

**U.S. DEPARTMENT OF LABOR
OFFICE OF INSPECTOR GENERAL**

**Audit of the State of Nevada
Grant Number E4R9002525**

U.S. Department of Labor
Office of Inspector General
Report No. 09-00-004-06-601
Date: September 11, 2000

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ACRONYMS

| | |
|------|---------------------------------------|
| CFR | Code of Federal Regulations |
| DOL | U.S. Department of Labor |
| FY | Fiscal Year |
| MSHA | Mine Safety and Health Administration |
| OMB | Office of Management and Budget |
| OIG | Office of Inspector General |

EXECUTIVE SUMMARY

The U.S. Department of Labor (DOL), Office of Inspector General (OIG), performed a financial, compliance and program results audit of Grant Number E4R9002525 awarded to the State of Nevada. The audit covered Fiscal Year (FY) 1999 (October 1, 1998 through September 30, 1999) as reported to the Mine Safety and Health Administration (MSHA) on the *Financial Status Report* (Exhibit A).

Financial and Compliance Results

Our audit disclosed that the *Financial Status Report* was fairly presented and the State of Nevada materially complied with rules and regulations that would have a direct effect on the *Financial Status Report*.

Program Results

We found that the State did not accurately report program results to MSHA. The State overstated the total number of people trained by 10 percent. However, even with the corrected numbers, the State exceeded their performance goals for the year.

We recommend that the Assistant Secretary for Mine Safety and Health direct the State to:

- Submit revised program reports to accurately reflect program results and the achievement of grant goals.
- Improve its system of developing and reporting program data.

State of Nevada's Comments

On August 29, 2000, the State of Nevada provided written comments on the draft report. The comments are included in their entirety in Appendix A.

Overall, the State agreed with the finding and recommendations presented in the draft report. The State's response stated that it was transmitting revised program reports to accurately reflect program results and the achievement of grant goals. In addition, the State indicated that it was modifying its system of developing and reporting program data on an ongoing basis.

OIG Evaluation of State of Nevada's Comments

We concur with the State's comments and voluntary corrective actions. No further action is necessary. These two recommendations are resolved and closed.

INTRODUCTION

Background

Congress enacted the Federal Mine Safety and Health Act of 1977 to establish interim mandatory health and safety standards to protect the health and safety of the nation's miners.

Mine safety and health programs are authorized under Section 503 of the Federal Mine Safety and Health Amendments Act of 1977, as amended. The Secretary of Labor, in coordination with the Secretary of Health, Education, and Welfare, and the Secretary of the Interior is authorized to make grants to any State in which coal or other mining takes place to provide assistance to the States in the development and enforcement of effective State coal or other mine health and safety programs.

On November 9, 1998, MSHA awarded a grant to the State of Nevada for \$154,980 covering Fiscal Year (FY) 1999. The State agreed to provide matching funds of \$38,745 resulting in a total project amount of \$193,725. The grant's purpose was to provide continued support of the project entitled "Provide Assistance to Nevada Mine Operations and Workers through Consultation and Training."

The grant's goals for FY 1999 included training 2,439 employed metal and nonmetal miners, 401 contract miners, and 70 other persons requesting training, for a total of 2,910 planned trainees.

Principal Criteria

- Federal Mine and Safety and Health Act of 1977, Public Law 91-173, as amended by Public Law 95-164, Section 503.
- 29 Code of Federal Regulations (CFR), Part 97: Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.
- 30 CFR, Part 48: Training and Retraining of Miners.
- Office of Management and Budget (OMB) Circular A-87: Cost Principles for State, Local and Indian Tribal Governments.

OBJECTIVES, SCOPE AND METHODOLOGY

The Office of Inspector General conducted a financial, compliance and program results audit of Grant Number E4R9002525 awarded to the State of Nevada. The audit covered FY 1999 (October 1, 1998, through September 30, 1999). Our audit was performed in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Our audit included such tests of the accounting records and program reports and other auditing procedures we considered necessary in the circumstances.

Financial and Compliance Audit

The primary objective of our financial audit was to express an opinion on the costs reported on the closeout Financial Status Report. We obtained an understanding of the State's internal controls and tested its compliance with laws and regulations that could have a material effect on the *Financial Status Report*.

Program Results Audit

The primary objective of our program results audit was to determine whether the State achieved the grant goals and accurately reported program results to MSHA.

We obtained copies of the FY 1999 Mid-Year Technical Progress Report and End-Year Technical Accomplishment Report. We reviewed the State's supporting documentation for the program reports and recalculated the number of persons trained as reported in the various report categories. We compared the recalculated program results to the grant's goals.

Entrance/Exit Conferences

We held our entrance conference with the State's Administrator of the Department of Business and Industry and other staff on May 30, 2000. We conducted our field work between May 30 and July 6, 2000. We held our exit conference on August 4, 2000.

Mr. J. Davitt McAteer
Assistant Secretary
for Mine Safety and Health
Mine Safety and Health Administration
4015 Wilson Boulevard
Arlington, Virginia 22203

ASSISTANT INSPECTOR GENERAL'S REPORT
ON THE FINANCIAL STATUS REPORT

We have audited the accompanying *Financial Status Report* for the year ended September 30, 1999 (Exhibit A). This statement is the responsibility of the State's management. Our responsibility is to express an opinion on the *Financial Status Report*.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the costs claimed in the *Financial Status Report* are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the costs claimed. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the costs reported. We believe our audit provides a reasonable basis for our opinion.

Opinion on Financial Statement

In our opinion, the State's *Financial Status Report* presents fairly in all material respects the financial results of Grant Number E4R9002525 for the period October 1, 1998, through September 30, 1999, in accordance with the grant agreement, MSHA regulations and OMB Circular A-87.

Report on Internal Controls

In planning and performing our audit of the costs claimed, we considered the State's internal controls to determine our auditing procedures for the purpose of expressing our opinion on the costs reported and not to provide assurances on internal controls. Our consideration of internal controls would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more 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 in relation to the *Financial Status Report* being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

However, we noted no matters involving the internal controls over the financial reporting and its operation that we consider to be material weaknesses, as defined above.

Report on Compliance with Laws and Regulations

Compliance with laws and regulations applicable to this grant, as well as to the provisions of the grant agreement itself, is the responsibility of the State's management. As part of obtaining reasonable assurance about whether the costs claimed are free of material misstatements, we performed tests of the State's compliance with certain provisions of laws, regulations, and contracts/grants, noncompliance with which could have a direct and material effect on the *Financial Status Report*. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance.

Program Results

We found that the program results provided to MSHA were not accurate. The State overstated the total number of people trained by 10 percent. Even with the corrected numbers, however, the State exceeded its performance goals for the year. The Finding and Recommendations section of this report discusses the details of this finding.

* * * *

This report is intended solely for the information and use of the State and MSHA and is not intended to be, and should not be, used by anyone other than these specified parties.

John J. Getek
Assistant Inspector General
for Audit

July 6, 2000

FINDING AND RECOMMENDATIONS

Inaccurate Program Reporting

The State did not accurately report program results to MSHA on the Mid-Year Technical Progress Report and End-Year Technical Accomplishment Report. State officials told us that this occurred because MSHA changed its reporting requirements after the State's database used to accumulate the training information was programmed.

To report program performance, the State records attendance for each class on a Record of Training form. The State then enters information from the source Record of Training forms into a computerized database. The State uses the database to prepare the program reports required by MSHA.

Federal regulations at 29 CFR § 97.40 require grantees to submit performance reports which compare actual accomplishments to the objectives established for the reporting period. MSHA provided reporting instructions to the State in a memorandum dated April 29, 1999, for the Mid-Year Technical Progress Report, and in a memorandum dated September 13, 1999, for the End-Year Technical Accomplishment Report. These instructions implicitly require the performance reports to reflect accurate results.

However, the State did not accurately count the number of persons trained for either the Mid-Year Technical Progress Report or the End-Year Technical Accomplishment Report in total or by category. For example, the State did not separately count other persons trained despite MSHA's reporting instructions. The following table shows the reported numbers and the numbers according to our audit.

| Report Period | Miners Trained | |
|--------------------------|---------------------|--------------|
| | Per State | Per Audit |
| Mid-Year Report | 934 | 858 |
| End-Year Report | 1,605 | 1,445 |
| Total Miners | 2,539 | 2,303 |
| | Contractors Trained | |
| Mid-Year Report | 569 | 404 |
| End-Year Report | 663 | 407 |
| Total Contractors | 1,232 | 811 |
| | Others Trained | |
| Mid-Year Report | 0 | 181 |
| End-Year Report | 0 | 134 |
| Total Others | 0 | 315 |
| GRAND TOTALS | 3,771 | 3,429 |

As the table shows, the State reported a total of 3,771 persons trained. Our audit tests showed a total of 3,429 persons trained. The State overstated its accomplishments but it actually achieved 118 percent of its performance goals versus the reported 130 percent.

Recommendations

We recommend that the Assistant Secretary for Mine Safety and Health direct the State to:

- Submit revised program reports to accurately reflect program results and the achievement of grant goals.
- Improve its system of developing and reporting program data.

State of Nevada's Comments

On August 29, 2000, the State of Nevada provided written comments on the draft report. The comments are included in their entirety in Appendix A.

Overall, the State agreed with the finding and recommendations presented in the draft report. The State's response stated it was transmitting revised program reports to accurately reflect program results and the achievement of grant goals. In addition, the State indicated that it was modifying its system of developing and reporting program data on an ongoing basis.

OIG Evaluation of State of Nevada's Comments

We concur with the State's comments and voluntary corrective actions. No further action is necessary. These two recommendations are resolved and closed.

State of Nevada
Statement of Audited Costs (Financial Status Report)
Fiscal Year Ended September 30, 1999
Grant Number E4R9002525

| Transactions | Costs Reported |
|---|------------------------|
| Federal Share of Outlays | \$154,980 |
| Recipient Share of Outlays | \$ 38,745 |
| Total Outlays | \$193,725 |
| Total Unliquidated Obligations | \$ 3,840 ¹ |
| Recipient Share of Unliquidated Obligations | 0 |
| Federal Share of Unliquidated Obligations | \$ 3,840 |
| Total Federal Share | \$158,820 |
| Total Federal Funds Authorized For This Funding Period | \$158,820 ¹ |
| Unobligated Balance of Federal Funds | 0 |

¹ Includes \$3,840.00 for the development of a virtual reality haulage program. The State had previously been granted an extension to liquidate this obligation through FY 99. The State has requested an additional extension to liquidate this obligation.

APPENDIX A
State of Nevada Comments on Draft Report