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## **State Comptroller audit finds state officials steered federal stimulus summer jobs for youth away from private sector**

**While the summer program attained its minimum objectives, audit finds state officials inappropriately guided local operators to subsidize wages for only public sector and nonprofit jobs, among other findings regarding program oversight**

Contrary to federal guidance, state officials steered federal stimulus dollars for summer youth employment programs away from private sector employers, potentially inhibiting future job possibilities for young workers, State Comptroller Matthew Boxer said today.

The finding comes as part of an Office of the State Comptroller (OSC) audit of federal stimulus funds targeted to provide employment for New Jersey youth last summer. The New Jersey Department of Labor and Workforce Development (LWD) and the State Employment Training Commission (SETC) administered \$17.7 million in stimulus funds for local Workforce Investment Boards to subsidize summer job opportunities for youth who met federal guidelines.

The OSC audit found the employment program attained its minimum objectives in providing summer work experience for thousands of youth from May 1, 2009 through Sept. 30, 2009. However, the audit also found several missed opportunities and weaknesses in program oversight, ranging from flawed state guidance to miscalculated job totals.

Regarding the selection of employers, the state advised the local boards that the stimulus funds could be used to subsidize wages for "public sector and nonprofit jobs." As a result, in interviews with OSC auditors, local program operators said they believed that the stimulus funds could not be used to fund jobs in the private sector. When asked by auditors

why private-sector companies were excluded, SETC staff stated their perception that organized labor groups in New Jersey would be displeased if federal funds were used to subsidize private-sector summer employment for youth.

The private-sector jobs would have offered a wider range of work experiences with the potential for continued employment after completion of the summer program, the audit found, particularly in view of state and local budget constraints.

“Federal dollars were sent to New Jersey to provide opportunities for our youth and instead of maximizing those opportunities, state officials acted in a way that limited them,” Boxer said.

The OSC audit also found that the state’s limited attempts to measure the performance of the employment program were inadequate. Basic but valuable information – such as cost per program participant and the number of youth participants obtaining unsubsidized employment after the program ended – was either not compiled or not determined in a consistent manner, making it difficult to tell whether program goals were met and what elements of the program should be continued for future summer employment experiences.

“Whenever a program is created with taxpayer dollars, the government has an obligation to continually measure the performance of that program,” Boxer said. “It’s the only way to determine which programs are working, which programs need to be improved and which programs are no longer worth the taxpayer cost.”

The audit found that LWD and the SETC failed to provide appropriate guidance on a range of other legal and programmatic issues. As a result, the content of worksite agreements prepared by local program operators varied widely and in some cases did not include basic legal conditions designed to protect youth participants and program operators.

For example, the Passaic County Workforce Investment Board encountered problems with the federal requirement that the stimulus funding be used to create new jobs and not to “supplant,” or replace, current workers with federally funded workers. As last summer approached, youth expecting to work at the Paterson Recreation Program were replaced with other teens who qualified for federal stimulus subsidies. In July, LWD intervened and the more-than-100 federally funded workers were shifted, mid-summer, to other job sites not funded by the City of Paterson to avoid any “supplanting” issue.

The audit also found LWD inaccurately reported the number of jobs created by the summer employment program, understating the correct figure by more than five percent. The state did not require program operators to submit documentation to support their jobs totals, which contributed to the inaccuracies.

The audit found no significant exceptions related to payroll, expenditures, or participant eligibility. OSC made 7 recommendations to improve LWD’s oversight and monitoring, which the agency has committed to implement.