



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

EXECUTIVE SUMMARY

**DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
DIVISION OF VOCATIONAL REHABILITATION SERVICES
July 1, 2012 to December 31, 2016**

We found the financial transactions included in our testing were related to the division's programs, were reasonable, and were recorded properly in the accounting systems. However, in making this determination, we noted significant weaknesses in internal controls over the establishment and operation of a hydroponic farm resulting in overpayments. We also found community rehabilitation programs (CRPs) participating in the Extended Employment Program were not properly withholding and remitting payroll taxes. In addition, we found that vocational rehabilitation cases were not closed timely by the division. We also made observations regarding the level of client satisfaction with vocational rehabilitation services, the number of clients enrolled in CRPs that are placed in competitive integrated employment, and the attendance levels of CRPs compared to their contracted levels of capacity.

AUDIT HIGHLIGHTS

- Federal and state funds totaling \$395,332 were invested in a hydroponic farm to train and employ persons with disabilities in the hydroponic growth of vegetables, herbs, and fruits. The farm officially opened in September 2013 and ceased operations in February 2015. No funds or assets were recovered and, as of January 31, 2017, none of the 27 clients who either worked or attended training at the farm had found agriculture-related employment which was the primary objective of the farm.
- The Extended Employment Program utilizes CRPs as entities engaged in production or service operations for the purpose of providing employment combined with rehabilitation services as an interim step in the rehabilitation process. We found that several CRPs are not properly withholding and remitting Social Security and Medicare taxes, placing the responsibility on clients, and are not paying the employer share to the appropriate agencies. One CRP with 211 clients did not withhold any payroll taxes. Six CRPs inappropriately withheld Unemployment Insurance (UI) and/or Disability Insurance (DI) contributions, lowering the clients' net wages.
- The AWARE information system is used by counselors to manage and document client cases. Our review of the system noted that 14 cases had closure dates but remained open. Our sample of 31 of 357 cases that had a closure outcome or reason, but no closure date, disclosed that 28 of the 31 cases should have been closed. Our sample of 30 of 1,280 cases, where the last update was at least 731 days old, disclosed that all 30 cases should have been closed. We randomly selected 10 of 17,172 cases last updated within 730 days and found 4 of these cases should have been closed. Failure to close cases timely exaggerates the number of clients currently receiving services and understates the average cost per client as reported in the evaluation data in state budget documents.

AUDITEE RESPONSE

The department generally concurs with our findings and recommendations.

For the complete audit report or to print this Executive Summary, click [here](#).