

**DEPARTMENT OF LABOR AND INDUSTRY
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



AUDIT SUMMARY

Our audit of the Department of Labor and Industry for the year ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control that we consider material weaknesses; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

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March 21, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Labor and Industry** for the year ended June 30, 2000. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Appropriations
Expenditures
Revenues

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department'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 and regulations.

The Department'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 and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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 to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

EXIT CONFERENCE

We discussed this report with management at an exit conference held on April 18, 2001.

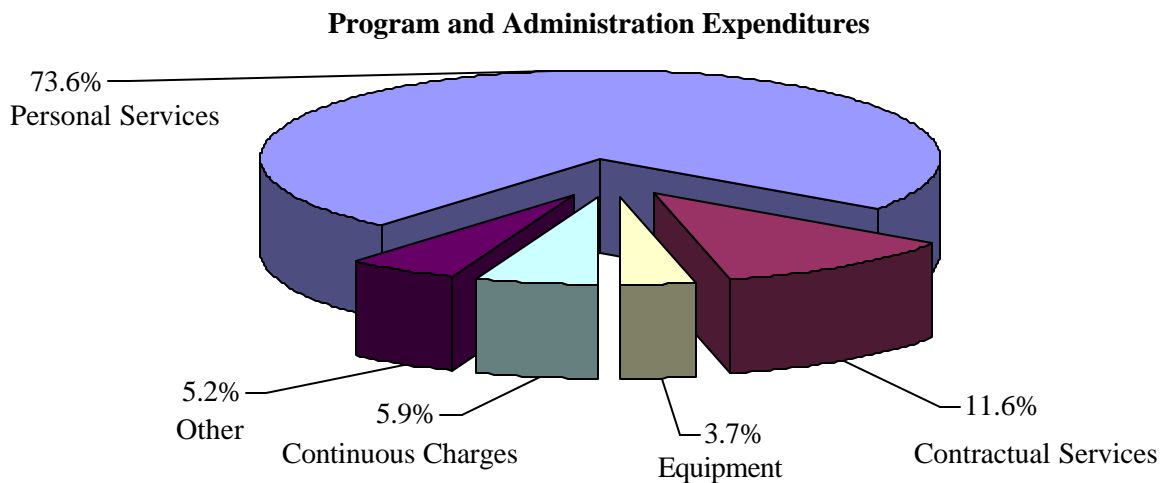
AUDITOR OF PUBLIC ACCOUNTS

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AGENCY HIGHLIGHTS

The Department of Labor and Industry is responsible for administering and enforcing state and federal occupational safety and health laws and state labor laws. The Department also provides job training opportunities and consultation services, and issues licenses and permits for asbestos projects, lead notifications, and boiler certifications. In fiscal year 2000, the Department received \$7.3 million in general fund appropriations; \$3.9 million from federal grants; and \$3.6 from fines and fees collected through agency programs.

During fiscal year 2000, the Department's program and administration expenditures totaled \$12.3 million. The following chart provides a breakdown of expenditures for the fiscal year ending June 30, 2000.



Department Programs

The Department operates two field and five regional offices to administer four major programs. Administration expenses totaled \$4.5, with 37 percent coming from federal funds.

Virginia Occupational Safety and Health (VOSH): This program seeks to ensure safer workplaces for employees through three subprograms. In Fiscal 2000, program expenses totaled \$5.7 million, with 53 percent coming from federal funds.

- *Occupational Safety and Health Compliance* regulates employers through worksite inspections, compliance assistance, and responding to reports of unsafe conditions. This program also issues permits for lead and asbestos removal projects and administers laws affecting discharge of these substances.
- *Occupational Safety and Health Consultation* helps employers to better understand regulations and allows them to make corrections voluntarily, without citations or penalties. Departmental staff also trains employers to identify and correct hazards.

- The *Voluntary Protection Program* exempts large businesses that demonstrate exemplary safety and health programs from periodic inspections.

Boiler and Pressure Vessel Safety: Program personnel certify and oversee private inspections for all industrial boilers and pressure vessels. In Fiscal 2000, program expenses totaled \$445,858 and were 100 percent state-funded.

Labor and Employment Law: Through workplace inspections and investigation of complaints, program personnel work with employers to ensure a person's right-to-work, the payment of wages, and other important rights. The Department also administers state minimum wage and child labor laws. In Fiscal 2000, program expenses totaled \$832,872 and were 100 percent state funded.

Apprenticeship: The Department helps employers expand their workforce through a statewide program that recruits and trains potential employees. Over 3,000 Virginia businesses participate in this program. In Fiscal 2000, program expenses totaled \$693,043 and were 100 percent state funded.

