

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

**REPORT ON AUDIT
FOR THE PERIOD
JULY 1, 2000 THROUGH DECEMBER 31, 2001**



AUDIT SUMMARY

Our audit of the Department of Labor and Industry for the period July 1, 2000 through December 31, 2001, 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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AGENCY OFFICIALS

April 30, 2002

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Kevin G. Miller
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 period July 1, 2000 through December 31, 2001. 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:

Federal
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 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 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 and use 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 May 30, 2002.

AUDITOR OF PUBLIC ACCOUNTS

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AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

The Department of Labor and Industry (the Department) has one central, two field, and five regional offices that administer and enforce 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. The Department receives funding from General Fund appropriations, federal grants, and fines and fees collected through agency programs. The Department's expenses consist primarily of personal services.

The Department administers the following programs:

Virginia Occupational Safety and Health (VOSH): This program seeks to ensure safer workplaces for employees through three programs:

- *Occupational Safety and Health Compliance* ensures that employers comply with Virginia Occupational Safety and Health regulations through worksite inspections, compliance assistance, and response 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 Virginia Occupational Safety and Health 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.

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 labor rights. The Department also administers state minimum wage and child labor laws.

Apprenticeship: The Department helps employers expand their workforce through a statewide program that recruits and trains potential employees. There are 2,300 Virginia businesses participating in this program, which serves over 10,000 apprentices.

Revenues by funding source and expenses by program are included in the following table.

	Fiscal Year Ended <u>June 30, 2001</u>	July 1, 2001 through <u>December 31, 2001</u>
<u>Revenues</u>		
General Fund appropriations	\$ 7,491,890	\$ 7,303,005
Federal grants	3,844,013	1,932,048
Fees and fines	<u>677,403</u>	<u>223,677</u>
Total	<u>\$ 12,013,306</u>	<u>\$ 9,458,730</u>
<u>Expenditures</u>		
Virginia Occupational Safety and Health	\$ 5,482,223	\$ 3,075,674
Boiler and Pressure Vessel Safety	582,348	265,475
Labor and Employment Law	936,912	415,920
Apprenticeship	658,028	355,571
Administrative and Support Services	<u>4,399,668</u>	<u>2,261,179</u>
Total	<u>\$ 12,059,179</u>	<u>\$ 6,373,819</u>

Cash balances carried forward from previous years funded the differences between revenues and expenses. In addition, the Department also collected fees and fines directly deposited to the General Fund of the Commonwealth in the amounts of \$4,077,595 and \$1,733,378 for the year ended June 30, 2001 and the six-month period ended December 31, 2001, respectively.

DEPARTMENT OF LABOR AND INDUSTRY
Richmond, Virginia

C. Ray Davenport, Commissioner

Edward A. Hegamyer, Assistant Commissioner

Nancy M. Sanders, Finance Director

