

# **Internal Control and Compliance Assessment**

## **Arkansas Legislative Audit**

### **Arkansas Department of Veterans Affairs**

For the Fiscal Year Ended June 30, 2023



## **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 Veterans Affairs. Assessment procedures disclosed no reportable items of noncompliance.

## **SCOPE AND METHODOLOGY**

We performed an internal control and compliance assessment of the Arkansas Department of Veterans Affairs, a department of Arkansas state government, as of and for the year ended June 30, 2023, and have issued our report dated October 8, 2024. 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, 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 2023 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 Veterans Affairs was created by Act 127 of 1923 as the Arkansas Service Bureau to help veterans of American wars obtain government benefits. Subsequent acts throughout the years renamed the Department and changed its responsibilities. It serves Arkansas veterans and their dependents by connecting them to state and federal services through two state veterans' cemeteries, two state veteran nursing homes, and the Veteran Service Officer (VSO) network.

The Arkansas State Veterans Cemetery in North Little Rock is an 82-acre site that opened in 2001, and the 100-acre Birdeye Cemetery in Cross County opened in 2012. The Fayetteville Veterans Home opened in 2006 and operates a 90-bed licensed Medicaid/Medicare skilled-care facility in Fayetteville. The North Little Rock Veterans Home is a "small home" design with eight individual homes that serve 12 residents each.

The Department also supervises the activities, training, and testing of the County Veterans Service Officers (VSOs) in each of the State's 75 counties and assists veterans, their dependents, and their survivors with their claims with the U.S. Department of Veterans Affairs for benefits to which they are entitled.

#### **ARKANSAS LEGISLATIVE AUDIT**

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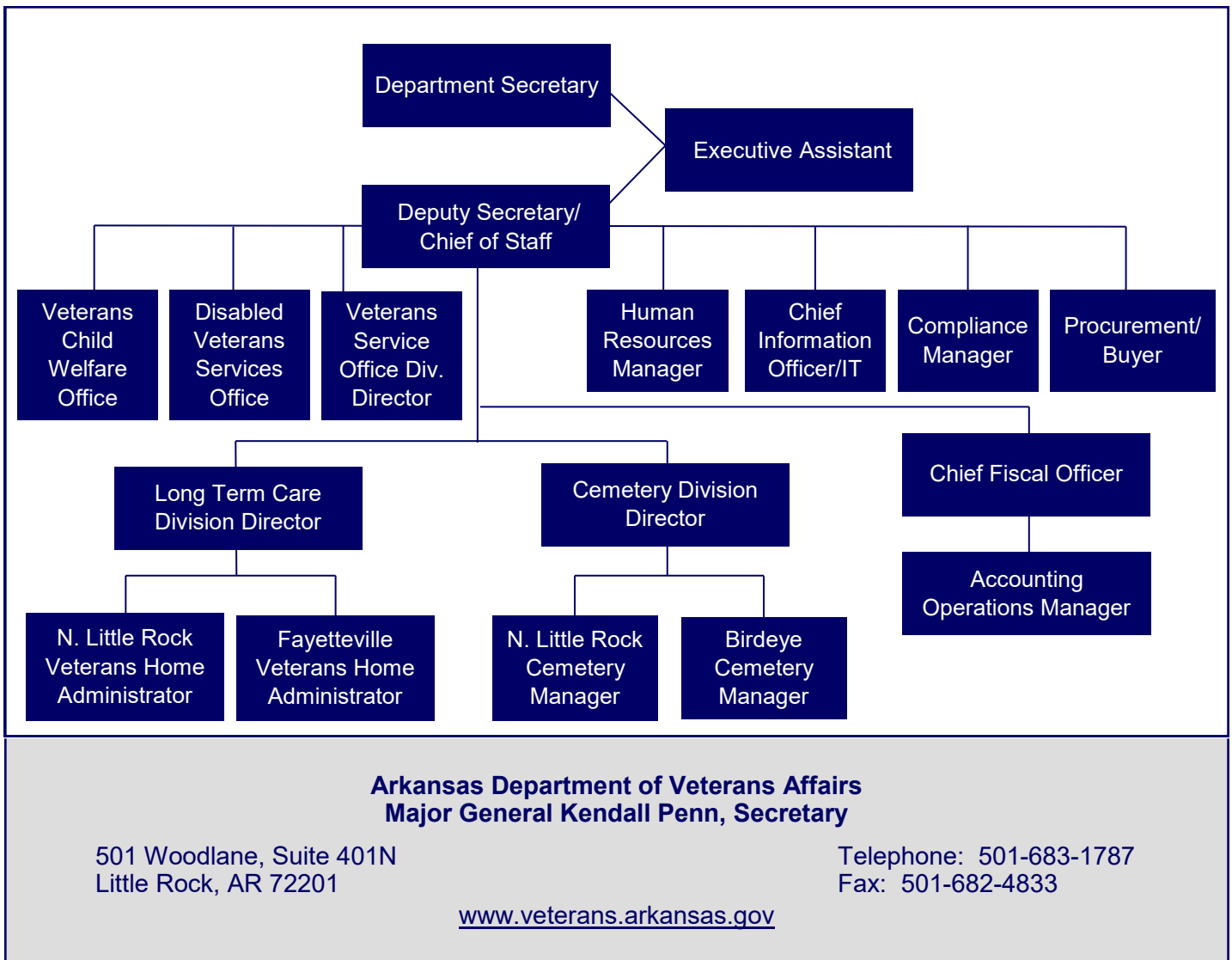
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In accordance with Act 910 of 2019, effective July 1, 2019, the Department of Veterans Affairs became part of the newly created cabinet-level Department of Veterans Affairs. The new Department includes Veterans Child Welfare and Disabled Veterans Services Offices. **Exhibit I** illustrates the Department's current structure.

**Exhibit I**  
**Arkansas Department of Veterans Affairs**  
**Organizational Chart**



**Source:** Arkansas Department of Veterans Affairs

## **FISCAL ANALYSIS**

As previously mentioned, in accordance with Act 910 of 2019, several departments were consolidated to form the cabinet-level Department of Veterans Affairs, effective July 1, 2019. Summary financial information for each business area is presented in **Exhibit II on page 3**.

**Exhibit II**  
**Arkansas Department of Veterans Affairs**  
**Summary of Financial Information by Business Area**  
**For the Year Ended June 30, 2023**

Board/Commission/Division	Assets	Liabilities and Deferred Inflows	Revenues	Expenditures	Net Transfers In/(Out)
Secretarial Office of Veteran Affairs	\$ 101	\$ 4,861	\$ 0	\$ 215,923	\$ 228,009
Department of Veterans Affairs	93,524,615	1,761,929	28,841,733	31,161,687	19,643,584
Veterans Child Welfare Office	7,714	7,007	0	121,248	140,153
Disabled Veterans Services Office	749	1,400	0	35,496	42,251
<b>Totals</b>	<b>\$ 93,533,179</b>	<b>\$ 1,775,197</b>	<b>\$ 28,841,733</b>	<b>\$ 31,534,354</b>	<b>\$ 20,053,997</b>

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

### **Revenues, Expenditures, and Transfers**

Revenues, expenditures, and transfers for fiscal years 2019 through 2023 are presented in **Exhibit III on page 4**.

Revenue totaled \$28.8 million for the fiscal year ended June 30, 2023. Revenues were comprised of federal grants and reimbursements received from the U.S. Department of Veterans Affairs for the North Little Rock Cemetery expansion project. Revenues also consisted of per diems for residents at the Fayetteville and North Little Rock Veterans Homes, maintenance payments received from residents, and Medicaid/Medicare reimbursements. Other income includes special revenue from motor vehicle license fees, donations, bank interest, and interment fees.

Notable changes in revenues included a \$1.4 million increase in federal grants and reimbursements related to the North Little Rock Cemetery expansion, a \$1.1 million increase in Medicaid reimbursements due to rate increases and billable days, and a \$5.2 million decrease in other income primarily due to the value of donated land (\$5.5 million) in Rogers for the construction of a new Veterans Home that occurred in the prior year.

Expenditures totaled \$31.5 million for the fiscal year ended June 30, 2023. Salaries comprised 36.57% of total expenditures.

Capital outlay expenditures decreased \$5.6 million. This was also primarily due to the value of donated land in Rogers for the new Veterans Home. Additionally, other expenses increased by \$4.5 million due to an increase in nurse staffing needs at the Veterans Homes, increase in nursing staff rates, and overtime pay resulting from a nursing shortage.

### **Assets, Liabilities, and Deferred Inflows of Resources**

Asset, liability, and deferred inflows of resources balances for fiscal years 2019 through 2023 are presented in **Exhibit IV on page 4**.

Assets and liabilities totaled \$93.5 million and \$1.2 million, respectively. Assets increased \$19.2 million from 2022 to 2023, primarily due to a \$15 million transfer from the Majority Vote Various Improvements and Projects Set-Aside of the Restricted Reserve fund for the construction and operation of the Fayetteville Veterans Home, a \$1.4 million transfer from the EBD or Contingency 3/5 Vote Set-Aside of the Restricted Reserve Fund for operational cost related to the Fayetteville Veterans Home, and a \$3.2 million increase in completed land improvements related to the North Little Rock Cemetery expansion.

**Exhibit III**  
**Arkansas Department of Veterans Affairs**  
**Revenues, Expenditures, and Transfers**  
**For the Years Ended June 30, 2019 through 2023**

	Fiscal Year				
	2023	2022	2021	2020	2019
<b>Revenues</b>					
Federal grants and reimbursements	\$ 21,414,586	\$ 20,019,100	\$ 17,053,311	\$ 17,829,789	\$ 14,820,884
Rent	2,629,855	2,365,594	2,193,097	2,728,061	2,718,806
Medicaid/Medicare reimbursements	4,097,350	2,993,348	3,923,896	3,253,917	3,361,752
Other income	699,942	5,875,570	15,376	(64,661)	183,202
<b>Total Revenues</b>	<b>\$ 28,841,733</b>	<b>\$ 31,253,612</b>	<b>\$ 23,185,680</b>	<b>\$ 23,747,106</b>	<b>\$ 21,084,644</b>
<b>Expenditures</b>					
Salaries	\$ 11,533,430	\$ 12,079,722	\$ 12,723,902	\$ 13,899,528	\$ 13,152,829
Capital outlay	3,012,439	8,615,960	1,269,506	2,558,480	1,860,325
Utilities and rent	997,708	998,705	999,091	1,003,744	1,062,761
Commodities	2,797,971	2,603,011	2,335,354	2,452,378	2,163,426
Other expenses	13,192,806	8,688,465	6,216,197	4,897,519	3,943,704
<b>Total Expenditures</b>	<b>\$ 31,534,354</b>	<b>\$ 32,985,863</b>	<b>\$ 23,544,050</b>	<b>\$ 24,811,649</b>	<b>\$ 22,183,045</b>
<b>Net Transfers In (Out)</b>	<b>\$ 20,053,997</b>	<b>\$ 3,259,313</b>	<b>\$ 2,109,519</b>	<b>\$ 2,048,264</b>	<b>\$ 4,331,170</b>

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

**Exhibit IV**  
**Arkansas Department of Veterans Affairs**  
**Assets and Liabilities**  
**For the Years Ended June 30, 2019 through 2023**

	Fiscal Year				
	2023	2022	2021	2020	2019
<b>Assets</b>					
Cash and cash equivalents	\$ 24,439,518	\$ 8,091,453	\$ 6,528,186	\$ 3,856,704	\$ 3,140,514
Fixed assets	66,852,342	63,649,967	55,159,069	53,786,052	51,506,139
Other assets	2,241,319	2,569,975	3,197,397	2,532,146	2,103,556
<b>Total Assets</b>	<b>\$ 93,533,179</b>	<b>\$ 74,311,395</b>	<b>\$ 64,884,652</b>	<b>\$ 60,174,902</b>	<b>\$ 56,750,209</b>
<b>Liabilities</b>					
Accounts payable	\$ 760,575	\$ 894,750	\$ 514,568	\$ 661,654	\$ 543,847
Payroll liability	170,641	613,707	606,150	648,032	496,957
Other liabilities	292,002	1,690,124	1,806,729	248,664	211,336
<b>Total Liabilities</b>	<b>\$ 1,223,218</b>	<b>\$ 3,198,581</b>	<b>\$ 2,927,447</b>	<b>\$ 1,558,350</b>	<b>\$ 1,252,140</b>
<b>Deferred Inflows of Resources</b>					
Related to revenues	\$ 551,979	\$ 848,278	\$ 902,707	\$ 513,045	\$ 353,909

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

