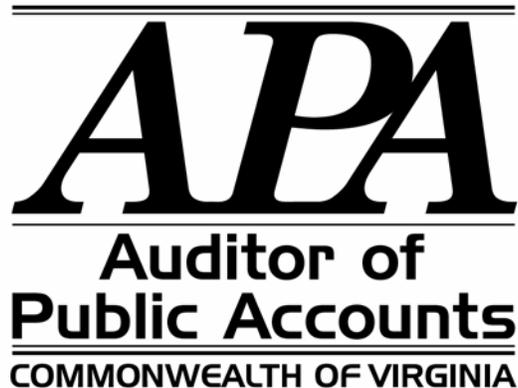


DEPARTMENT OF EMPLOYMENT DISPUTE RESOLUTION

**REPORT ON AUDIT
FOR THE THREE-YEAR PERIOD ENDED
JUNE 30, 2004**



AUDIT SUMMARY

Our audit of the Department of Employment Dispute Resolution for the three-year period ended June 30, 2004, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operation that we consider material weaknesses; and
- no instances of noncompliance or other matters that required reporting.

AGENCY OVERVIEW

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

FINANCIAL HIGHLIGHTS

The table below compares the Department's original and adjusted budgets with actual expenses. Budget reductions resulted in a decrease in actual expenses in fiscal year 2002. The Department collected revenues of approximately \$293,000; \$321,000; and \$274,000 for fiscal years 2002 through 2004, respectively, for grievance hearing fees and training. In fiscal year 2003, an increase in the number of hearings increased revenues. Likewise, because more grievances were exempt from the hearings process and fewer grievances proceeded to the hearings stage, the Department collected less revenue in fiscal year 2004. The Department does not anticipate a reduction in revenues for fiscal year 2005.

Original Budget to Actual Expenses

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>
Fiscal Year 2004:			
General	\$ 855,432	\$ 889,172	\$ 888,642
Special	<u>278,080</u>	<u>280,080</u>	<u>251,475</u>
Total	<u>\$1,133,512</u>	<u>\$1,169,252</u>	<u>\$1,140,117</u>
Fiscal Year 2003:			
General	\$ 891,860	\$ 874,643	\$ 861,113
Special	<u>278,080</u>	<u>278,080</u>	<u>276,282</u>
Total	<u>\$1,169,940</u>	<u>\$1,152,723</u>	<u>\$1,137,395</u>
Fiscal Year 2002:			
General	\$1,136,237	\$1,004,779	\$ 992,198
Special	<u>471,174</u>	<u>471,174</u>	<u>215,212</u>
Total	<u>\$1,607,411</u>	<u>\$1,475,953</u>	<u>\$1,207,410</u>

Personal services accounts for most of the Department's expenses. For fiscal year 2004, personal services and continuous charges accounted for 85 percent and ten percent of total expenses, respectively.

Expenses by Type

	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>
Personal services	\$ 968,794	\$ 944,265	\$1,013,713
Continuous charges, including rent and insurance	109,191	107,835	97,543
Contractual services	50,484	53,277	76,105
Supplies and materials	6,099	8,369	13,081
Equipment	3,050	20,421	5,555
Transfer payments	<u>2,499</u>	<u>3,228</u>	<u>1,413</u>
Total	<u>\$1,140,117</u>	<u>\$1,137,395</u>	<u>\$1,207,410</u>



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

May 13, 2005

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

The Honorable Lacey E. Putney
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 Employment Dispute Resolution** for the three-year period ended June 30, 2004. We conducted our audit in accordance with the standards for performance audits set forth in 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, regulations, and contracts.

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, regulations, and contracts. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

- Expenditures
- Revenues
- Payroll

We gained an understanding of the overall internal controls, both automated and manual, 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.

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, regulations and contracts. 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 or other matters 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 on May 23, 2005.

AUDITOR OF PUBLIC ACCOUNTS

JP/kva