

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Department of Labor and Licensing

For the Year Ended June 30, 2025



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 Labor and Licensing. As discussed in the Results of Assessment section below, our procedures disclosed that the Agency failed to follow state travel regulations.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Department of Labor and Licensing, a department of Arkansas state government, as of and for the year ended June 30, 2025, and have issued our report dated August 25, 2026. 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, accounts receivable, investments, 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 2025 Annual Comprehensive Financial Report (ACFR) and Single Audit Report.

RESULTS OF ASSESSMENT

Assessment procedures disclosed the following internal control or compliance matter that was discussed with Agency officials during the assessment and at the exit conference:

Finding: In accordance with R1-19-4-903, travel reimbursements, including private vehicle mileage, are allowable for official business. Our initial review of travel expenditures and reimbursements for compliance with state travel regulations included multiple deficiencies for one employee. Testing was expanded to include all mileage reimbursements paid to the employee from July 1, 2024, through the audit field work date of May 18, 2026. Although some of the employee's travel reimbursements did not follow state travel regulations, Agency management allowed the following deficiencies:

Division of Labor – Safety Division (BA0800)

- An employee whose resident city is a location other than his/her “official station” shall not be allowed mileage to travel between them.
 - Commuter miles were claimed on the travel reimbursement forms, resulting in an overpayment totaling \$1,922.

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

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- Reimbursement for private vehicle mileage is to be computed using the shortest major highway route between destinations.
 - Excess mileage claimed on the travel reimbursement forms resulted in an overpayment totaling \$229.
 - Duplication of mileage reimbursements resulted in an overpayment totaling \$219.

The deficiencies resulted in an overpayment totaling \$2,370 for state fiscal year 2025.

- State-owned vehicles should be used when available, if the most economical.
 - The employee's personal vehicle was used when the Agency's state-issued vehicle was available, resulting in mileage reimbursement claims of \$828 for state fiscal year 2025 and \$968 in state fiscal year 2026 through May 18, 2026.

The Travel Supervisor and Division Director did not properly review and verify supporting documentation, resulting in travel reimbursement claims being paid that did not meet all expenditure-related requirements. Not following state and agency policy could result in loss of assets.

The Agency has a signed agreement with the employee to make a one-time payment to cover the duplicate mileage of \$219 and to begin making bi-weekly payments in September 2026 for the remaining overpayment balance.

We recommend the Agency provide training for staff on travel regulations and implement procedures to ensure travel reimbursement requests are properly reviewed for compliance with state travel regulations prior to reimbursement.

Management response: ADLL Finance will provide periodic training for staff in travel regulations and implement procedures to ensure travel reimbursement requests are properly reviewed in compliance with the state travel regulations prior to reimbursement.

ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

The Department of Labor and Licensing is a cabinet-level department established by The Transformation and Efficiencies Act of 2019 (Act 910 of 2019). Under the Act, the administrative functions of the following state entities were transferred to the Department:

- The Department of Labor, now known as the Division of Labor.
- State Board of Appraisers, Abstracters, and Home Inspectors.
- State Board of Public Accountancy.
- State Board of Architects, Landscape Architects, and Interior Designers.
- State Athletic Commission.
- Auctioneer's Licensing Board.
- Professional Bail Bond Company and Professional Bail Bondsman Licensing Board.
- State Board of Barber Examiners.
- State Board of Collection Agencies.
- Contractors Licensing Board.

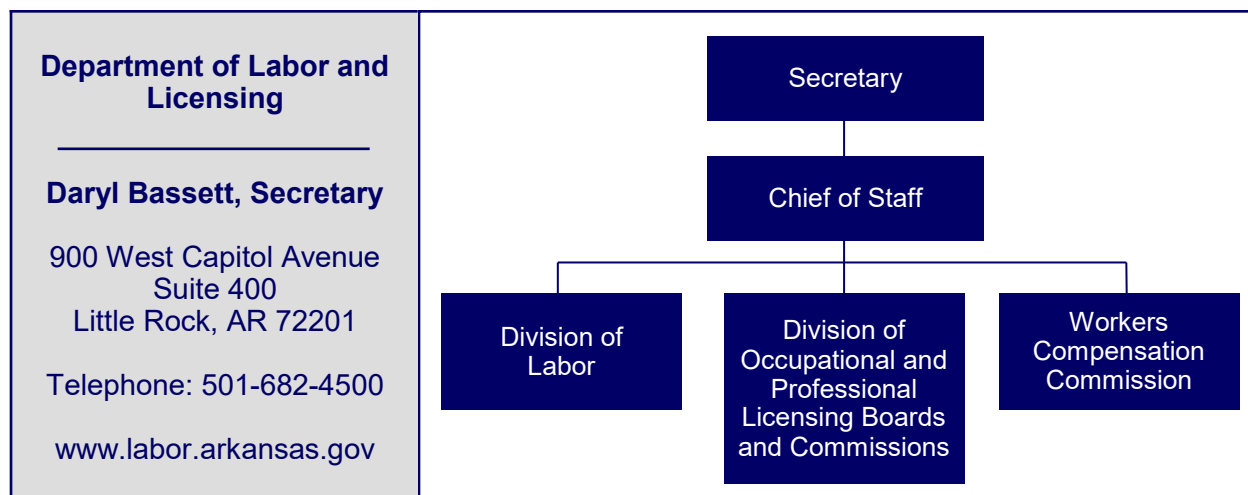
- Board of Electrical Examiners.
- Elevator Safety Board.
- State Board of Licensure for Professional Engineers and Professional Surveyors.
- Fire Protection Licensing Board.
- State Board of Registration for Professional Geologists.
- HVACR Licensing Board.
- Manufactured Home Commission.
- Motor Vehicle Commission.
- Real Estate Commission.
- Towing and Recovery Board.
- Workers' Compensation Commission.

As shown in **Exhibit I**, the Department has three divisions:

1. The **Division of Labor** has the responsibility of enforcing labor laws of the State. Its mission is to foster, promote, and develop the health, safety, and welfare of the wage earners of Arkansas by providing services and enforcing laws to improve working conditions and enhance their opportunities for safe and profitable employments.
2. The **Division of Occupational and Professional Licensing Boards and Commissions** was established for the purpose of organizing licensing boards.
3. The **Workers' Compensation Commission** administers and enforces Arkansas workers' compensation law and is directed to the moral, social, and economic benefits of protecting employers, employees, and their dependents from financial burdens imposed by job-related injury and disease.

Exhibit I

Department of Labor and Licensing Organizational Chart



Source: Department of Labor and Licensing

FISCAL ANALYSIS

As previously mentioned, in accordance with Act 910 of 2019, effective July 1, 2019, multiple entities were consolidated to form the Department of Labor and Licensing. Summary financial information for each business area is presented in **Exhibit II**.

Exhibit II
Department of Labor and Licensing
Summary of Financial Information by Business Area
For the Year Ended June 30, 2025

Board/Commission/Division	Assets and Deferred Outflows	Liabilities and Deferred Inflows	Revenues	Expenditures	Net Transfers In (Out)
Department of Labor and Licensing	\$ 2,429,439	\$ (462,442)	\$ (789,115)	\$ 4,683,133	\$ (3,791,714)
Division of Labor	6,102,379	(816,486)	(3,408,085)	4,904,000	(1,137,598)
State Board of Public Accountancy	2,503,652	(308,323)	(1,218,185)	880,746	92,006
State Board of Appraisers, Abstracters, and Home Inspectors	2,299,498	(257,510)	(692,134)	577,646	76,358
State Board of Architects, Landscape Architects, and Interior Designers	4,837,867	(122,201)	(657,546)	234,090	33,792
State Athletic Commission	184,771	-	(52,130)	93,543	16,021
Auctioneers Licensing Board	219,267	(35,738)	(101,482)	84,921	22,675
Professional Bail Bondsman Licensing Board	4,222,037	(106,594)	(983,549)	471,321	527,678
State Board of Barber Examiners	303,059	(2,020)	(347,518)	288,660	60,204
State Board of Collection Agencies	4,738,480	(2,491,930)	(1,375,345)	235,190	1,481,384
Contractors Licensing Board	5,014,490	(1,623,244)	(1,847,393)	1,558,531	287,847
State Board of Licensure for Professional Engineers and Professional Surveyors	3,796,337	(613,004)	(940,904)	647,914	28,021
State Board of Registration for Professional Geologists	72,884	(19,640)	(33,036)	49,985	3,995
Real Estate Commission	6,392,841	(731,429)	(1,745,678)	1,348,563	63,617
Towing and Recovery Board	154,601	(104,978)	(278,696)	217,409	87,252
Fire Protection Licensing Board	797,461	(38,425)	(261,545)	177,688	35,493
Manufactured Home Commission	2,471,882	(40,275)	(426,501)	258,528	53,017
Motor Vehicle Commission	2,419,391	(63,218)	(419,157)	349,605	271,167
Workers' Compensation Commission	118,188,843	(167,946,985)	(23,110,653)	13,144,658	465,621
Totals	\$ 167,149,177	\$ (175,784,441)	\$ (38,688,651)	\$ 30,206,130	\$ (1,323,165)

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

Revenues, Expenditures, and Transfers

Revenues, expenditures, and transfers for the Department for fiscal years 2021 through 2025 are presented in **Exhibit III on page 5**.

The Department reported \$38.7 million in total revenues for fiscal year 2025. Of the \$29.7 million in licenses and fees, premium tax fees totaled \$17.1 million and the remaining \$12.6 million were special revenues related to issuance of licenses.

Department expenditures totaled \$30.2 million for the fiscal year ended June 30, 2025. Expenditures were mainly comprised of salaries totaling \$19.7 million.

The Department reported net transfers of \$1.3 million, which represent general revenue distributions.

Assets, Liabilities, and Deferred Inflows and Outflows of Resources

Assets, liabilities, and deferred inflows/outflows of resources for fiscal years 2021 through 2025 are presented in **Exhibit IV on page 5**.

The Department's assets totaled \$165 million for the year ended June 30, 2025 with cash and cash equivalents comprising 26.6% and investments comprising 56.2%. Liabilities totaled \$172 million at June 30, 2025, with claims payable representing the largest component totaling \$146.5 million or 85.2%.

Deferred inflows and outflows of resources for fiscal year 2025 totaled \$3.7 million and \$2.2 million, respectively.

Exhibit III

Department of Labor and Licensing Revenues, Expenditures, and Transfers For the Years Ended June 30, 2021 through 2025

	Fiscal Year				
	2025	2024	2023	2022	2021
Revenues					
Licenses and fees	\$ 29,741,247	\$ 28,776,366	\$ 28,148,809	\$ 26,967,289	\$ 27,636,206
Fines and penalties	1,259,027	1,565,540	1,267,271	1,260,537	843,579
Investment revenues	5,853,271	5,207,849	3,286,033	(1,318,806)	(522,245)
Other revenues	1,835,106	2,243,213	3,415,716	2,246,597	1,815,943
Total Revenues	\$ 38,688,651	\$ 37,792,968	\$ 36,117,829	\$ 29,155,617	\$ 29,773,483
Expenditures					
Salary expense	\$ 19,659,303	\$ 19,522,450	\$ 18,498,630	\$ 15,019,151	\$ 18,172,978
Utilities and rent	892,940	891,410	936,920	908,292	917,512
Refunds, taxes, and claims	4,256,092	1,534,577	1,872,204	(5,510,066)	702,637
Other expenses	5,397,795	3,937,071	3,789,302	3,472,325	3,085,341
Total Expenditures	\$ 30,206,130	\$ 25,885,508	\$ 25,097,056	\$ 13,889,702	\$ 22,878,468
Net Transfers In (Out)	\$ 1,323,165	\$ 2,017,781	\$ 2,402,203	\$ 2,526,007	\$ 1,557,550

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

Exhibit IV

Department of Labor and Licensing Assets, Liabilities, and Deferred Inflows and Outflows of Resources For the Years Ended June 30, 2021 through 2025

	Fiscal Year				
	2025	2024	2023	2022	2021
Assets					
Cash and cash equivalents	\$ 43,798,817	\$ 54,762,184	\$ 86,913,116	\$ 117,210,566	\$ 105,088,073
Investments	92,678,526	79,502,030	45,759,382	16,738,820	33,916,216
Fixed assets	8,430,270	8,330,277	8,757,593	8,566,883	8,075,056
Other assets	20,058,344	20,249,976	18,399,153	18,443,897	17,577,227
Total Assets	\$ 164,965,957	\$ 162,844,467	\$ 159,829,244	\$ 160,960,166	\$ 164,656,572
Deferred Outflows of Resources					
Related to pension expense	\$ 2,183,220	\$ 2,756,265	\$ 3,008,882	\$ 1,650,901	\$ 3,151,377
Liabilities					
Accounts payable	\$ 68,663	\$ 92,804	\$ 32,643	\$ 97,195	\$ 98,574
Claims Payable	146,534,768	154,964,386	166,285,442	177,625,603	196,598,430
Other liabilities	25,433,753	24,979,746	25,156,648	22,503,504	33,004,364
Total Liabilities	\$ 172,037,184	\$ 180,036,936	\$ 191,474,733	\$ 200,226,302	\$ 229,701,368
Deferred Inflows of Resources					
Related to revenues	\$ 3,747,257	\$ 4,076,721	\$ 3,434,977	\$ 7,994,863	\$ 2,021,859

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

License Activity

A summary of license activity is presented in **Exhibit V**. The information represents licenses issued and revenue collected for individuals and firms that were issued licenses for the two years ended June 30, 2024 and 2025.

Exhibit V
Department of Labor and Licensing
Summary of License Activity
For the Years Ended June 30, 2024 and 2025

Board Name	License Type	Fiscal Year 2025		Fiscal Year 2024	
		# Issued	Revenues	# Issued	Revenues
Department of Labor and Licensing					
• HVACR Licensing Board	Individual licenses	8,976	\$ 598,265	9,498	\$ 669,145
Division of Labor					
• Board of Electrical Examiners	Individual licenses	14,579	386,995	14,168	404,980
• Boiler Inspection	Individual licenses	5,205	122,699	4,904	117,853
• Elevator Safety Board	Individual licenses	300	23,425	267	20,550
• Elevator Safety Board	Firm licenses	39	9,750	42	10,500
State Board of Public Accountancy	Individual licenses	5,721	530,145	5,691	525,690
	Firm licenses	742	81,620	744	81,840
State Board of Appraisers, Abstracters, and Home Inspectors					
• Appraisers	Individual licenses	1,081	238,875	1,111	253,850
	Firm licenses	96	48,000	107	53,500
• Abstractors	Individual licenses	61	3,050	50	2,500
	Firm licenses	48	6,960	34	4,930
• Home Inspectors	Individual licenses	418	82,095	425	109,625
State Board of Architects, Landscape Architects, and Interior Designers					
• Landscape Architects	Individual licenses	291	34,603	258	30,440
• Interior Designers	Individual licenses	72	7,796	72	8,250
• Architects	Individual licenses	2,242	252,141	2,152	243,070
• Architects	Firm licenses	650	159,355	676	169,250
State Athletic Commission	Individual licenses	893	15,720	911	18,515
Auctioneer's Licensing Board	Individual licenses	940	94,000	708	70,800
Professional Bail Bond Company and Professional Bail Bondsman Licensing Board	Individual licenses	391	39,100	422	42,200
	Firm licenses	40	40,000	42	42,000
State Board of Barber Examiners	Individual licenses	3,393	163,500	3,274	155,611
	Firm licenses	841	48,780	841	50,615
State Board of Collection Agencies	Individual licenses	57,718	1,154,360	53,273	1,065,460
	Firm licenses	1,369	171,125	1,383	172,875
Contractors Licensing Board	Firm licenses	19,584	972,930	19,023	921,215
State Board of Licensure for Professional Engineers and Professional Surveyors					
• Engineers	Individual licenses	7,029	634,710	6,802	620,865
• Surveyors	Individual licenses	417	28,985	396	26,045
• Engineers and Surveyors	Firm licenses	1,462	156,550	1,547	162,500
Fire Protection Licensing Board	Individual licenses	1,858	96,205	2,285	133,205
	Firm licenses	285	73,900	363	109,000
State Board of Registration for Professional Geologists					
• Geologists	Individual licenses	400	24,000	429	25,740
• Geologists in Training	Individual licenses	7	210	8	240
Manufactured Home Commission	Individual licenses	256	12,800	232	11,600
	Firm licenses	174	63,500	174	64,125
Motor Vehicle Commission	Individual licenses	484	193,008	426	170,400
	Firm licenses	810	244,899	794	231,900
Real Estate Commission	Individual licenses	19,617	1,235,110	19,570	1,230,475
	Firm licenses	114	38,475	112	38,150
Towing and Recovery Board	Individual licenses	1,948	134,074	2,037	140,771
	Firm licenses	579	84,288	618	88,288

Source: Agency revenue records (unaudited by Arkansas Legislative Audit)

Fund Balance Activity

Fund balance totals for fiscal years 2021 through 2025 are presented in **Exhibit VI**.

The year-end fund balance for five business areas decreased over the 5-year period, with the Towing and Recovery Board having the most significant reduction of 69%. The reduction is due in part to the increase in shared service costs.

Although the Arkansas Workers Compensation Commission has a negative fund balance, the balance has been increasing each year as a result of Act 5 of the 2016 Third Extraordinary Session, 90th General Assembly. That Act provided that no claims shall be made to the Death and Permanent Total Disability Trust Fund after June 30, 2019, which decreased the unfunded liability for the Death and Permanent Disability Trust Fund and created a positive effect on the fund balance.

Exhibit VI

**Department of Labor and Licensing
Summary of Fund Balances
For the Years Ended June 30, 2021 and 2025**

	Fund Balances					5-Year Comparison	
	FY2025	FY2024	FY2023	FY2022	FY2021	Dollar Change	Percent Change
9910 Department of Labor and Licensing	\$ 1,966,997	\$ 2,070,667	\$ 1,906,078	\$ 1,095,871	\$ 601,410	\$ 1,365,587	227%
0800 Division of Labor	5,285,893	5,564,088	5,128,314	5,191,668	3,895,810	1,390,083	36%
0203 State Board of Public Accountancy	2,195,329	1,948,098	1,682,141	1,508,691	1,427,172	768,157	54%
0205 State Board of Appraisers, Abstracters, and Home Inspectors	2,041,988	2,003,858	1,878,697	1,852,279	1,721,716	320,272	19%
0206 State Board of Architects, Landscape Architects, and Interior Designers	4,715,666	4,329,408	3,938,777	3,620,305	3,398,475	1,317,191	39%
0209 State Athletic Commission	184,771	242,204	284,243	332,608	59,261	125,510	212%
0210 Auctioneers Licensing Board	183,529	189,642	224,745	241,438	231,556	(48,027)	-21%
0211 Professional Bail Bondsman Licensing Board	4,115,443	4,130,893	3,961,844	2,421,945	2,332,105	1,783,338	76%
0212 State Board of Barber Examiners	301,039	301,191	299,030	322,140	274,992	26,047	9%
0221 State Board of Collection Agencies	2,246,550	2,584,304	2,809,348	3,146,547	3,158,287	(911,737)	-29%
0224 Contractors Licensing Board	3,391,246	3,409,754	3,509,285	3,430,988	3,523,191	(131,945)	-4%
0236 State Board of Licensure for Professional Engineers and Professional Surveyors	3,183,333	2,917,452	2,686,956	2,506,160	2,360,169	823,164	35%
0240 State Board of Registration for Professional Geologists	53,244	74,189	56,831	64,343	62,268	(9,024)	-14%
0248 Real Estate Commission	5,661,412	5,324,282	5,045,140	4,716,661	4,451,755	1,209,657	27%
0258 Towing and Recovery Board	49,623	73,960	96,244	125,559	161,082	(111,459)	-69%
0263 Fire Protection Licensing Board	759,036	710,672	654,620	595,662	529,182	229,854	43%
0305 Manufactured Home Commission	2,431,607	2,314,769	2,260,045	2,228,493	2,119,523	312,084	15%
0320 Motor Vehicle Commission	2,356,173	2,556,159	2,618,723	2,532,446	2,362,843	(6,670)	0%
0390 Workers Compensation Commission	(49,758,143)	(59,258,516)	(71,112,645)	(81,543,901)	(96,586,075)	46,827,932	48%
Totals	\$ (8,635,264)	\$ (18,512,926)	\$ (32,071,584)	\$ (45,610,097)	\$ (63,915,278)		

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

