

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Department of Military

For the Fiscal Year Ended June 30, 2022



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 Arkansas Department of Military. Assessment procedures disclosed no reportable items of noncompliance.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas Department of Military, a department of Arkansas state government, as of and for the year ended June 30, 2022, and have issued our report dated April 27, 2023. Management of the Department 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, 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 Department and audit work conducted in the fiscal year 2022 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 Arkansas Department of Military is responsible for all matters relating to the command, control, and supervision of the militia, National Guard, or other military organization under the jurisdiction of the Governor. The National Guard is divided into two basic components: Air National Guard and Army National Guard. The Guard primarily serves the State of Arkansas, except when it is federalized by the President, and responds to the Governor's call-up in times of invasion, disaster, insurrection, riot, or breach of peace. Some of the Department facilities and programs are as follows:

- The National Guard Professional Education Center at Camp Robinson provides a structured education program for National Guard and federal technicians.
- The National Guard Marksmanship Center at Camp Robinson provides a structured marksmanship training program for individuals and teams from National Guard units nationwide.

The Arkansas National Guard Youth Challenge Program is located at Camp Robinson. This program for at-risk youth who have dropped out of high school utilizes a military environment to provide values, skills, education, and self-discipline to help these youth redirect their lives.

ARKANSAS LEGISLATIVE AUDIT

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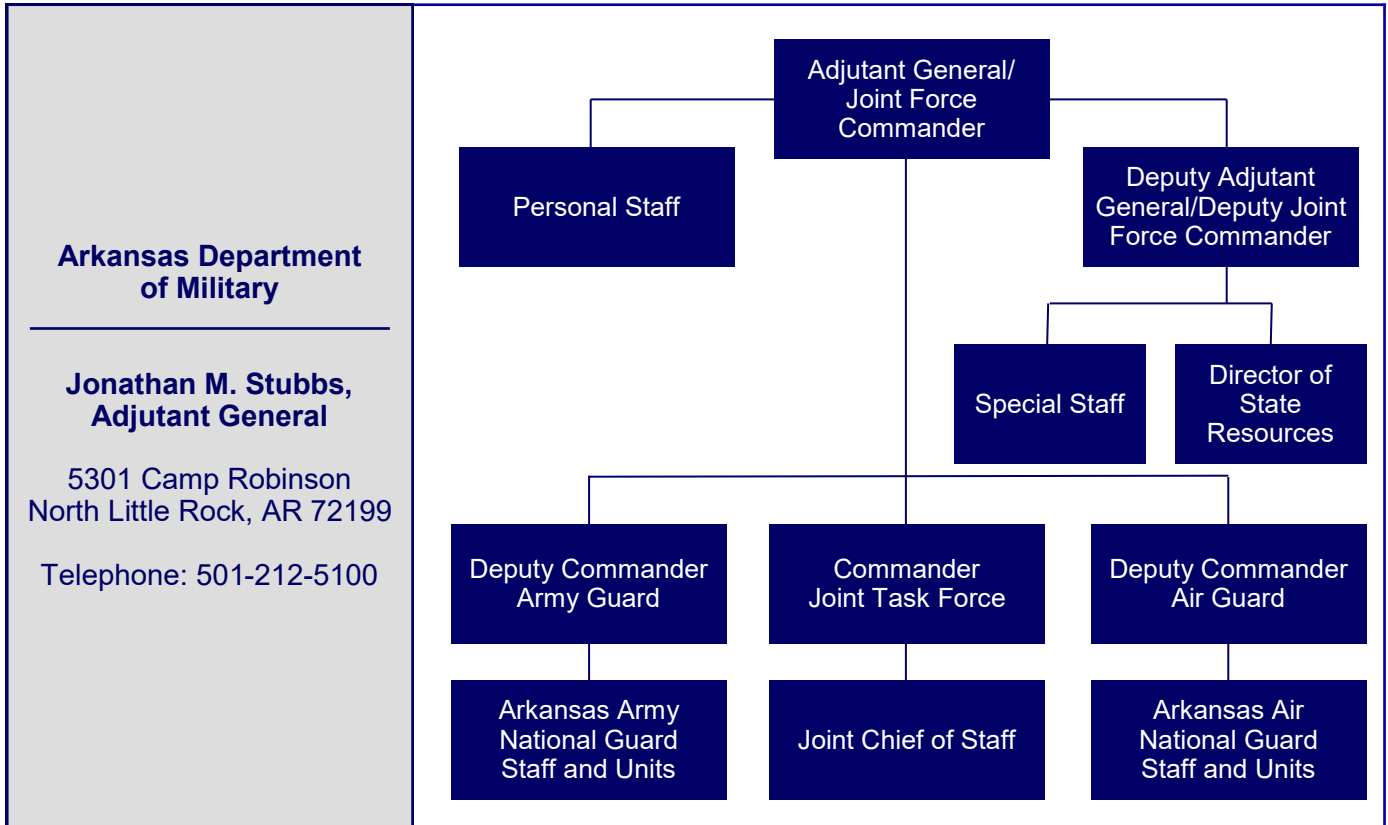
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The Department's organizational chart is presented in **Exhibit I**. In accordance with Act 910 of 2019, effective July 1, 2019, the Arkansas State Military Department became the newly created cabinet-level Department of Military.

Exhibit I
Arkansas Department of Military
Organizational Chart



Source: Arkansas Department of Military

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Department revenues, expenditures, and transfers for fiscal years 2018 through 2022 are illustrated in **Exhibit II on page 3**.

Revenues and expenditures totaled \$55.3 million and \$63.6 million, respectively, for the year ended June 30, 2022. The majority of revenue consisted of federal grants and reimbursements related to construction. As shown in **Exhibit III on page 4**, the Department's federal revenue totaled \$53.9 million for the year ended June 30, 2022.

Salary and capital outlay expenses were the largest expenditures, comprising 39.7% and 21.2% of total expenditures, respectively.

Net transfers totaled \$10.5 million for the year ended June 30, 2022, as presented in **Exhibit II**. The majority of transfers were from general revenue distributions.

Exhibit II
Arkansas Department of Military
Revenues, Expenditures, and Transfers
For the Years Ended June 30, 2018 through 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Revenues					
Federal grants and reimbursements	\$ 55,072,110	\$ 58,456,753	\$ 53,587,967	\$ 50,796,266	\$ 48,018,404
Grants and reimbursements	31,484	19,781	141,388	656,533	1,379,397
Rent	97,491	94,838	275,753	94,328	96,414
Other income	100,682	34,134	165,603	122,750	179,589
Total Revenues	\$ 55,301,767	\$ 58,605,506	\$ 54,170,711	\$ 51,669,877	\$ 49,673,804
Expenditures					
Salaries	\$ 25,249,910	\$ 24,223,481	\$ 24,787,356	\$ 24,754,110	\$ 24,012,008
Repair and servicing	12,698,217	7,788,128	7,557,474	13,529,758	13,815,156
Capital outlay	13,464,159	20,945,040	14,680,645	6,904,090	6,816,844
Other expenses	12,154,513	12,504,694	13,129,139	16,141,420	15,293,714
Total Expenditures	\$ 63,566,799	\$ 65,461,343	\$ 60,154,614	\$ 61,329,378	\$ 59,937,722
Net Transfers In (Out)	\$ 10,548,105	\$ 9,487,080	\$ 9,579,229	\$ 10,492,295	\$ 10,385,658

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

Assets and Liabilities

Department asset and liability balances at year-end for fiscal years 2018 through 2022 are presented in **Exhibit IV on page 4**. Asset and liability balances totaled \$379.5 million and \$4.9 million, respectively.

As illustrated in **Exhibit IV**, the cash and cash equivalents balance was negative as of June 30, 2022. The negative balance was due to timing issues related to the reimbursement for federal expenditures covered by the Cash Management Improvement Act of 1990. Ark. Code Ann. § 19-4-1107 (6)(F) makes an allowance for this situation and states that, in the case of vouchers written upon specific funds receiving federal funding, according to the Cash Management Improvement Act of 1990, Pub. L. No. 101-453, Oct. 24, 1990, 104 State. 1058, the Auditor of State shall process warrants, and the Treasurer of State shall redeem the warrants presented for payment upon notification by the Chief Fiscal Officer of the State that the state agency director has certified to the Chief Fiscal Officer of the State that:

- A federal fund transfer request has been completed and accepted by the federal funding source.
- Federal funds will be transferred for the benefit of the state fund to pay the warrants.

Exhibit III
Arkansas Department of Military
Schedule of Federal Program Revenues
For the Year Ended June 30, 2022

Program Title	Assistance Listing Number	Federal Program Revenues
Military Construction, National Guard	12.400	\$ 1,059,276
National Guard Military Operations and Maintenance (O&M) Projects	12.401	50,127,601
National Guard Challenge Program	12.404	2,696,779
Miscellaneous U.S. Department of Justice Programs	16.000	79,919
Total Federal Grants and Reimbursements		\$ 53,963,575

Source: Department of Finance and Administration 2022 Agency Federal Award Data (unaudited by Arkansas Legislative Audit)

Exhibit IV
Arkansas Department of Military
Assets, Liabilities, and Deferred Inflows of Resources
For the Years Ended June 30, 2018 through 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Assets					
Cash and cash equivalents	\$ (1,528,297)	\$ 1,190,901	\$ (1,002,020)	\$ 92,544	\$ 4,378,599
Federal receivables	4,480,368	3,519,996	5,831,059	2,853,842	1,707,703
Fixed assets	376,045,094	368,318,690	347,376,492	333,994,944	328,212,106
Other assets	542,616	151,120	69,445	340,257	413,310
Total Assets	\$ 379,539,781	\$ 373,180,707	\$ 352,274,976	\$ 337,281,587	\$ 334,711,718
Liabilities					
Accounts payable	\$ 2,563,204	\$ 1,516,524	\$ 2,811,661	\$ 2,233,889	\$ 3,193,920
Unearned income	351,400	995,000	0	298,500	2,018,500
Payroll liability	1,429,350	1,227,183	1,119,793	919,631	856,525
Other liabilities	541,555	240,279	256,463	383,246	260,778
Total Liabilities	\$ 4,885,509	\$ 3,978,986	\$ 4,187,917	\$ 3,835,266	\$ 6,329,723
Deferred Inflows of Resources					
Related to revenues	\$ 517,175	\$ 143,976	\$ 14,901	\$ 0	\$ 0

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

