

LEGISLATIVE AUDIT

Enabling Laws

Act 958 of 2003

Arkansas Code Annotated 10-3-401 et seq.

Arkansas Code Annotated 10-4-101 et seq.

History and Organization

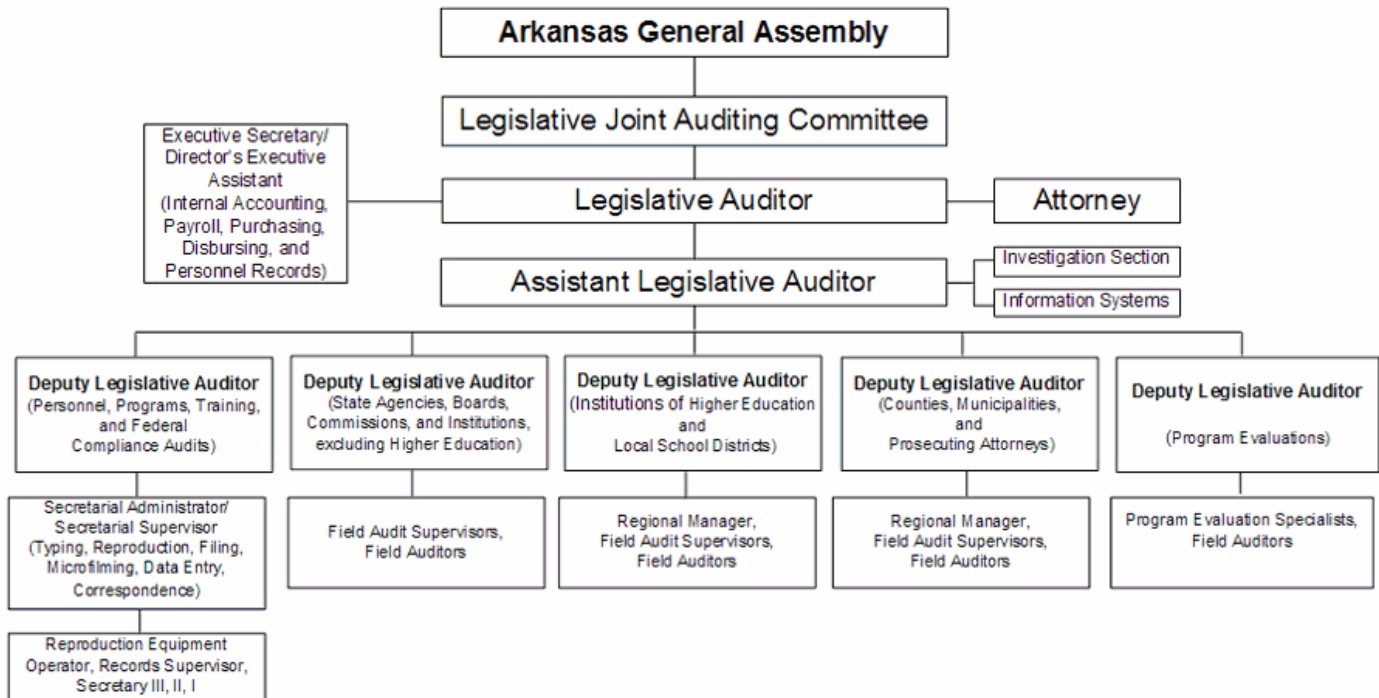
The mission of the Legislative Joint Auditing Committee and the Division of Legislative Audit is to improve the accountability of public funds and the fiscal and financial operations of the various governmental entities entrusted with such funds. We provide independent, nonpartisan and timely assessments of the various governmental entities' fiscal and financial activities in compliance with appropriate professional standards prescribed by the American Institute of Certified Public Accountants, the Governmental Accounting Standards Board, the United States General Accounting Office, and other authoritative bodies. Our strict adherence to the professional standards of the auditing profession assures a quality work product and greatly facilitates the accomplishment of our mission and benefits the citizens of the State of Arkansas. We continually strive to promote an atmosphere of mutual trust, honesty, and integrity among Division of Legislative Audit staff and the people we are privileged to serve.

The Legislative Joint Auditing Committee and the Division of Legislative Audit were created by Act 41 of 1953 and Act 268 of 1953. These acts were subsequently repealed, and the Committee and Division recreated under Act 105 of 1955. The Legislative Joint Auditing Committee consists of up to forty-four (44) voting members: twenty (20) from the House of Representatives and sixteen (16) from the Senate, and eight (8) Ex Officio members. The Legislative Joint Auditing Committee, through its functional staff, the Legislative Auditor and the Division of Legislative Audit, is to provide for the impartial auditing, independently of the executive branch of State government, of each office, department, institution, board, commission and agency of the State Government. Subsequently, Act 286 of 1969 transferred the Division of Local Affairs and Audit to the Division of Legislative Audit, which increased audit responsibilities to include audits of county and township officers, school districts, and cities and incorporated towns.

The Division of Legislative Audit continually strives to be a valuable resource to the Committee and the General Assembly in its fiscal oversight responsibilities. In addition to staffing the Legislative Joint Auditing Committee and its several Subcommittees, the Division of Legislative Audit is requested from time to time to provide staff and/or technical assistance to other Committees of the Legislature, and to provide technical assistance to various State Boards, Commissions, and/or State Agencies and Institutions, and to various units of local government. This function contributes materially to the continued improvement of financial records and practices, which leads to the more efficient expenditure of public funds in keeping with the legislative intent of expenditure authorizations. Additionally, the Division of Legislative Audit audits compliance with Federal statutes and regulations relative to the expenditure of Federal funds. The Division has also implemented a program evaluation function to provide performance audits and special reports of interest to members of the

General Assembly.

The Division is authorized 248 positions.



Agency Commentary

The Legislative Joint Auditing Committee, through the Division of Legislative Audit, is responsible for the independent auditing of each agency of State Government and of county and township officers, school districts and cities and incorporated towns. The Division also provides performance audits and special reports of interest to members of the General Assembly. Additionally, the Division assists a CPA firm in the audit of the State's financial statements (CAFR), with plans to perform this audit in the near future. The Division also performs the Statewide federal compliance audit. 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 and reimbursement from agencies for the costs of performing the federal compliance audit. Funding for the Division's portion of the cost for contracting for the CAFR audit is provided from the Miscellaneous Agencies Fund (HUA). The Division is appropriated 248 positions in Fiscal Year 2005.

The Division's payroll budget request includes a 2.7% cost-of-living adjustment in each year of the biennium for its employees. The Division requests appropriation and funding for the following:

- An increase in the salary differential for employees certified as CPAs from \$1600.00 in Fiscal Year 2005 to \$3000.00 in Fiscal Year 2006 and to \$4000.00 in Fiscal Year 2007. The Division encourages its employees to pass the CPA examination and only interviews for auditing

positions those applicants who possess the educational requirements to sit for the CPA examination. The projected payroll cost for this change in the Division's pay plan for 155 CPAs in Fiscal Year 2006 would be \$210,000.00, and in Fiscal Year 2007 the cost would be \$147,040.00 for 160 CPAs.

- An increase in the salary differential to \$5,000.00 between Field Auditor II, Field Auditor III, and Field Auditor IV and equivalent positions in Fiscal Year 2006. Over the years the salary differential has become compressed to less than \$2700.00 between each of these positions, which is an inadequate difference for the increased responsibilities of the higher level positions. The cost to provide the \$5,000.00 salary differential for 91 positions would be \$310,506.00 in Fiscal Year 2006.
- Six new positions in Fiscal Year 2006 and three new positions in Fiscal Year 2007 to address the increased workloads in the Performance Audit Section for auditing performance measures and for an increase in the number of performance audits, in the Information Systems Audit Section for performing audits of computer systems, and in the State Agencies Audit Section for the audit of the State's CAFR.
- Reclassification of seventeen position classifications to more accurately describe the duties of the respective positions.
- Deletion of one position in Fiscal Year 2006 that is no longer needed.

The Division's non-payroll budget is essentially base level with additions for an increase in normal business travel and for replacement of capitalized and non-capitalized equipment and computer software that has become obsolete or inoperable. Most of the equipment scheduled for replacement is computer-related equipment. Included in this budget is \$250,000.00 in Fiscal Year 2006 and \$200,000.00 in Fiscal Year 2007 requested for Capital Outlay, which are decreases from the \$600,000.00 appropriated in each year of the current biennium.

The Division requests appropriation and funding in the amount of \$600,000.00 for each year of the biennium for contracting with a CPA firm to assist in the audit of the State's financial statements. We anticipate that the Division will become the primary auditor in Fiscal Year 2006, with the CPA firm providing necessary assistance.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DIVISION OF LEGISLATIVE AUDIT
FOR THE YEAR ENDED JUNE 30, 2003

Findings

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

Recommendations

Employment Summary

	Male	Female	Total	%
White Employees	133	104	237	98 %
Black Employees	1	2	3	2 %
Other Racial Minorities	1	0	1	0 %
Total Minorities			4	2 %
Total Employees			241	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 & Biennial Reports	A.C.A 10-4-110	N	N	0	All our publications are audit reports and related matters required by law.

Department Appropriation / Program Summary

Appropriation / Program	Historical Data						Agency Request and Executive Recommendation							
	2003-2004		2004-2005		2004-2005		2005-2006				2006-2007			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
095 Leg Audit Oprs	19,711,963	245	22,686,140	247	22,645,206	248	24,957,562	253	0	0	25,598,373	256	0	0
1UD Leg Audit-CAFR	600,000	0	455,379	0	500,000	0	600,000	0	0	0	600,000	0	0	0
NOT REQUESTED FOR THE BIENNIUM														
105 So Leg Conference	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	20,311,963	245	23,141,519	247	23,145,206	248	25,557,562	253	0	0	26,198,373	256	0	0

Funding Sources		%		%		%		%		%		%	
General Revenue 4000010	454,536	2.2	455,379	2.0		600,000	2.3	0	0.0	600,000	2.3	0	0.0
State Central Services 4000035	7,320,407	36.0	11,036,140	47.7		11,051,140	43.2	0	0.0	11,578,292	44.2	0	0.0
Ad Valorem Tax 4000060	11,058,584	54.4	11,000,000	47.5		13,106,422	51.3	0	0.0	13,220,081	50.5	0	0.0
Federal audit reimbursement 4000242	1,478,436	7.4	650,000	2.8		800,000	3.2	0	0.0	800,000	3.0	0	0.0
Transfer from St Central Svcs 4000575	0	0.0	0	0.0		0	0.0	0	0.0	0	0.0	0	0.0
Total Funds	20,311,963	100.0	23,141,519	100.0		25,557,562	100.0	0	0.0	26,198,373	100.0	0	0.0
Excess Appropriation/(Funding)	0		0			0		0		0		0	
Grand Total	20,311,963		23,141,519			25,557,562		0		26,198,373		0	

No Executive Recommendation made on Appropriation 095. The Executive Recommendation for Legislative Audit - CAFR provides \$500,000 in appropriation and general revenue funding each year of the biennium.

Appropriation / Program Summary

Appropriation / Program: 095 Leg Audit Oprs
Funding Sources: HSC - State Central Services

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	14,858,542	15,964,649	15,980,580	16,435,533	17,544,607	0	16,880,682	18,395,546	0
#Positions	245	247	248	247	253	0	247	256	0
Personal Services Matching 5010003	3,246,221	3,722,260	3,665,395	4,016,376	4,266,316	0	4,098,379	4,449,786	0
Operating Expenses 5020002	1,282,721	1,683,231	1,683,231	1,683,231	2,167,689	0	1,683,231	1,821,891	0
Travel-Conference Fees 5050009	181,549	223,300	223,300	223,300	236,250	0	223,300	238,450	0
Professional Fees and Services 5060010	36,600	417,700	417,700	417,700	417,700	0	417,700	417,700	0
Data Processing 5090012	400	75,000	75,000	75,000	75,000	0	75,000	75,000	0
Capital Outlay 5120011	105,930	600,000	600,000	0	250,000	0	0	200,000	0
Total	19,711,963	22,686,140	22,645,206	22,851,140	24,957,562	0	23,378,292	25,598,373	0
Funding Sources									
State Central Services 4000035	7,320,407	11,036,140		11,051,140	11,051,140	0	11,578,292	11,578,292	0
Ad Valorem Tax 4000060	11,058,584	11,000,000		11,000,000	13,106,422	0	11,000,000	13,220,081	0
Federal audit reimbursement 4000242	1,478,436	650,000		800,000	800,000	0	800,000	800,000	0
Transfer from St Central Srvs 4000575	(145,464)	0		0	0	0	0	0	0
Total Funding	19,711,963	22,686,140		22,851,140	24,957,562	0	23,378,292	25,598,373	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	19,711,963	22,686,140		22,851,140	24,957,562	0	23,378,292	25,598,373	0

FY05 Budget exceeds Authorized for Personal Services Matching due to pay plan adjustments made during the 2003-05 biennium.

Change Level by Appropriation

Appropriation / Program: 095-Leg Audit Oprs
Funding Sources: HSC - State Central Services

Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	22,851,140	247	22,851,140	100.0	23,378,292	247	23,378,292	100.0
C01	Existing Program	1,709,744	6	24,560,884	107.4	1,883,581	9	25,261,873	108.0
C03	Discontinue Program	(183,249)	(1)	24,377,635	106.6	(233,849)	(1)	25,028,024	107.0
C06	Restored Position	50,295	1	24,427,930	106.9	51,688	1	25,079,712	107.2
C10	Reclass	62,666	0	24,490,596	107.1	66,193	0	25,145,905	107.5
C11	Upgrade/Downgrade	406,070	0	24,896,666	108.9	345,446	0	25,491,351	109.0
C15	Ex Salary Increase	60,896	0	24,957,562	109.2	107,022	0	25,598,373	109.5

Analysis of Budget Request

Appropriation / Program: 1UD - Leg Audit-CAFR

Funding Sources: HUA - Miscellaneous Agencies Fund

The State of Arkansas' Comprehensive Annual Financial Report (CAFR AUDIT) was established to offer a complete overview of the State's financial status and provide the national credit markets the information necessary to determine the State's credit worthiness. Special Language authorizes the Division of Legislative Audit to transfer any other appropriations and funds available in the event that the appropriation or funding provided for the audit of the CAFR is inadequate.

The Agency is requesting \$600,000 in appropriation and general revenue funding for each year of the biennium.

The Executive Recommendation allows for \$500,000 in appropriation and funding each year of the biennium.

Appropriation / Program Summary

Appropriation / Program: 1UD Leg Audit-CAFR
Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
CAFR 5900046	600,000	455,379	500,000	455,379	600,000	0	455,379	600,000	0
Total	600,000	455,379	500,000	455,379	600,000	0	455,379	600,000	0
Funding Sources									
General Revenue 4000010	454,536	455,379		455,379	600,000	0	455,379	600,000	0
Transfer from St Central Svcs 4000575	145,464	0		0	0	0	0	0	0
Total Funding	600,000	455,379		455,379	600,000	0	455,379	600,000	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	600,000	455,379		455,379	600,000	0	455,379	600,000	0

The Executive Recommendation for Legislative Audit - CAFR provides \$500,000 in appropriation and general revenue funding each year of the biennium. Special Language provides for carry forward. No carry forward is available.

Change Level by Appropriation

Appropriation / Program: 1UD-Leg Audit-CAFR

Funding Sources: HUA - Miscellaneous Agencies Fund

Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	455,379	0	455,379	100.0	455,379	0	455,379	100.0
C01	Existing Program	144,621	0	600,000	131.7	144,621	0	600,000	131.7

Justification

C01	The Executive Recommendation for Legislative Audit - CAFR provides \$500,000 in appropriation and general revenue funding each year of the biennium.
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Appropriation / Program Summary

Appropriation / Program: 105 So Leg Conference
Funding Sources: HSC - State Central Services

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses 5020002	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0

This appropriation is not requested for the 2005-2007 biennium.