



DEPARTMENT OF LABOR AND INDUSTRY

REPORT ON AUDIT

FOR THE PERIOD

JULY 1, 2012 THROUGH JANUARY 31, 2016

Auditor of Public Accounts

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AUDIT SUMMARY

Our audit of the Department of Labor and Industry (Labor and Industry) for the period July 1, 2012, through January 31, 2016, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and Labor and Industry's financial system;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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AGENCY HIGHLIGHTS

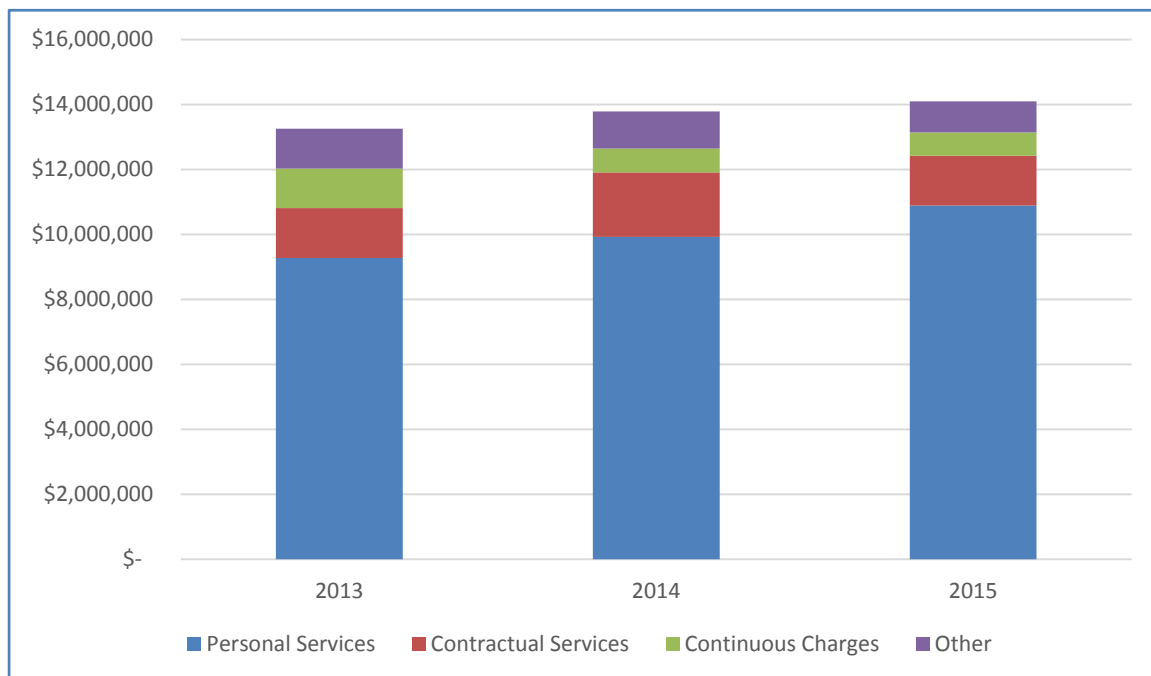
Labor and Industry's mission is to make Virginia a better place to work, live, and conduct business by promoting safe and healthy workplaces, protecting children from hazardous employment, developing job training opportunities through registered apprenticeship, supporting best employment practices, and assuring safe operation of boilers and pressure vessels.

Labor and Industry receives approximately 55 percent of its funding from General Fund appropriations, approximately 37 percent from federal grants, and the remainder from fines and fees collected through agency programs. Fee revenues come from various fees, which include asbestos project permit fees, lead project permit fees, and registration fees for workshops.

Chart 1 below summarizes Labor and Industry's operating expenses for fiscal years 2013, 2014 and 2015. Personal services account for the majority of Labor and Industry's expenses. The remaining significant areas of expenses are for contractual services and continuous charges. Contractual services are primarily payments for information technology services and travel/training expenses. Continuous charges include rent for headquarters and regional offices that administer agency programs.

Operating Expenses – Fiscal Years 2013-2015

Chart 1





Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 16, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Department of Labor and Industry** for the period July 1, 2012, through January 31, 2016. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System and Labor and Industry's financial system, review the adequacy of the Labor and Industry's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

Labor and Industry's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Federal grant revenues and expenses
Contractual services expenses
Payroll expenses
Small purchase charge card
Information System Security

We performed audit tests to determine whether Labor and Industry's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of Labor and Industry's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that Labor and Industry properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and Labor and Industry's financial system. Labor and Industry records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on May 31, 2016.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JDE/alh

AGENCY OFFICIALS

C. Ray Davenport
Commissioner

Nancy M. Sanders
Director of Administrative and Financial Services