

ARKANSAS TOBACCO SETTLEMENT COMMISSION

Enabling Laws

Act 101 of 2014
A.C.A. §19-12-117

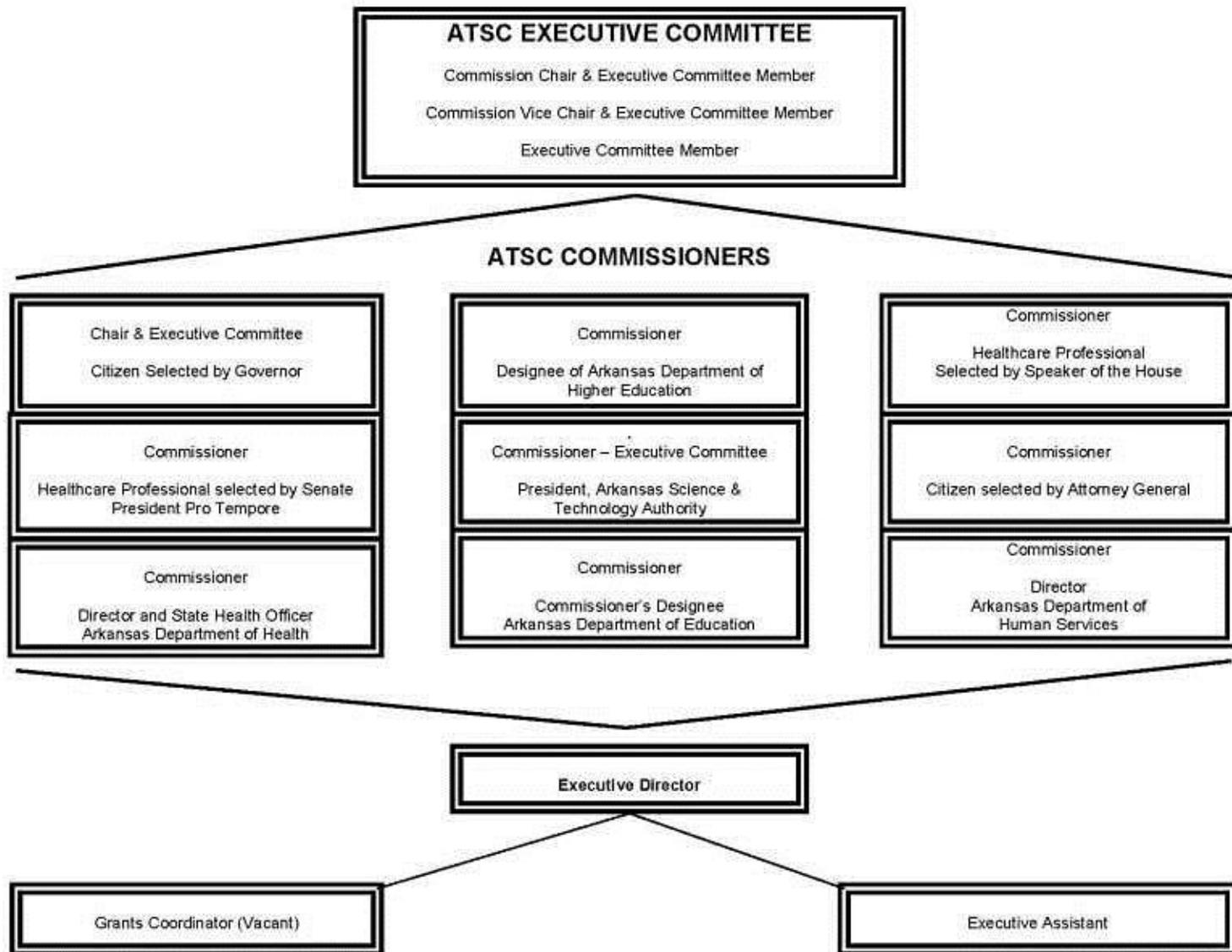
History and Organization

In accordance with Section 17 of the Tobacco Settlement Proceeds Act of 2000, the Arkansas Tobacco Settlement Commission (ATSC) was established October 30, 2001. The purpose of the Commission is to monitor and evaluate programs established in Sections 13, 14, 15, and 16 of the Tobacco Proceeds Act. The Commission shall consist of 9 members that include two citizens (appointed by the Governor, and Attorney General), two healthcare professionals (appointed by the Speaker of the House and the President Pro Tempore of the Senate), and five state agency and division directors of the following agencies: Arkansas Department of Education, Arkansas Science and Technology Authority, Arkansas Department of Higher Education, the Arkansas Department of Health, and the Department of Human Services.

In accordance with Section 18 of the Act, The Commission was established to monitor and evaluate the program activities and expenditures from the program accounts of the Tobacco Settlement. The Tobacco Settlement Program Accounts are as follows:

- Tobacco Prevention and Cessation Programs (§13)
- Fay W. Boozman College of Public Health (§14-c)
- Delta Area Health Education Center (§14-d)
- Arkansas Aging Initiative (§14-e)
- Minority Health Initiative (§14-f)
- Arkansas Biosciences Institute (§15)
- Medicaid Expansion Program (§16)

The Commission is directed to report the progress of these programs to the Governor and General Assembly preceding a legislative session for future appropriation decisions. The Commission is also authorized to administer grants, if the funds exceed the amount necessary to conduct the above-mentioned activities, to non-profit and community-based organizations.



Agency Commentary

The Arkansas Tobacco Settlement Proceeds Act of 2000 established funds and accounts for the deposit, investment and management of the State of Arkansas' portion of the Master Settlement Agreement (MSA) with tobacco manufacturers. The Arkansas Tobacco Commission (ATSC) was created pursuant to Section 17 of the Act to monitor and evaluate expenditures made from the program accounts. Those program accounts are the Prevention and Cessation Program Account, the Targeted State Needs Program Account, the Arkansas Biosciences Institute Program and Medicaid Expansion Program Account.

The Commission is funded from the investment earnings of the Tobacco Settlement Program Fund and Program Accounts, which are deposited as trust funds in the Arkansas Tobacco Settlement Commission Fund. The Commission is authorized to hire an independent third party to monitor and evaluate progress in the programs and prepare a biennial report for the General Assembly and Governor by each August preceding a regular session of the General Assembly. As funding permits, the Commission is also authorized to make grants in amounts not to exceed \$50,000 to non-profit and community-based organizations.

The Commission is requesting an increase in Operating Expenses each year in the amount of \$550 to cover the 3% increase in rent to ABA.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS TOBACCO SETTLEMENT COMMISSION
FOR THE YEAR ENDED JUNE 30, 2013

Findings

In accordance with Ark. Code Ann. § 19-4-702, agencies are allowed to pay carryover obligations up to 45 days after the end of the fiscal year, but the carryover obligations "shall be charged against appropriations and fund cash balances of the fiscal year in which the obligations were incurred." R1-19-4-702 of the Department of Finance and Administration (DFA) Financial Management Guide requires prior-year obligations paid in the first 45 days of the current year to be identified and recorded as accounts payable for the prior year. This is generally achieved by adding a preceding "Y" reference to the vendor's invoice number in the reference field.

It was noted that the Agency made \$57,650 in payments in fiscal year 2012 for expenses incurred in fiscal year 2011, \$160,514 in payments in fiscal year 2013 for

Recommendations

Comply with state laws and regulations pertaining to the proper recognition and payment of accounts payable.

Agency Response:

While I cannot speak to what occurred in our agency before I was hired as the director (Re: \$57,650.00 in FY12 for expenses incurred in FY11), this practice by our previous employee became obvious to me shortly after I assumed my duties in July 2012. I implemented graduated employee discipline as per OPM standards and put into place a number of measures designed to prevent this violation from occurring. I sought additional training for the employee (which she completed under protest). In June of 2013, the subject (now former) employee failed to pay two invoices that I had signed

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 ARKANSAS TOBACCO SETTLEMENT COMMISSION
 FOR THE YEAR ENDED JUNE 30, 2013

Findings

expenses incurred in fiscal year 2012, and \$18,155 in payments in fiscal year 2014 for expenses incurred in fiscal year 2013. The payments were not recorded as "Y" vouchers, and the appropriate journal entries were not made to record accounts payable at the end of the year.

Recommendations

off on for the Purchase Orders and was again reprimanded when it was found that the payments were not made until August and then, without the 'Y' voucher designation.

I am chagrined at the shortcomings that have come to light in this audit and offer the reassurance that Tobacco Settlement Commission through the auditor's recommendations and review of the DFA Financial Management Guide will be vigilant of and in performance of these and other sound agency fiscal practices.

All of the above explanations revolve around one former employee who finally resigned in November 2013 because she felt she was being 'questioned too much.' These are difficult examples of how important good support personnel are in a State Agency but they are also lessons for growth for both our Commission and me, as its director.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2014

None

Employment Summary

	Male	Female	Total	%
White Employees	0	1	1	50 %
Black Employees	0	1	1	50 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			1	50 %
Total Employees			2	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
ATSC Biennial Report	A.C.A. §19-12-117	Y	Y	200	Required by law	0	0.00
ATSC Quarterly Report	Special Language	N	Y	75	Required to keep Public Health Welfare & Labor informed of Tobacco Program activities.	0	0.00

Agency Position Usage Report

FY2012 - 2013						FY2013 - 2014						FY2014 - 2015					
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	
3	2	1	3	0	33.33 %	3	2	1	3	0	33.33 %	3	2	0	2	1	33.33 %

Analysis of Budget Request

Appropriation: 468 - Operations

Funding Sources: TSC - Tobacco Settlement Commission

The Tobacco Settlement Proceeds Act (Initiated Act 1 of 2000) established funds and accounts for the deposit, investment and management of the State of Arkansas' portion of the Master Settlement Agreement with certain tobacco manufacturers. The Arkansas Tobacco Settlement Commission (ATSC) was created pursuant to Section 17 of this act to monitor and evaluate expenditures made from the four program accounts. Those program accounts are the Prevention and Cessation Program Account, the Targeted State Needs Program Account, the Arkansas Biosciences Institute Program Account and the Medicaid Expansion Program Account.

The Commission is funded from the investment earnings of the Tobacco Settlement Program Fund and Program Accounts, which are deposited as trust funds into the Arkansas Tobacco Settlement Commission Fund. The Commission is authorized to hire an independent third-party to monitor and evaluate program account expenditures and prepare a biennial report for the General Assembly and Governor by each August 1 preceding a regular session of the General Assembly. As funding permits, the Commission is also authorized to make grants in amounts not to exceed \$50,000 to non-profit and community-based organizations.

Base Level Regular Salaries and Personal Services Matching include continuation of the previously authorized 2015 1% Cost of Living Adjustment and Career Service Payments for eligible employees. Personal Services Matching also includes a \$10 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for Merit Pay Increases.

The Base Level request is \$2,400,474 each year of the biennium.

The Agency's Change Level request provides for an increase in Operating Expenses of \$550 each year of the biennium for a 3% increase in rent.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 468 - Operations
Funding Sources: TSC - Tobacco Settlement Commission

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2015-2016			2016-2017		
		2013-2014 Actual	2014-2015 Budget	2014-2015 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	91,718	94,077	113,589	95,017	95,017	95,017	95,017	95,017	95,017
#Positions		2	2	3	2	2	2	2	2	2
Personal Services Matching	5010003	35,416	30,923	39,693	31,432	31,432	31,432	31,432	31,432	31,432
Operating Expenses	5020002	38,347	84,025	84,025	84,025	84,575	84,575	84,025	84,575	84,575
Conference & Travel Expenses	5050009	649	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Professional Fees	5060010	290,841	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	0	1,187,000	1,187,000	1,187,000	1,187,000	1,187,000	1,187,000	1,187,000	1,187,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		456,971	2,399,025	2,427,307	2,400,474	2,401,024	2,401,024	2,400,474	2,401,024	2,401,024
Funding Sources										
Fund Balance	4000005	4,049,014	3,923,903		1,732,128	1,732,128	1,732,128	0	0	0
Transfer from Tobacco Settlmnt	4000590	331,860	207,250		284,000	284,000	284,000	272,500	272,500	272,500
Total Funding		4,380,874	4,131,153		2,016,128	2,016,128	2,016,128	272,500	272,500	272,500
Excess Appropriation/(Funding)		(3,923,903)	(1,732,128)		384,346	384,896	384,896	2,127,974	2,128,524	2,128,524
Grand Total		456,971	2,399,025		2,400,474	2,401,024	2,401,024	2,400,474	2,401,024	2,401,024

Expenditure of appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: 468 - Operations
Funding Sources: TSC - Tobacco Settlement Commission

Agency Request

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
BL	Base Level	2,400,474	2	2,400,474	100.0	2,400,474	2	2,400,474	100.0
C01	Existing Program	550	0	2,401,024	100.0	550	0	2,401,024	100.0

Executive Recommendation

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
BL	Base Level	2,400,474	2	2,400,474	100.0	2,400,474	2	2,400,474	100.0
C01	Existing Program	550	0	2,401,024	100.0	550	0	2,401,024	100.0

Justification

C01	\$550 reflects an increase in Operating Expenses due to the statewide 3% increase in rent to ABA.
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