

# LEGISLATIVE AUDIT

## **Enabling Laws**

Act 2024 of 2005

A.C.A. §10-3-401 et seq.

A.C.A. §10-4-401 et seq.

## **History and Organization**

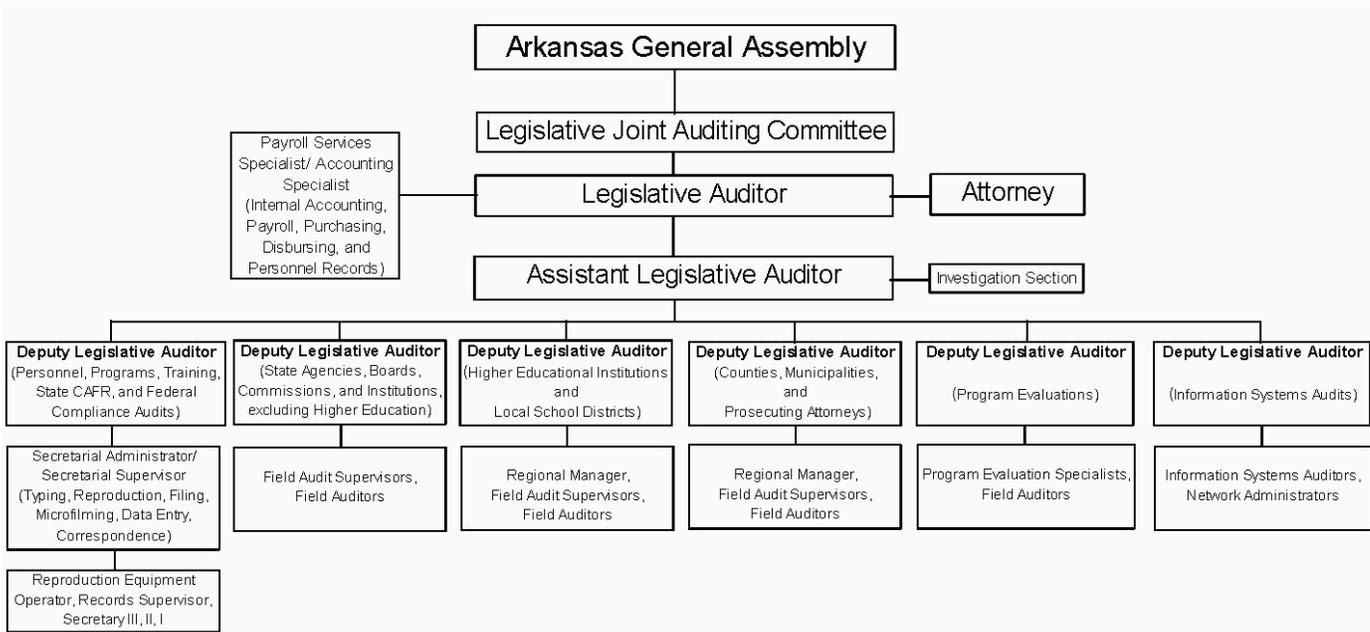
The Legislative Joint Auditing Committee and the Division of Legislative Audit were created by Acts 41 and 268 of 1953. These acts were subsequently repealed, and the Committee and Division recreated under Act 105 of 1955. Act 2201 of 2005 amended certain provisions of A.C.A. §10-3-400 et seq. regarding the Legislative Joint Auditing Committee, repealed A.C.A. §10-4-101 et seq., and established revised enabling legislation for the Division of Legislative Audit at A.C.A. §10-4-401 et seq.

The Legislative Joint Auditing Committee consists of up to forty-four (44) voting members: twenty (20) from the House of Representatives, sixteen (16) from the Senate, and eight (8) Ex Officio members.

The Division of Legislative Audit strives to serve the citizens of Arkansas by encouraging sound management, continuous improved performance, and accountability for all governmental entities. The Division serves the General Assembly as the proper agency to provide for the impartial auditing, independent of the executive branch of state government, of various entities of the state and political subdivisions of the state. The Division provides information that improves public accountability and assists in decision-making processes by those who oversee public funds. Our goal is to effectively and efficiently communicate audit and review results to both government officials and the citizens of Arkansas, thereby promoting accountability, fiscal integrity, and professionalism.

As prescribed by the American Institute of Certified Public Accountants, the Governmental Accounting Standards Board, the United States Government Accountability Office and other authoritative bodies, our audits and reviews provide independent, impartial and timely reporting of Arkansas' various governmental fiscal and financial activities.

Under the direction of the Legislative Joint Auditing Committee and the Legislative Auditor, the staff of the Division of Legislative Audit conducts all engagements in a nonpartisan, unbiased manner. We establish an objective basis for our findings, conclusions, and recommendations, derived solely from reliable evidence. To provide this basis, we strictly adhere to the standards of the auditing profession, striving to exhibit the highest level of ethics, integrity, independence, objectivity and professionalism.



## Agency Commentary

The Legislative Joint Auditing Committee, through the Division of Legislative Audit, is responsible for the independent auditing of state entities and political subdivisions of the state. The Division performs the audit of the state's financial statements (Comprehensive Annual Financial Report) and the state's federal single audit. In addition, the Division provides information to the members of the General Assembly through performance audits and special reports of interest. The Division's Information Systems Audit Section audits the computer systems of the respective governmental entities in coordination with the financial and performance audits. All work is performed in accordance with applicable professional standards.

Funding for the operations of the Division consists of a combination of sources, including the State Central Services Fund (HSC), ad valorem tax distribution, reimbursements from agencies for the costs of performing the federal compliance audit, and reimbursements for the costs of investigative reports and services. The Division is appropriated 256 positions in Fiscal Year 2007.

The Division's payroll budget request includes a 5.0% cost-of-living adjustment (COLA) in each year of the 2008-2009 biennium for its employees. The Division also requests appropriation and funding for the following:

- An increase of \$500 in the salary differential in each year of the biennium for employees certified as CPAs. This would increase the differential from \$2,500 in fiscal year 2007 to \$3,000 in fiscal year 2008 and \$3,500 in fiscal year 2009. The Division encourages its employees to pursue passing the CPA examination and only interviews for auditing positions those applicants who possess the educational requirements to sit for the CPA examination.
- Reclassification of 19 positions to more accurately describe and reflect the duties and responsibilities of the respective positions.
- Upgrade of 1 position from Grade 23 to Grade 24 and 2 positions from Grade 17 to 18.

- Provision for 6 contingent Field Auditor I positions, with appropriate funding, for audits of Arkansas' charter schools or other public entities, as authorized by the Legislative Joint Auditing Committee.

The Division's non-payroll budget reflects projected cost increases due to inflation; an increase in operating lease costs; and replacement of capitalized equipment, non-capitalized equipment and computer software that have become obsolete or inoperable. Much of the equipment scheduled for replacement is computer-related equipment. The non-payroll budget request includes Capital Outlays of \$345,000 and \$260,000 for the Fiscal Years 2008 and 2009, respectively. The Division also requests an additional \$600,000 in appropriation for professional fees for each year of the biennium to contract for professional services of CPA firms for audits in which the Division is not independent, and for the services of specialists, such as actuaries, as needed for the completion of audits, program evaluations, or special reports.

## **Audit Findings**

DIVISION OF LEGISLATIVE AUDIT  
 AUDIT OF :  
 DIVISION OF LEGISLATIVE AUDIT  
 FOR THE YEAR ENDED JUNE 30, 2005

Findings	Recommendations
The Division of Legislative Audit does not perform an audit for the Agency.	

## **Employment Summary**

	Male	Female	Total	%
White Employees	126	110	236	98 %
Black Employees	1	3	4	2 %
Other Racial Minorities	2	0	2	0 %
Total Minorities			6	2 %
Total Employees			242	100 %

## Publications

### A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
Audit Reports	A.C.A. §10-4-403	N	Y	1,000	All our publications are audit reports and related matters required by law. Number of copies published and distributed varies between fiscal years. Engagement reports contain multiple copies issued.

## Department Appropriation Summary

Appropriation	Historical Data						Agency Request and Executive Recommendation							
	2005-2006		2006-2007		2006-2007		2007-2008				2008-2009			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
095 Legislative Audit - Operations	22,175,344	249	25,087,511	256	25,327,323	256	29,306,779	262	0	0	30,773,409	262	0	0
<b>NOT REQUESTED FOR THE BIENNIUM</b>														
1UD Legislative Audit - CAFR	0	0	250,000	0	600,000	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>22,175,344</b>	<b>249</b>	<b>25,337,511</b>	<b>256</b>	<b>25,927,323</b>	<b>256</b>	<b>29,306,779</b>	<b>262</b>	<b>0</b>	<b>0</b>	<b>30,773,409</b>	<b>262</b>	<b>0</b>	<b>0</b>

Funding Sources		%		%		%		%		%		%
General Revenue 4000010	0	0.0	250,000	1.0	0	0.0	0	0.0	0	0.0	0	0.0
State Central Services 4000035	9,619,000	43.4	13,787,511	54.4	18,006,779	61.4	0	0.0	19,473,409	63.3	0	0.0
Ad Valorem Tax 4000060	11,142,676	50.2	10,500,000	41.4	10,500,000	35.8	0	0.0	10,500,000	34.1	0	0.0
Federal audit reimbursement 4000242	1,413,668	6.4	800,000	3.2	800,000	2.8	0	0.0	800,000	2.6	0	0.0
<b>Total Funds</b>	<b>22,175,344</b>	<b>100.0</b>	<b>25,337,511</b>	<b>100.0</b>	<b>29,306,779</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>30,773,409</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
Excess Appropriation/(Funding)	0		0		0		0		0		0	
<b>Grand Total</b>	<b>22,175,344</b>		<b>25,337,511</b>		<b>29,306,779</b>		<b>0</b>		<b>30,773,409</b>		<b>0</b>	

No Executive Recommendation made on Appropriation 095.

**Agency Position Usage Report**

FY2004-2005						FY2005-2006						FY2006-2007					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
248	239	8	247	1	3.63%	256	243	10	253	3	5.08%	256	242	14	256	0	5.47%

## Appropriation Summary

**Appropriation:** 095 Legislative Audit - Operations  
**Funding Sources:** HSC - State Central Services

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	15,989,027	17,957,466	18,197,278	18,849,417	19,597,122	0	19,568,590	20,672,274	0
<b>#Positions</b>	<b>249</b>	<b>256</b>	<b>256</b>	<b>256</b>	<b>262</b>	<b>0</b>	<b>256</b>	<b>262</b>	<b>0</b>
Personal Services Matching 5010003	3,892,840	4,377,004	4,377,004	4,886,793	5,063,457	0	5,031,289	5,280,135	0
Operating Expenses 5020002	1,835,601	1,821,891	1,821,891	1,821,891	2,924,600	0	1,821,891	3,152,800	0
Conference & Travel Expenses 5050009	197,044	238,450	238,450	238,450	283,900	0	238,450	315,500	0
Professional Fees 5060010	49,642	417,700	417,700	417,700	1,017,700	0	417,700	1,017,700	0
Data Processing 5090012	0	75,000	75,000	75,000	75,000	0	75,000	75,000	0
Capital Outlay 5120011	211,190	200,000	200,000	0	345,000	0	0	260,000	0
<b>Total</b>	<b>22,175,344</b>	<b>25,087,511</b>	<b>25,327,323</b>	<b>26,289,251</b>	<b>29,306,779</b>	<b>0</b>	<b>27,152,920</b>	<b>30,773,409</b>	<b>0</b>
<b>Funding Sources</b>									
State Central Services 4000035	9,619,000	13,787,511		14,989,251	18,006,779	0	15,852,920	19,473,409	0
Ad Valorem Tax 4000060	11,142,676	10,500,000		10,500,000	10,500,000	0	10,500,000	10,500,000	0
Federal audit reimbursement 4000242	1,413,668	800,000		800,000	800,000	0	800,000	800,000	0
<b>Total Funding</b>	<b>22,175,344</b>	<b>25,087,511</b>		<b>26,289,251</b>	<b>29,306,779</b>	<b>0</b>	<b>27,152,920</b>	<b>30,773,409</b>	<b>0</b>
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>22,175,344</b>	<b>25,087,511</b>		<b>26,289,251</b>	<b>29,306,779</b>	<b>0</b>	<b>27,152,920</b>	<b>30,773,409</b>	<b>0</b>

FY06 Authorized Appropriation was \$2,167,689 for Operating Expenses and \$250,000 for Capital Outlay.

## Change Level by Appropriation

**Appropriation:** 095-Legislative Audit - Operations

**Funding Sources:** HSC - State Central Services

### Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>26,289,251</b>	<b>256</b>	<b>26,289,251</b>	<b>100.0</b>	<b>27,152,920</b>	<b>256</b>	<b>27,152,920</b>	<b>100.0</b>
C01	Existing Program	3,031,189	6	29,320,440	111.5	3,596,887	6	30,749,807	113.2
C03	Discontinue Program	(153,513)	0	29,166,927	110.9	(165,809)	0	30,583,998	112.6
C10	Reclass	110,187	0	29,277,114	111.3	137,541	0	30,721,539	113.1
C11	Upgrade/Downgrade	13,906	0	29,291,020	111.4	20,621	0	30,742,160	113.2
C14	Title Change	0	0	29,291,020	111.4	0	0	30,742,160	113.2
C15	Ex Salary Increase	15,759	0	29,306,779	111.4	31,249	0	30,773,409	113.3

**Appropriation Summary**

**Appropriation:** 1UD Legislative Audit - CAFR  
**Funding Sources:** HUA - Miscellaneous Agencies Fund

**Historical Data**

**Agency Request and Executive Recommendation**

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
CAFR 5900046	0	250,000	600,000	0	0	0	0	0	0
Total	0	250,000	600,000	0	0	0	0	0	0
<b>Funding Sources</b>									
General Revenue 4000010	0	250,000		0	0	0	0	0	0
Total Funding	0	250,000		0	0	0	0	0	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	250,000		0	0	0	0	0	0

THIS APPROPRIATION IS NOT REQUESTED FOR THE NEW BIENNIUM.