

# Internal Control and Compliance Assessment

## Arkansas Legislative Audit

### Department of Energy and Environment

For the Fiscal Year Ended June 30, 2024



## INTRODUCTION

This report is issued to inform the Legislative Joint Auditing Committee of compliance with state fiscal laws and regulations as well as deficiencies in internal controls for the Department of Energy and Environment. Assessment procedures disclosed no reportable items of noncompliance.

## SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Department of Energy and Environment, a department of Arkansas state government, as of and for the year ended June 30, 2024, and have issued our report dated August 7, 2025. Management of the Agency is responsible for establishing and maintaining internal controls and complying with applicable laws and regulations.

The assessment included cash on deposit, cash receipts, expenditures, liabilities, capital assets, and data entry to the Arkansas Administrative Statewide Information System (AASIS). The assessment consisted principally of inquiries, observations, analytical procedures, and selected tests of internal control policies and procedures, accounting records, and other relevant documents. We relied on financial data in AASIS recorded by the Agency and audit work conducted in the fiscal year 2024 State Annual Comprehensive Financial Report (ACFR) and Single Audit Report.

## RESULTS OF ASSESSMENT

Assessment procedures did not disclose instances of noncompliance considered reportable.

## ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

The Department of Energy and Environment was established as part of the Transformation and Efficiencies Act of 2019 (Act 910) and is led by a Governor-appointed, cabinet-level Secretary. An organizational chart is presented in **Exhibit I on page 2**. The current structure of this cabinet-level entity is three-fold:

1. Division of Energy and Mineral Resources (DEMR) promotes sustainable, orderly, and environmentally-sound development of energy and mineral resources. DEMR is comprised of the following entities:
  - a. Oil and Gas Commission.
  - b. Office of the State Geologist.
  - c. Liquefied Petroleum Gas Board.
  - d. Arkansas Energy Office.
  - e. Office of Mining.
  - f. Emergency Management.

ARKANSAS LEGISLATIVE AUDIT  
500 Woodlane Street, Suite 172, Little Rock, AR 72201  
Phone: 501-683-8600 Fax: 501-683-8605  
[www.arklegaudit.gov](http://www.arklegaudit.gov)

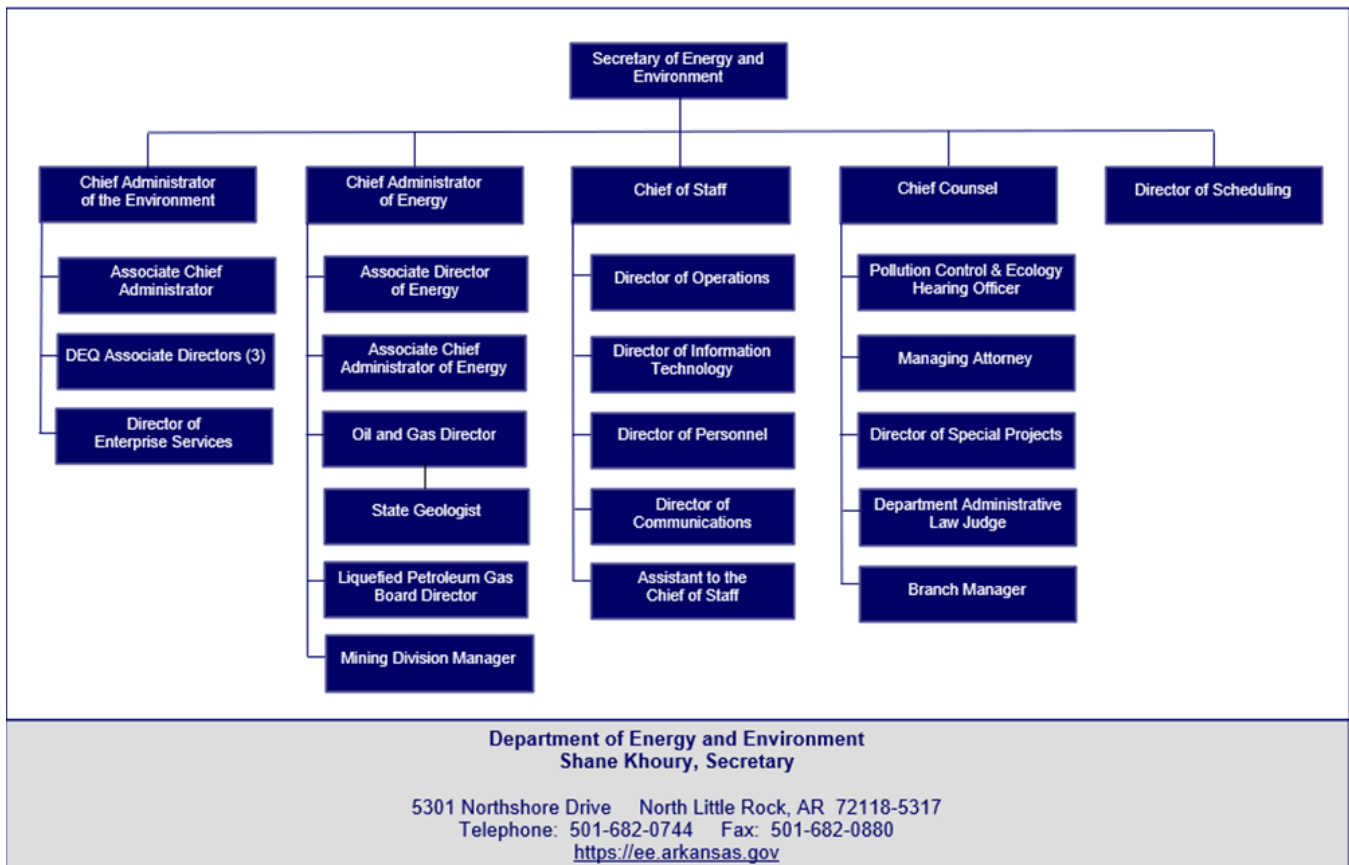
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2. Division of Environmental Quality (DEQ) advances the quality of the environment and economy through the protection of air, land, and water resources. DEQ is comprised of the following entities:
  - a. Office of Air Quality.
  - b. Office of Land Resources.
  - c. Office of Water Quality.
  - d. Enterprise Services.
  
3. Pollution Control and Ecology Commission (PC&EC) promulgates rules and provides adjudicatory review of certain administrative actions, as authorized by the Arkansas Water and Air Pollution Control Act. The Commission is comprised of seven members. Four members are appointed by the Governor and represent each of the four congressional districts in the State. The other three members are the Secretary of the Department of Health, the Secretary of the Department of Agriculture, and the Director of the Arkansas Game and Fish Commission, or their designee.

**Exhibit I**  
**Department of Energy and Environment**  
**Organizational Chart**



Source: Arkansas Department of Energy and Environment

## FISCAL ANALYSIS

In accordance with Act 910 of 2019, several agencies were consolidated to form the cabinet-level Department of Energy and Environment, effective July 1, 2019. Summary financial information for each business area of the Department is presented in **Exhibit II**.

**Exhibit II**  
**Department of Energy and Environment**  
**Summary of Financial Information by Business Area**  
**For the Year Ended June 30, 2024**

Board/Commission/Division	Assets and Deferred Outflows	Liabilities	Revenues	Expenditures	Net Transfers In/(Out)
Liquefied Petroleum Gas Board	\$ 3,165,819	\$ 177,479	\$ 451,349	\$ 574,897	\$ 31,552
Oil and Gas Commission	47,497,216	737,227	7,733,379	7,393,486	(425,908)
Division of Environmental Quality	167,678,979	79,744,599	99,143,139	103,104,531	(82,899)
Secretarial Office of Energy and Environment	154,056	3,207,958		5,212,159	5,084,193
<b>Totals</b>	<b>\$ 218,496,070</b>	<b>\$ 83,867,263</b>	<b>\$ 107,327,867</b>	<b>\$ 116,285,073</b>	<b>\$ 4,606,938</b>

*Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)*

### Revenues, Expenditures, and Transfers

Revenues totaled \$107.3 million for the fiscal year ended June 30, 2024. Federal grants and reimbursements of \$51.6 million represent the largest revenue source.

Expenditures totaled \$116.3 million for the fiscal year ended June 30, 2024. Assistance, grants, and aids totaling \$58.2 million were the Department's largest expenditures. **Schedule 1 on page 6** provides the distribution of assistance, grants, and aids by grant program recipients. Salaries totaled \$31.7 million.

Net transfers in totaled \$4.6 million for the fiscal year ended June 30, 2024, and consisted primarily of general revenues. General revenues totaled \$4.2 million in fiscal year 2024.

Revenues, expenditures, and net transfers for fiscal year 2020 through 2024 are presented in **Exhibit III on page 4**.

### Assets, Liabilities, and Deferred Outflows of Resources

As shown in **Exhibit IV on page 5**, assets totaled \$216.6 million as of June 30, 2024, and were primarily comprised of cash and cash equivalents. Of the cash and cash equivalents, cash in State Treasury totaled \$58.5 million, and certificates of deposit totaled \$98.7 million. Assets held to pay specific liabilities include the Petroleum Storage Tank Trust (\$45.2 million) and the Hazardous Substance Remedial Action Trust and the Landfill Post-Closure Trust (with a combined balance of \$29.4 million).

Deferred outflows of resources totaled \$1.9 million as of June 30, 2024, and are related to debt refunding for the 2022 ADEQ Headquarters Conversion.

Liabilities totaled \$83.9 million as of June 30, 2024, and included the following:

**Exhibit III**  
**Department of Energy and Environment**  
**Revenues, Expenditures, and Transfers**  
**For the Years Ended June 30, 2020 through 2024**

	Fiscal Year				
	2024	2023	2022	2021	2020
<b>Revenues</b>					
Federal grants and reimbursements	\$ 51,603,970	\$ 75,627,928	\$ 72,771,882	\$ 50,472,332	\$ 40,679,196
Environmental fees and permits	45,586,183	42,609,826	42,799,698	40,463,637	41,552,685
Other income	10,137,714	6,631,297	173,608	3,632,424	3,311,722
<b>Total Revenues</b>	<b>\$ 107,327,867</b>	<b>\$ 124,869,051</b>	<b>\$ 115,745,188</b>	<b>\$ 94,568,393</b>	<b>\$ 85,543,603</b>
<b>Expenditures</b>					
Salaries	\$ 31,696,027	\$ 31,663,098	\$ 30,484,765	\$ 29,345,190	\$ 28,753,662
Assistance, grants, and aids	58,161,298	71,884,224	67,164,069	48,403,579	38,507,390
Refunds, taxes, and claims	14,256,960	10,914,866	15,542,090	16,899,923	7,516,632
Other expenses	12,170,788	14,370,989	9,882,547	8,659,966	11,363,896
<b>Total Expenditures</b>	<b>\$ 116,285,073</b>	<b>\$ 128,833,177</b>	<b>\$ 123,073,471</b>	<b>\$ 103,308,658</b>	<b>\$ 86,141,580</b>
<b>Net Transfers In (Out)</b>	<b>\$ 4,606,938</b>	<b>\$ 6,554,736</b>	<b>\$ 6,554,799</b>	<b>\$ 5,527,667</b>	<b>\$ 10,724,421</b>

*Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)*

- Claims payable of \$25.3 million (30% of total liabilities) are obligations of the Petroleum Storage Tank Trust, established to provide expense reimbursement to owners and operators of qualified petroleum storage tanks and compensation to third parties for damages caused by accidental releases from qualified petroleum storage tanks. This obligation is comprised of claims incurred but not reported (an estimate using a five-year average of claims expenditures) and payables (known and estimated) for active projects.
- Pollution remediation obligations of \$26.6 million (32% of total liabilities) are to be paid from the Hazardous Substance Remedial Action Trust and/or the Landfill Post-Closure Trust.
- A capital lease, which is recorded as an installment sales agreement payable, of \$14.2 million (17% of total liabilities) represents long-term debt associated with the 2022 ADEQ Headquarters Conversion Refunding Bonds that were issued to refund the 2021 ADEQ Headquarters Refunding Bonds, which refunded the 2012 ADEQ Refunding Bonds that had originally been issued for the construction of the Department headquarters in North Little Rock.

**Assistance, Grants, and Aids Programs**

**Schedule 1 on page 6** illustrates the distribution of assistance, grants, and aids by grant program to recipients. Accrual entries are not considered for this schedule. The primary grant programs are described below:

**Exhibit IV**  
**Department of Energy and Environment**  
**Assets, Liabilities, and Deferred Outflows of Resources**  
**For the Years Ended June 30, 2020 through 2024**

	Fiscal Year				
	2024	2023	2022	2021	2020
<b>Assets</b>					
Cash and cash equivalents	\$ 159,777,059	\$ 159,956,006	\$ 153,507,386	\$ 146,383,163	\$ 143,538,809
Receivables, net	9,123,399	11,562,518	3,181,309	4,072,605	2,961,690
Fixed and leased assets	47,185,276	46,316,220	45,068,512	48,076,927	47,596,071
Other assets	497,040	292,367	372,687	611,178	474,461
<b>Total Assets</b>	<b>\$ 216,582,774</b>	<b>\$ 218,127,111</b>	<b>\$ 202,129,894</b>	<b>\$ 199,143,873</b>	<b>\$ 194,571,031</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 1,913,296</b>	<b>\$ 2,029,842</b>	<b>\$ 2,146,388</b>	<b>\$ 1,076,220</b>	<b>\$ 1,131,647</b>
<b>Liabilities</b>					
Claims payable	\$ 25,293,314	\$ 26,318,217	\$ 23,444,094	\$ 16,657,794	\$ 18,868,574
Pollution remediation obligation	26,558,568	22,262,329	21,348,100	21,405,800	11,940,500
Capital lease/installment sales agreement payable	14,204,345	14,874,826	15,608,372	15,278,333	15,832,083
Other liabilities	17,811,035	18,370,314	9,019,970	8,034,766	7,521,651
<b>Total Liabilities</b>	<b>\$ 83,867,262</b>	<b>\$ 81,825,686</b>	<b>\$ 69,420,536</b>	<b>\$ 61,376,693</b>	<b>\$ 54,162,808</b>

*Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)*

**Low-Income Home Energy Assistance Program (LIHEAP)** provides money to help individuals with energy bills and other energy-related expenses. LIHEAP in Arkansas is operated by a network of 15 community-based organizations that serve+ all 75 counties. Grants are awarded with federal funds from the U.S. Department of Health and Human Services, including funding provided by the Infrastructure Investment and Jobs Act (IIJA).

**American Rescue Plan Act (ARPA)** funds were used in part for programs of regular and crisis assistance.

**Weatherization Assistance Program (WAP)** utilizes five service providers to weatherize homes throughout all of Arkansas's 75 counties. The service providers consist of Community Action Agencies (CAAs) and other nonprofit organizations charged with installing energy-efficient upgrades in qualifying low-income homes. In addition to the WAP funds, the Arkansas Weatherization Program is funded by participating utilities for the installation of energy conservation measures on their qualifying utility customers' homes. These funds work in conjunction with WAP funds.

**Used Tire Recycling**, through the Arkansas Tire Accountability Program (TAP), promotes sustainable, environmentally sound, and cost-effective practices of tire waste reduction, reuse, and recycling through innovative technology, outreach, and education.

Department of Energy and Environment  
Assistance, Grants and Aid  
For the Year Ended June 30, 2024

Grant Recipient	Low-Income Home Energy Assistance Program (LIHEAP)	American Rescue Plan Act (ARPA)	Weatherization Assistance Program (WAP)	Used Tire Recycling	Other Programs	Total
Arkansas Association of Energy Engineers					\$ 250,000	\$ 250,000
Arkansas Development Finance Authority					551,952	551,952
Arkansas River Valley Action Council (ARVAC), Inc.	\$ 1,636,372					1,636,372
Benton County Solid Waste District				\$ 677,915		677,915
Bentonville School District					77,551	77,551
Better Community Development, Inc.	884,599		\$ 274,861			1,159,460
Black River Area Development Corp.	1,167,097		132,445			1,299,542
C & L Electric Cooperative Corp.	86,264					86,264
Carroll County Solid Waste District				51,802		51,802
Central Arkansas Development Council	9,806,007		458,081			10,264,088
Community Action Program for Central Arkansas	1,094,813					1,094,813
Community Services Office of Hot Springs	1,134,106					1,134,106
Continental Express, Inc.					166,023	166,023
Craighead County Solid Waste Disposal Authority				289,485		289,485
Crawford-Sebastian Community Development Council	1,866,341		561,148			2,427,489
Crowley's Ridge Development Council	5,549,079		187,363			5,736,442
Economic Opportunity Agency of Washington County, Inc.	1,572,591					1,572,591
Entergy Arkansas, Inc.	851,168					851,168
Fort Smith, City of					440,000	440,000
Home, LLP	675,612	\$ 3,236,434				3,912,046
Mena Public School District					60,710	60,710
Metroplan					440,000	440,000
Mid-Delta Community Services, Inc.	1,185,900					1,185,900
Mississippi County Arkansas Economic Opportunity Comm., Inc.	1,165,984					1,165,984
North Little Rock Special School District					66,625	66,625
Northcentral Arkansas Development Council, Inc.	1,397,037					1,397,037
Northwest Arkansas Regional Planning Commission					440,000	440,000
Our Healthy Communities	435,652					435,652
Ozark Mountain Solid Waste District				502,114		502,114
Ozark Opportunities, Inc.	910,504					910,504
Paragould School District					61,941	61,941
Pine Bluff Jefferson County Economic Opportunities Commission	222,059					222,059
Pulaski County Regional Solid Waste Management District				3,376,269		3,376,269
Southeast Arkansas Community Action Corporation	1,970,810					1,970,810
Southeast Arkansas Economic Development, Inc.				375,768		375,768
Summit Utilities Arkansas, Inc.	164,289					164,289
Tri-County Solid Waste District				844,753		844,753
Upper Southwest Arkansas Solid Waste Management District				765,286		765,286
Waste Management of Arkansas, Inc.					90,000	90,000
West River Valley Regional Solid Waste Management District				746,440		746,440
White River Regional Solid Waste Management District				684,407		684,407
Recipients paid less than \$50,000	12,716				224,035	236,751
<b>Totals</b>	<b>\$ 33,789,000</b>	<b>\$ 3,236,434</b>	<b>\$ 1,613,898</b>	<b>\$ 8,314,239</b>	<b>\$ 2,868,837</b>	<b>\$ 49,822,408</b>

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

