



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

EXECUTIVE SUMMARY

**DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DIVISION OF WORKPLACE STANDARDS
July 1, 2012 to March 31, 2016**

The financial transactions included in our testing were related to the division's programs and were reasonable. However, we noted significant weaknesses in internal controls over revenue collection and recognition resulting in revenue transactions not being recorded properly in the accounting systems. We also found various general and business process application controls over information systems to be inadequate. In addition, compliance issues meriting management's attention were found in the collection and distribution of wages owed to employees through the enforcement of labor laws. We also made observations concerning the adequacy of information systems and the certification requirement for asbestos inspectors and consultants.

AUDIT HIGHLIGHTS

- Internal controls over revenue collection and recognition need to be strengthened. We noted instances where revenue is not deposited timely, checks are not properly safeguarded, duties are not adequately segregated, transactions are not recorded in a timely manner, and periodic reconciliations are not performed.
- Wage and Hour Compliance (WHC) investigates wage complaints and assesses additional wages due to employees, along with fees and penalties. We found WHC failed to forward \$5.1 million of abandoned wages to the Department of the Treasury, Unclaimed Property Administration which attempts to return property to its rightful owners and heirs.
- The Treasury's Division of Revenue and Enterprise Services (DORES) provides assistance to all state agencies in the recovery and resolution of non-tax debt. WHC failed to refer \$55.7 million of outstanding amounts to DORES for collection. Based on experience, this could result in an additional \$1.5 million in unpaid wages, fees, and penalties being recovered.
- WHC assesses additional wages due to employees and instructs employers to deduct payroll taxes and remit net wages payable. Our review of remittances, totaling \$5.5 million in wages for distribution to employees, found no payroll taxes were withheld. We estimate up to \$764,000 in Social Security and Medicare taxes went unpaid, and up to \$5 million in wages may have avoided income tax at the federal and state levels.
- Our observation of policies for nine states identified eight that require a certified asbestos inspector or consultant to be involved in all industrial projects and some residential projects. New Jersey does not have these certification requirements. The risk to public health is heightened since an unlicensed individual may fail to identify asbestos during an inspection and the need for abatement.

AUDITEE RESPONSE

The department generally concurs with our findings and recommendations.

For the complete audit report, click [here](#).