



State of New Jersey

OFFICE OF THE STATE COMPTROLLER
P.O. Box 024
TRENTON, NJ 08625-0024

CHRIS CHRISTIE
Governor
KIM GUADAGNO
Lt. Governor

MARC LARKINS
Acting State Comptroller

November 13 , 2014

Harold J. Wirths
Commissioner
Department of Labor and Workforce Development
1 John Fitch Plaza, 13th Floor
PO Box 110
Trenton, NJ 08625

Re: Improper Temporary Disability Insurance
Benefit Payments to Deceased Individuals
Report PA-25

Dear Commissioner Wirths:

Pursuant to the State Comptroller's authority set forth in *N.J.S.A. 52:15C-1 et seq.*, we reviewed payments made to individuals in connection with the Temporary Disability Insurance (TDI) Program.

Background

The TDI program is administered by the Department of Labor and Workforce Development (LWD). The program provides cash benefits which are payable when an individual cannot work because of sickness or injury not caused by their job. TDI payments are generally made for a designated period of time (e.g., three months) based on information provided on a medical certificate as certified by a licensed doctor. The TDI program paid out over \$2 billion in benefits between 2009 and 2013.

Audit Objective, Scope and Methodology

The objective of our performance audit was to determine whether payments from the TDI program were being sent to deceased individuals. Our audit covered the period January 1, 2009 through December 31, 2013.

To accomplish our objective, we reviewed applicable federal and state laws as well as LWD's policies and procedures relating to TDI payments. We also conducted interviews with pertinent LWD personnel.

As part of our review of TDI payments to individuals made during the period January 1, 2009 to December 31, 2013, we obtained TDI payments made to individuals by LWD. We also obtained, from the New Jersey Department of Health's Office of Vital Statistics, records of New Jersey residents who died during our test period. Using this data, we matched each individual's full first name, full last name and tax identification number, and identified any payment made after the date of death. We submitted these payments to LWD for its review.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Audit Findings and Recommendations

Our testing, as confirmed by LWD, resulted in identifying improper payments totaling \$168,764 to 160 deceased individuals for the five-year audit period reviewed. According to LWD, improper payments occur, in part, when a recipient dies during their preapproved benefit period. LWD indicated that it is in the process of further strengthening its controls to verify an individual's eligibility prior to payment.

Recommendations

1. LWD should, as deemed appropriate, pursue recovery of the improper TDI payments identified in this report.

2. LWD should continue its efforts to strengthen controls to identify deceased individuals prior to disbursement of benefits.

Reporting Requirements

We provided a draft copy of this report to LWD officials for their review and comment. Their comments were considered in preparing the final report and are attached as Appendix A.

The Office of the State Comptroller is required by statute to monitor the implementation of our recommendations. To meet this requirement and in accordance with *N.J.A.C. 17:44-2.8(a)*, following the distribution of the final audit report, LWD shall report to the Office of the State Comptroller within 90 days stating the corrective action taken or underway to implement the recommendations contained in the report and, if not implemented, the reason therefore.

We thank the management and staff of LWD for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,



William P. Challice, CIA, CFE, CGFM
Director, Audit Division

c: Gerald Calamia, Director, Internal Audit



State of New Jersey

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
PO BOX 110
TRENTON, NEW JERSEY 08625-0110

CHRIS CHRISTIE
Governor

HAROLD J. WIRTHS
Commissioner

KIM GUADAGNO
Lieutenant Governor

October 14, 2014

Mr. William P. Challice, Director
Audit Division
Office of the State Comptroller
P.O. 024
Trenton, NJ 08625-0024

Dear Mr. Challice:

The Department of Labor and Workforce Development (LWD) is in receipt of the State Comptroller's report on "Improper Temporary Disability Insurance Benefit Payments to Deceased Individuals." The report contained one finding and two recommendations.

The following is LWD's response to the finding and recommendations included in the report. The report found that during the five year period reviewed, LWD paid over \$2 billion dollars in benefits. The State Comptroller found that during the five year period LWD paid \$166,764 in improper payments to 160 individuals. It should be noted that these payments represent approximately 0.0084% of all benefits paid during the five years.

In regard to the recommendations, LWD will continue to pursue recovery of the identified improper payments. In an attempt to strengthen controls in identifying deceased individuals, as of September 11, 2014, LWD is receiving a cross match report which will identify if a current TDI claimant has been reported as deceased. LWD will review the report regularly and take appropriate action.

If you have any questions, please contact Jerry Calamia, Director of Internal Audit at (609) 292-1885.

Sincerely,

A handwritten signature in black ink, appearing to read "Harold J. Wirths".

Harold J. Wirths
Commissioner

B14-001(03)

c: Jerry Calamia
Joseph Latoof
Ronald Marino
Aaron Fichtner

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