Office of the State Auditor

Audit Report

Department of Labor

Economic Planning, Development and Regulation Programs

July 1, 1994 to February 29, 1996
**Audit Report**

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We have completed an audit of the Department of Labor - Economic Planning, Development and Regulation Programs for the period July 1, 1994 to February 29, 1996.

We found that the financial transactions included in our testing were related to the agency's programs, were reasonable, and were recorded properly in the state accounting system. However, we did note areas where improvement is needed. Management needs to strengthen internal controls for the Career Information Delivery Revolving Fund revenue and address several Department of the Treasury and statutory compliance issues. Details of the findings and recommendations are included in our report.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Richard L. Fair
State Auditor
September 12, 1996

Department of Labor
Economic Planning, Development
and Regulation Programs

Scope

We have completed an audit of the Department of Labor - Economic Planning, Development and Regulation Programs for the period July 1, 1994 to February 29, 1996. The programs include the Divisions of Administration; Planning and Research; and Workplace Standards. Also, included in the scope of this audit was the review of the Department's central administrative services. These services include but are not limited to payroll processing, purchasing, fixed asset records, motor pool, and various revolving funds. Our audit included financial activities accounted for in the state's General Fund, Catastrophic Illness in Children Relief Fund, Health Care Subsidy Fund, Pollution Prevention Fund, State Disability Benefit Fund - General Account, Wage and Hour Trust Fund and Worker and Community Right-To-Know Fund.

Total expenditures of the programs during the 20 month audit period were $577 million. The prime responsibility of the Department of Labor - Economic Planning, Development and Regulation is administration, planning and research, and licensing and enforcement of workplace standards. Revenues of the programs totaled $861 million excluding federal revenues during our audit period, with the major component being employer assessments for the Health Care Subsidy Fund.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the agency's programs, were reasonable, and were recorded properly in the state accounting system. We also tested for resolution of significant issues noted in our prior reports.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.
Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal control structure.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were stratified and large dollar transactions were examined. Other transactions were judgmentally selected.

To ascertain the status of findings included in our prior reports, we identified corrective action, if any, taken by the agency and walked through the system to determine if the corrective action was effective.

Conclusions

We found that the financial transactions included in our testing were related to the agency's programs, were reasonable, and were properly recorded in the state accounting system. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management's attention.

We also found that the agency has resolved the significant issues noted in our prior reports except for matters related to fixed assets. These issues have been updated and restated in our current report.

Details of our findings and recommendations follow.
Internal Controls

Career Information Delivery (CID) Revolving Fund

Management needs to strengthen controls over the revenue function of the Career Information Delivery Fund (CID). We noted that one individual is responsible for opening mail, posting to a spreadsheet and preparing the deposit memo. We also noted that management has not implemented compensating controls such as a reconciliation of orders filled and services provided with revenue received and deposited. The failure of management to separate the duties of receiving, accounting and depositing revenue or to establish a monitoring control procedure has created significant risk that errors or irregularities could remain undetected.

We recommend that management segregate the receiving, accounting and depositing functions and/or implement procedures to monitor the reasonableness of revenue deposited by reconciling it to services provided.

Compliance Issues

Fixed Assets

All state agencies are required to submit annually a list of equipment with a value of $20,000 or more to the Department of the Treasury, Division of Budget and Accounting. This information is used to update the state's General Fixed Asset Account Group (GFAAG) for financial reporting purposes. Our review of the GFAAG list disclosed omitted and not current data. For example, three mail sorters with an approximate total value of $100,000 were not included and one mail sorter with an approximate value of $38,000 was replaced but was not removed from the GFAAG List. Failure of management to monitor the effectiveness of procedures for reporting accurate data impacts on the accuracy of the state's General Fixed Asset Account Group financial statements.

Department of the Treasury Circular Letter 91-32 requires agencies to maintain a fixed asset inventory record system for equipment that cost between $1,000 and $20,000. The review of the agency's record system noted that it is not being updated when equipment is retired to surplus. Failure of management to monitor the effectiveness of procedures that facilitate the maintenance of a current record system increases the opportunity for loss and theft.
We recommend that management monitor the effectiveness of procedures that facilitate the maintenance of current fixed asset record systems. Currently there is a need to better account for all assets and update the records.

Untimely Deposits

Our review of the direct state and revolving fund receipts revealed that the department does not deposit their receipts on a timely basis. The direct state revenue for fiscal year 1995 was $3.7 million and the revolving fund receipts were $448,000. Circular Letter 94-24 states “Agencies are to ensure that all moneys are deposited on the same day as received...” We noted checks being held for more than a week prior to deposit. Untimely depositing of receipts hinder the interest earning power of state assets and increase the risk that receipts could be lost or stolen.

We recommend that management establish new procedures or emphasize the importance of following current procedures. Management must also monitor the effectiveness of procedures to comply with Circular Letter 94-24.

Carnival Amusement Ride Safety Act

N.J.S.A. 5.3-33 states that there shall be an Advisory Board on Carnival-Amusement Ride Safety consisting of 10 members appointed by the Governor. The Board is empowered to report findings and recommendations to the commissioner in regard to any aspect of the carnival amusement ride safety program such as administration, engineering, technical aspects, rules and regulations. With only two members, no quorum currently exists.

We recommend that the department be instrumental in submitting names to the Governor for the appointment of members to the Advisory Board on Carnival Amusement Ride Safety.
Mine Safety Act

N.J.S.A. 34:6-98.5 requires the Commissioner of Labor to annually submit to the Governor a statistical summary and report of work performed by the mine safety section. During our review period no reports were submitted.

We recommend that the department fulfill the requirement of N.J.S.A. 34:6-98.5 or seek revision of this statute.