



STATE OF NORTH CAROLINA

FISCAL CONTROL AUDIT REPORT ON

DEPARTMENT OF LABOR

RALEIGH, NORTH CAROLINA

FOR THE PERIOD JULY 1, 2002 THROUGH JANUARY 31, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

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THE HONORABLE CHERIE K. BERRY
COMMISSIONER OF LABOR



Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
The Honorable Cherie K. Berry, Commissioner
North Carolina Department of Labor

This report presents the results of our fiscal control audit of the Department of Labor for the period July 1, 2002 through January 31, 2003. Our work was performed by authority of Article 5A of Chapter 147 of the General Statutes and was conducted in accordance with the standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The objective of the audit was to gather and evaluate evidence about selected internal control policies and procedures designed to ensure reliable financial accounting and reporting and compliance with finance-related laws, regulations, and contract provisions.

The results of our tests disclosed no significant weaknesses in internal control or significant instances of noncompliance or abuse which require disclosure under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in black ink that reads 'Ralph Campbell, Jr.'.

Ralph Campbell, Jr.
State Auditor

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BACKGROUND INFORMATION

The law charges the North Carolina Department of Labor (DOL), under the direction of the Commissioner of Labor, with the responsibility of promoting the “health, safety and general well being” of the working population of the State. The General Statutes provide the Commissioner with broad regulatory and enforcement powers to implement that objective.

The State constitution provides for the statewide election of a Labor Commissioner every four years. The Commissioner heads the Department of Labor and serves as a member of the Council of State. The Commissioner duties are administering inspection services for securing the safety of boilers, elevators, amusement rides, mines and quarries, and addressing wage and hour issues pertaining to maximum work hours and minimum wage laws.

The N.C. Department of Labor’s mission is to foster a safe, healthy, fair and productive North Carolina by:

- Providing responsive, effective and efficient services,
- Providing and encouraging quality education and training,
- Administering fairly regulatory mandates, and
- Enhancing public confidence in the Department of Labor

DOL history dates back to 1891, when the General Assembly created the Bureau of Labor Statistics. In a reorganization of labor functions in 1931, the General Assembly laid the groundwork for the Department’s transformation into an agency with laws and programs affecting State citizens. DOL divisions and bureaus carry out its principal regulatory, enforcement and informational programs.

The Department of Labor serves the workplace. Its programs, as well as the information it makes available, help industry managers, small business owners, manufacturing employees and all those who work in North Carolina perform their work safely.

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OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS

OBJECTIVES

As authorized by Article 5A of Chapter 147 of the General Statutes and in accordance with the standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we have conducted a fiscal control audit at the North Carolina Department of Labor. The objective of the audit was to gather and evaluate evidence about selected internal control policies and procedures designed to ensure reliable financial accounting and reporting and compliance with finance-related laws, regulations, and contract provisions for the period July 1, 2002 through January 31, 2003.

Management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that relevant objectives are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

SCOPE

Our audit scope only included Departmental operations and activities for the Boiler Safety Bureau, Elevator and the Amusement Device Bureau, the Mine and Quarry Bureau and the Wage and Hour Bureau. Additional information is as follows:

Boiler Safety Bureau

The Boiler Safety Bureau enforces the Uniform Boiler and Pressure Vessel Act of North Carolina. This law, which became effective in 1976, expanded coverage of statutes that had existed since 1935. The Bureau regulates the construction, installation, repair, alteration, inspection, use and operation of vessels subject to the law, and conducts periodic inspections of vessels under its jurisdiction and monitors inspection reports by certified insurance company inspectors.

The Boiler Safety Bureau maintains records concerning the ownership, location and condition of boilers and pressure vessels being operated, and issues operating certificates to boiler owners and operators whose equipment is found to be in compliance with the Act. More than 90,000 boilers and pressure vessels are currently on record with the Bureau.

OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONTINUED)

Elevator and Amusement Device Bureau

The Elevator and Amusement Device Bureau oversees, except in federal buildings, the installation and safe operation of all elevators, escalators, workman's hoists, dumbwaiters, moving walks, aerial passenger tramways, amusement rides, incline railways and lifting devices for persons with disabilities.

The Bureau conducts regular, periodic inspections of all ride-operating equipment in the State and provides technical assistance. The Bureau also will review, for architects and builders, plans for proposed elevators and related equipment.

Mine and Quarry Bureau

The Mine and Quarry Bureau conducts inspections, education and training, and technical assistance on the operation of mines and quarries. The Bureau helps operators to train their employees in safe working procedures. About 450 private-sector mines, quarries, and sand and gravel pit operations that employ more than 4,850 citizens fall under the Bureau's jurisdiction.

The Bureau also inspects abandoned surface mines for the protection of the general public, promotes rockbound safety, and conducts an explosives safety course for anyone handling or using explosives.

Wage and Hour Bureau

The Wage and Hour Bureau enforces laws that cover minimum wage, maximum hours, wage payment and child labor.

Wage payment provisions, which include the payment of promised vacation, sick pay or other benefits, cover all employees except those in Federal, State and local government. The Bureau investigates worker complaints and collects back wages owed to employees.

The Bureau also licenses and regulates private personnel and job listing services. Companies that charge their clients must obtain a license from the Department.

Youth employment certificates are required for workers under 18 years of age and are available from all county social service agencies and from some school systems. This age group is prohibited from employment in certain hazardous occupations.

The Bureau also monitors procedures used to test employees and job applicants for drug use.

OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONTINUED)

The specific internal control categories audited are:

General Accounting

Control Environment - The control environment consists of the actions, policies, and procedures that reflect the overall attitude of top management about control and its importance to the entity. The control environment sets the tone of the organization, influencing the control consciousness of its employees. Our audit of the control environment was limited to the Boiler Safety Bureau, Elevator and Amusement Device Bureau, Mine and Quarry Bureau and Wage and Hour Bureau.

Financial Accounting and Reporting

Revenue Cycle - An entity's revenue cycle generally consists of the activities associated with the receipt of cash and billing for amounts due from other parties. Financial statement accounts typically impacted by the cycle include cash and inspection fees. Our audit of this cycle was limited to inspections fees collected by the Boiler Safety Bureau and Elevator and Amusement Device Bureau.

Expenditure Cycle - An entity's expenditure cycle generally consists of the activities associated with disbursing cash for items other than payroll costs. Financial statement accounts typically impacted by this cycle include cash and purchased services. Our audit was limited to the purchased services expenditure account for the Boiler Safety Bureau, Elevator and Amusement Device Bureau, Mine and Quarry Bureau and Wage and Hour Bureau.

Payroll Cycle - An entity's payroll cycle generally consists of the activities associated with paying for human resources. Financial statement accounts typically impacted by this cycle include cash, salaries, fringe benefits, and payroll taxes. Our audit was limited to the personal services expenditure account for the Boiler Safety Bureau, Elevator and Amusement Device Bureau, Mine and Quarry Bureau and Wage and Hour Bureau.

Finance-related Compliance

Deposit of Receipts - Laws, regulations, and/or contracts commonly require entities to deposit moneys coming into their control as soon as possible in order to safeguard assets and to enhance the cash management and investment program. For example, receipts over a specified amount may be required to be deposited on a daily basis. Our audit was limited to inspections fees collected by the Boiler Safety Bureau and Elevator and Amusement Device Bureau.

OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONCLUDED)

Procurement - Laws, regulations, and/or contracts commonly prescribe purchasing procedures for certain types of transactions and specified dollar thresholds. For example, an entity may be required to solicit written bids for purchases over a specified amount. Our audit was limited to the purchased services expenditure account for the Boiler Safety Bureau, Elevator and Amusement Device Bureau, Mine and Quarry Bureau and Wage and Hour Bureau.

Travel - Laws, regulations, and/or contracts commonly set reimbursement requirements and limits on amounts paid for travel, transportation, subsistence, and related activities. For example, employees may be required to submit hotel receipts with requests for reimbursement, and the amount paid may be subject to a maximum amount. Our audit was limited to the purchased services expenditure account for the Boiler Safety Bureau, Elevator and Amusement Device Bureau, Mine and Quarry Bureau and Wage and Hour Bureau.

Payroll and Personnel - Laws, regulations, and/or contracts commonly prescribe procedures for human resource activities. For example, entities may be required to document the justification for hiring decisions and perform background checks prior to employing a new staff. Our audit was limited to the personal services expenditure account for the Boiler Safety Bureau, Elevator and Amusement Device Bureau, Mine and Quarry Bureau and Wage and Hour Bureau.

METHODOLOGY

To accomplish our audit objective, we gained an understanding of internal control, performed tests of control effectiveness, and performed corroborating direct tests of the accounting records, reports, and compliance, as we considered necessary in the circumstances. Specifically, we performed procedures such as interviewing personnel, observing operations, reviewing policies, analyzing accounting records, and examining documentation supporting recorded transactions and balances. Our procedures were more limited than would be necessary to give an opinion on internal control, and accordingly, we do not express such an opinion.

RESULTS

The results of our tests disclosed no significant weaknesses in internal control or significant instances of noncompliance or abuse which require disclosure under *Government Auditing Standards*.

The purpose of this report is to provide management and oversight organizations recommendations needed to improve internal control over financial accounting and reporting and compliance with finance-related laws, regulations, and contract provisions. Consequently, reporting on accomplishments in areas that appear to be functioning properly is beyond the scope of this audit.

DISTRIBUTION OF AUDIT REPORT

In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
The Honorable Cherie K. Berry	Commissioner, North Carolina Department of Labor

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June 6, 2003

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