC's website.**

2. Additional Reports

EO 166 directs OSC to oversee the work of Integrity Monitors and to submit inquiries to them to which Integrity Monitors must reply promptly. OSC may request Integrity Monitors to issue reports or prepare memoranda that will assist OSC in evaluating whether there is waste, fraud, or abuse in recovery programs administered by Recovery Plan Participants.

The State Comptroller may also request that Integrity Monitors or Recovery Program Participants share corrective action plans prepared by Recovery Plan Participants to address reported deficiencies and to evaluate whether those corrective plans have been successfully implemented.

GDRO and the State Treasurer may also request reports from Integrity Monitors to which Integrity Monitors must reply promptly.

3. Reports of Waste, Fraud, Abuse or Potential Criminal Conduct

Integrity Monitors must immediately report substantial issues of waste, fraud, abuse, and misuse of COVID-19 Recovery Funds simultaneously to the GDRO, OSC, State Treasurer, and the Agency Contract Manager and Accountability Officer of a Recovery Program Participant.

Integrity Monitors must immediately report potential criminal conduct to the Office of the Attorney General.

Integrity Monitor Management and Oversight

Agency Contract Managers have a duty to ensure that Integrity Monitors perform the necessary work, and do so while remaining on task, and on budget. Agency Contract Managers shall adhere to the requirements of Treasury Circular 14-08-DPP in their management and administration of the contract. The Agency Contract Manager will be responsible for monitoring contract deliverables and performing the contract management tasks identified in the circular, which include but are not limited to:

- Developing a budget and a plan to manage the contract. In developing a budget, the Agency Contract Manager should consider any caps on the amount of federal funding that can be used for oversight and administrative expenses and ensure that the total costs for Integrity Monitoring services are reasonable in relation to the total amount of program funds being administered by the Recovery Program Participant;
- Daily management of the contract, including monitoring and administering the contract for the Recovery Program Participant;
- Communicating with the Integrity Monitor and responding to requests for meetings, information or documents on a timely basis;
- Resolving issues with the Integrity Monitor in accordance with contract terms;
- Ensuring that all tasks, services, products, quality of deliverables and timeliness of services and deliverables are satisfied within contract requirements;
- Reviewing Integrity Monitor billing and ensuring that Integrity Monitors are paid only for services rendered;
- Attempting to recover any and all over-billings from the Integrity Monitor; and
- Coordinating with the State Contract Manager regarding any scope changes, compensation changes, the imposition of liquidated damages, or use of formal dispute processes.

In addition to these oversight and administration functions, the Agency Contract Manager must ensure open communication with the Accountability Officer, the Recovery Program Participant leadership, the GDRO, and OSC. The Agency Contract Manager should respond to inquiries and requests for documents from the GDRO and OSC as requested.

State of New Jersey, COVID-19 Compliance and Oversight Taskforce