

**DEPARTMENT OF EMPLOYMENT DISPUTE RESOLUTION**

**REPORT ON AUDIT  
FOR THREE YEAR PERIOD ENDED  
JUNE 30, 2011**



## **AUDIT SUMMARY**

Our audit of the Department of Employment Dispute Resolution found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting 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.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AGENCY HIGHLIGHTS	1 - 2
INDEPENDENT AUDITOR'S REPORT	3 - 4
AGENCY OFFICIALS	5

### AGENCY HIGHLIGHTS

The Department of Employment Dispute Resolution administers the state employee grievance procedure. In addition, the Department works to prevent and resolve employment-related disputes in state government agencies through its mediation program, a toll-free advice line, and training for employees and managers on the grievance procedure and workplace conflict resolution.

### FINANCIAL HIGHLIGHTS

The following schedule provides information on the original and final operating budget and actual expenses.

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
2011	\$1,078,130	\$1,082,054	\$951,365
2010	\$1,243,104	\$1,108,841	\$1,022,180
2009	\$1,406,610	\$1,470,715	\$1,031,376

The Department receives funding primarily by general funds. It also receives some special revenues, consisting of grievance hearing officer services fees and mediation training fees. The final budgets for fiscal years 2009, 2010, and 2011 were comprised of 75 percent, 73 percent, and 72 percent General Funds, respectively. The decrease in the original budget for fiscal year 2010 is part of the Governor's 2008-2012 Budget Reduction Plan. The increase in the original budget for fiscal year 2009 includes an anticipated increase in special revenue funds for training fees. There was no significant difference between the original and final budgets for fiscal year 2011.

Personal services accounts for most of the Department's expenses. For all three fiscal years, personal services accounted for 86 percent of total expenses.

#### Expenses by Major Object Code

	<u>FY2011</u>	<u>FY2010</u>	<u>FY2009</u>
Personal services	\$820,569	\$ 874,260	\$ 885,028
Contractual services	53,780	86,443	77,044
Continuous charges	69,543	55,350	64,971
Supplies and Materials	5,531	5,968	2,232
Equipment	1,853	95	1,970
Transfer Payments	<u>89</u>	<u>64</u>	<u>131</u>
Total	<u>\$951,365</u>	<u>\$1,022,180</u>	<u>\$1,031,376</u>

### *Subsequent Events*

In December 2011, the Governor submitted the budget for the period 2012 – 2014, which included a provision to abolish the Department of Employment Dispute Resolution and transfer its duties to the Department of Human Resource Management effective July 1, 2012. This action is pending actions taken by the General Assembly on the Governor's recommendation.



# Commonwealth of Virginia

## *Auditor of Public Accounts*

Walter J. Kucharski  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

March 2, 2012

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Department of Employment Dispute Resolution** for the years ended June 30, 2009, June 30, 2010, and June 30, 2011. 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, review the adequacy of the Department's internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

### Audit Scope and Methodology

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.

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.

- Contractual services expenses
- Payroll expenses
- Continuous charges
- Revenues

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. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Department's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that the Department of Employment Dispute Resolution 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 necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations 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 March 1, 2012.

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

LJH/clj

DEPARTMENT OF EMPLOYMENT DISPUTE RESOLUTION

Lisa Hicks-Thomas, Secretary of Administration

Claudia T. Farr, Director