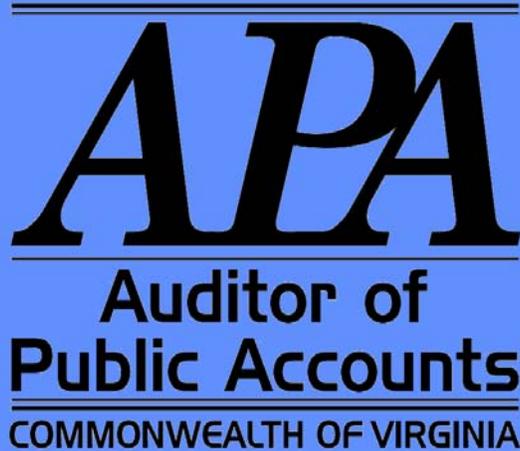


**DEPARTMENT OF LABOR  
AND INDUSTRY**

**REPORT ON AUDIT  
FOR THE THREE-YEAR PERIOD ENDED  
JUNE 30, 2012**



## **AUDIT SUMMARY**

Our audit of the Department of Labor and Industry, 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.

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## AGENCY HIGHLIGHTS

The Department of Labor and Industry's (Department) 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. The following programs assist the Department in achieving their mission:

Virginia Occupational Safety and Health (VOSH) – responsible for enforcing occupational safety and health laws and regulations through the following programs:

- *Occupational Safety and Health Compliance (VOSH Enforcement)* - ensures that employers comply with Virginia's regulations through worksite inspections and citation, compliance assistance, and response to reports of unsafe conditions.
- *Asbestos and Lead Program* – ensures the proper demolition and renovation of asbestos facilities and compliance with the asbestos requirements of the U.S. Environmental Protection Agency.
- *Cooperative Programs* – provides outreach services including Consultation Services, Research and Analysis and Voluntary Protection Programs.

Boiler and Pressure Vessel Safety Program - certifies and oversees private inspections for boilers and pressure vessels in workplaces, apartments, and all other establishments open to the public under the Boiler and Pressure Safety Act. The program also oversees the installation, operation, and repair of these vessels.

Labor and Employment Law Division – enforces the Commonwealth's Child Labor Laws and regulations to protect all minor workers in the state. Additionally, the division works to ensure the rights of all employees and enforces the payment of wage law. The division enforces these laws through a process of investigations and hearings or legal proceedings. The division recently established a Speakers Bureau to serve as a source of information and education concerning the Commonwealth's labor and employment laws.

Registered Apprenticeship Program – provides workers with job training opportunities and helps employers expand their workforce through a combination of on-the-job training and related classroom instruction. The program currently serves over 13,000 apprentices throughout the Commonwealth.

## FINANCIAL INFORMATION

The Department receives funding from General Fund appropriations, federal grants, and fines and fees collected through agency programs. Fee revenues come from various fees paid to the Department, which include asbestos project permit fees, lead project permit fees, and registration fees for workshops. The Department also receives federal revenue from the recovery of the indirect costs associated with agency federal grants from the U.S. Department of Labor.

The following table shows the Department's final budget and actual expenses for fiscal years 2010 through 2012. The Department received total resources of approximately \$13.9 million in fiscal year 2012. The decrease in federal funds from 2011 to 2012 is a result of the elimination of stimulus funding provided to the Department.

Analysis of Budgeted and Actual Expenses  
Fiscal Years Ended June 30, 2010-2012

	<u>2010</u>		<u>2011</u>		<u>2012</u>	
	<u>Budget</u>	<u>Expenses</u>	<u>Budget</u>	<u>Expenses</u>	<u>Budget</u>	<u>Expenses</u>
General Fund	\$ 7,844,702	\$ 7,738,897	\$ 7,739,560	\$ 7,739,425	\$ 7,807,819	\$ 7,673,948
Special Revenue Fund	1,160,781	798,288	1,414,331	752,621	1,160,781	675,748
Federal	<u>5,175,598</u>	<u>4,319,958</u>	<u>5,254,901</u>	<u>4,556,244</u>	<u>4,900,901</u>	<u>4,336,194</u>
Total	<u>\$14,181,081</u>	<u>\$12,857,143</u>	<u>\$14,408,792</u>	<u>\$13,048,290</u>	<u>\$13,869,501</u>	<u>\$12,685,890</u>

Source: Commonwealth Accounting and Reporting System

The table below summarizes the Department's expenses by major object for fiscal years 2010 through 2012. Personnel expenses account for \$9.4 million, or 74 percent of fiscal year 2012 expenses. The majority of the remaining expenses are for contractual services (12 percent) and continuous charges (seven percent). Contractual services are primarily payments to VITA for IT services and travel/training expenses. Continuous charges include rent for headquarters and regional offices that administer agency programs.

Analysis of Actual Expenses by Major Object  
Fiscal Years Ended June 30, 2010-2012

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Continuous Charges	\$ 905,380	\$ 917,036	\$ 941,821
Contractual Services	1,246,007	1,247,909	1,498,451
Equipment	294,916	171,280	167,701
Personal Services	9,745,331	10,004,332	9,351,836
Supplies and Materials	114,165	106,616	139,382
Transfer Payments	<u>551,344</u>	<u>601,117</u>	<u>586,699</u>
Total	<u>\$12,857,143</u>	<u>\$13,048,290</u>	<u>\$12,685,890</u>

Source: Commonwealth Accounting and Reporting System

Currently, the Department has five programs corresponding to its organizational structure and activities. Two programs, Virginia Occupational Safety and Health Services and Administrative and Support Services accounted for approximately 84 percent of the Department's expenses. The majority of the costs (80 percent) related to the Virginia Occupational Safety and Health Services are personnel costs in administering the health and safety programs. The following table details the Department's actual expenses by program.

Analysis of Actual Expenses by Program- Fiscal Year 2012

<u>Program</u>	<u>Expenses</u>	<u>Percent of Total Expenses</u>
Administrative and Support Services	\$ 3,024,130	23.84%
Apprenticeship Program	895,466	7.06%
Boiler and Pressure Vessel Services	412,850	3.25%
Labor Law Services	753,522	5.94%
Virginia Occupational Safety and Health Services	<u>7,599,922</u>	<u>59.91%</u>
Total	<u>\$12,685,890</u>	<u>100%</u>

Source: Commonwealth Accounting and Reporting System



# Commonwealth of Virginia

## Auditor of Public Accounts

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

February 22, 2013

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable John M. O'Bannon, III  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Department of Labor and Industry** for the years ended June 30, 2010, 2011, and 2012. 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, and test compliance with applicable laws, regulations, contracts, and grant agreements.

### Audit Scope and Methodology

The Department of 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, and 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.

- Revenues
- Contractual services expenses
- Payroll expenses
- Small purchase charge card
- Information System Security

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, regulations, contracts, and grant agreements. 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 Labor and Industry 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, 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 March 13, 2013.

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

JMR/alh

DEPARTMENT OF LABOR AND INDUSTRY

Courtney M. Malveaux  
Commissioner

Nancy M. Sanders  
Director of Administrative and Financial Services