

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Ethics Commission

For the Fiscal Year Ended June 30, 2021



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 Ethics Commission. Assessment procedures disclosed no reportable items of noncompliance.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas Ethics Commission, a commission of Arkansas state government, as of and for the year ended June 30, 2021, and have issued our report dated April 5, 2022. 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, 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 2021 State Comprehensive Annual Financial Report (CAFR) and Single Audit Report.

RESULTS OF ASSESSMENT

Assessment procedures did not disclose instances of noncompliance considered reportable.

ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

The Arkansas Ethics Commission was established in 1991 as a result of voters' approval of Initiated Act 1 of 1990. The Commission serves as the compliance and enforcement agency under Arkansas's standards of conduct and disclosure laws concerning candidates for public office; state and local public officials; lobbyists and committees; and individuals involved with initiatives, referendums, and other matters referred to voters. In part, the Commission investigates alleged violations of ethics and public disclosure laws and determines whether or not a violation has occurred. The Commission also issues sanctions for violations of ethics and public disclosure laws and/or makes referrals for criminal prosecution. The Commission is comprised of five members who serve five-year terms. Each Commission member is appointed by one of the following: the Governor, Lieutenant Governor, Attorney General, President Pro Tempore of the Senate, or Speaker of the House. The Commission's organizational structure is outlined in **Exhibit I on page 2**.

ARKANSAS LEGISLATIVE AUDIT

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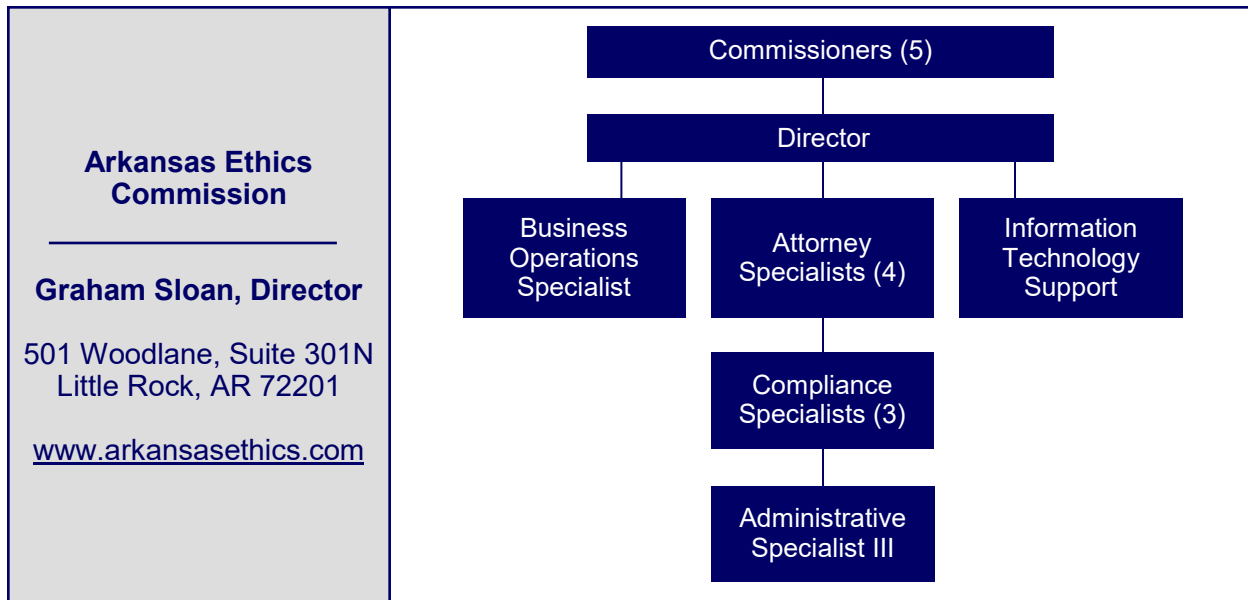
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Exhibit I

Arkansas Ethics Commission
Organizational Chart



Source: Arkansas Ethics Commission

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

General revenue distributions represent the Agency's primary source of funding. Most of the receipts of the Agency, such as fines for ethics violations, are deposited into funds controlled by the Department of Finance and Administration. Net transfers in totaled \$942,496 during the fiscal year ended June 30, 2021. The total amount transferred in was from general revenue distributions.

Agency expenditures totaled \$952,833 for the fiscal year ended June 30, 2021. Salary expense represents the Agency's largest expenditure, comprising 91% of expenditures in fiscal year 2021.

Revenues, expenditures, and net transfers for fiscal years 2017 through 2021 are provided in **Exhibit II on page 3**.

Assets and Liabilities

As of June 30, 2021, Agency assets and liabilities totaled \$65,465 and \$44,534 respectively. Asset and liability balances at year-end for fiscal years 2017 through 2021 are presented in **Exhibit III on page 3**. Cash balances were reconciled to the State Treasury without exception.

Exhibit II
Arkansas Ethics Commission
Revenues, Expenditures, and Transfers
For the Years Ended June 30, 2017 through 2021

	Fiscal Year				
	2021	2020	2019	2018	2017
Revenues					
Miscellaneous	\$ 0	\$ 2,014	\$ 0	\$ 0	\$ 0
Expenditures					
Salaries	\$ 867,502	\$ 780,136	\$ 664,548	\$ 641,238	\$ 574,121
Utilities and rent	49,049	48,942	49,381	48,583	49,737
Commodities, materials, and supplies	12,964	16,753	11,743	7,501	10,285
Other expenses	23,318	57,121	24,289	27,001	21,419
Total Expenditures	<u>\$ 952,833</u>	<u>\$ 902,952</u>	<u>\$ 749,961</u>	<u>\$ 724,323</u>	<u>\$ 655,562</u>
Net Transfers In (Out)	<u>\$ 942,496</u>	<u>\$ 884,135</u>	<u>\$ 745,259</u>	<u>\$ 721,822</u>	<u>\$ 688,076</u>

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

Exhibit III
Arkansas Ethics Commission
Assets and Liabilities
For the Years Ended June 30, 2017 through 2021

	Fiscal Year				
	2021	2020	2019	2018	2017
Assets					
Cash and cash equivalents	\$ 785	\$ 8,890	\$ 3,741	\$ 3,423	\$ 17,670
Fixed assets	59,111	69,819	67,905	67,905	58,620
Prepaid expenses	5,569	9,265	12,544	18,453	18,869
Total Assets	<u>\$ 65,465</u>	<u>\$ 87,974</u>	<u>\$ 84,190</u>	<u>\$ 89,781</u>	<u>\$ 95,159</u>
Liabilities					
Interfund due to	\$ 1,769	\$ 9,872	\$ 4,908	\$ 4,081	\$ 18,263
Payroll liability	42,587	35,892	22,029	24,003	21,517
Other liabilities	178	235	388	129	594
Total Liabilities	<u>\$ 44,534</u>	<u>\$ 45,999</u>	<u>\$ 27,325</u>	<u>\$ 28,213</u>	<u>\$ 40,374</u>

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

