

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas State Claims Commission

For the Two Fiscal Years 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 State Claims Commission. Assessment procedures disclosed no reportable items of noncompliance.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas State Claims Commission, a commission of Arkansas state government, as of and for the two-year period ended June 30, 2023, and have issued our report dated September 16, 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, 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 years 2022 and 2023 State Annual Comprehensive Financial Reports (ACFR) and Single Audit Reports.

RESULTS OF ASSESSMENT

Assessment procedures did not disclose instances of noncompliance considered reportable.

ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

The Arkansas State Claims Commission was created by Act 276 of 1955. The Commission is a quasi-judicial body established by the General Assembly to hear claims against the State since tort-type claims, such as personal injury, property damage, breach of contract, and other designated claim types, cannot be brought in the courts due to the State's constitutional sovereign immunity. When necessary, the Commission makes recommendations to the General Assembly on awarding monetary damages.

The Commission has 10 staff positions, which includes five commissioners appointed by the Governor. The Commission's organizational chart is presented in **Exhibit I on page 2**.

ARKANSAS LEGISLATIVE AUDIT

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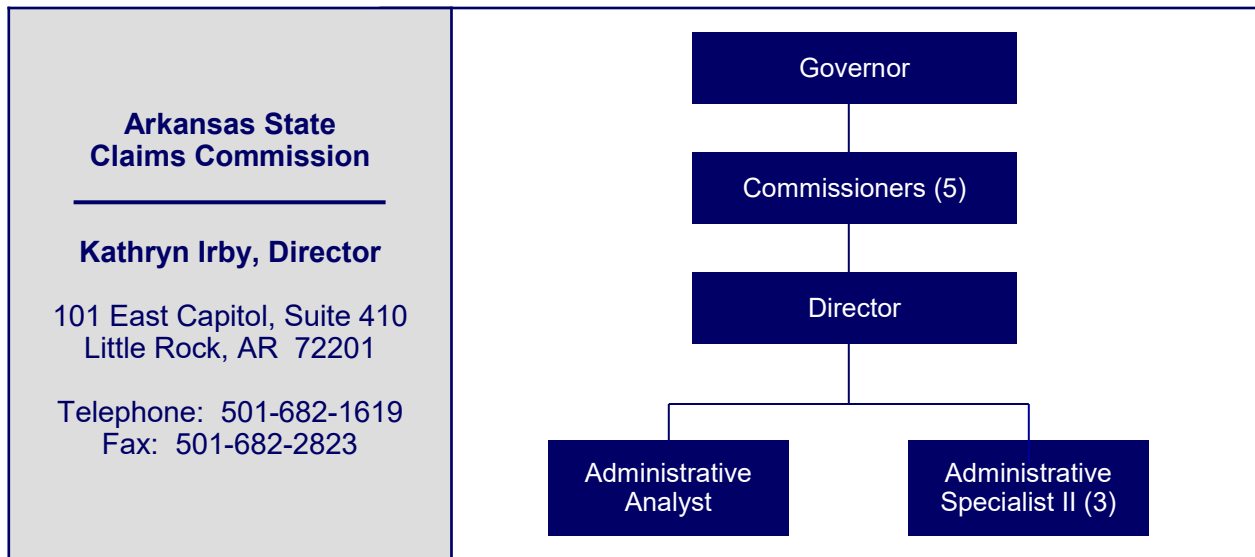
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Exhibit I
Arkansas State Claims Commission
Organizational Chart



Source: Kathryn Irby, Director

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Commission revenues, expenditures, and transfers for fiscal years 2019 through 2023 are illustrated in **Exhibit II on page 3**. The Commission reported \$66,524 and \$115,790 in total revenues in fiscal year 2022 and 2023, respectively. The primary source of revenue is allocations from corporate and individual income tax.

Commission expenditures totaled \$2.10 million in fiscal year 2022 and \$2.33 million in fiscal year 2023. The expenditure balance of \$349,179 in fiscal year 2020 was significantly lower due to a reversal of \$1.48 million in death claims that ACFR determined the Agency should have recorded in prior fiscal years.

Transfers totaled \$2.21 million in fiscal year 2022 and \$1.93 million in fiscal year 2023. Transfers consisted of General Revenue Distribution and Miscellaneous Revolving Fund transfers. The Miscellaneous Revolving Fund provides payment of claims to surviving spouses and dependent children of police, firefighters, correctional officers, and other specified state employees killed in the official line of duty and for the payment of small controversial and non-controversial claims.

Assets and Liabilities

Commission asset and liability balances at year-end for fiscal years 2019 through 2023 are presented in **Exhibit III on page 3**. Assets totaled \$502,846 in fiscal year 2022 and \$85,600 in fiscal year 2023. The change in cash and cash equivalents fluctuates between fiscal years due to transfers from the Miscellaneous Revolving Fund for claims payments.

Liabilities totaled \$35,173 in fiscal year 2022 and \$2.28 million in fiscal year 2023. In fiscal year 2023, the Agency began reporting accounts payable for the scheduled, annual installment payments for death benefit claims approved by the Commission. The accounts payable for these annual installment payments for death benefit claims represents 99% of total liabilities.

Exhibit II
Arkansas State Claims Commission
Revenues, Expenditures, and Transfers
For the Years Ended June 30, 2019 through 2023

	Fiscal Year				
	2023	2022	2021	2020	2019
Revenues					
Income tax allocation	\$ 98,223	\$ 66,524	\$ 142,518	\$ 56,311	\$ 93,019
Other revenue	17,567	0	0	32	12,757
Total Revenues	<u>\$ 115,790</u>	<u>\$ 66,524</u>	<u>\$ 142,518</u>	<u>\$ 56,343</u>	<u>\$ 105,776</u>
Expenditures					
Salaries	\$ 622,228	\$ 544,651	\$ 506,032	\$ 486,920	\$ 480,872
Utilities and rent	48,886	48,963	48,912	52,606	48,719
Refunds, taxes, and claims	1,611,637	1,451,289	1,328,186	(228,843)	1,113,700
Other expenses	46,608	46,584	43,912	38,496	44,479
Total Expenditures	<u>\$ 2,329,359</u>	<u>\$ 2,091,487</u>	<u>\$ 1,927,042</u>	<u>\$ 349,179</u>	<u>\$ 1,687,770</u>
Net Transfers In (Out)	<u>\$ 1,933,789</u>	<u>\$ 2,206,160</u>	<u>\$ 1,621,684</u>	<u>\$ 2,088,123</u>	<u>\$ 2,170,577</u>

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

Exhibit III
Arkansas State Claims Commission
Assets and Liabilities
For the Years Ended June 30, 2019 through 2023

	Fiscal Year				
	2023	2022	2021	2020	2019
Assets					
Cash and cash equivalents	\$ 44,978	\$ 462,557	\$ 265,615	\$ 425,472	\$ 98,620
Fixed assets	39,550	37,017	51,537	48,169	48,169
Prepaid expenses	1,072	3,272	3,772	6,272	4,822
Other assets	0	0	4,178	0	0
Total Assets	<u>\$ 85,600</u>	<u>\$ 502,846</u>	<u>\$ 325,102</u>	<u>\$ 479,913</u>	<u>\$ 151,611</u>
Liabilities					
Accounts payable	\$ 2,268,500	\$ 97	\$ 92	\$ 435	\$ 1,482,582
Payroll liability	10,580	34,324	24,483	20,136	16,387
Accrued liabilities	0	752	942	1,542	1,366
Total Liabilities	<u>\$ 2,279,080</u>	<u>\$ 35,173</u>	<u>\$ 25,517</u>	<u>\$ 22,113</u>	<u>\$ 1,500,335</u>

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

