

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas State Claims Commission

For the Fiscal Year Ended June 30, 2024



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 year ended June 30, 2024, and have issued our report dated September 18, 2025. 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 year 2024 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 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**.

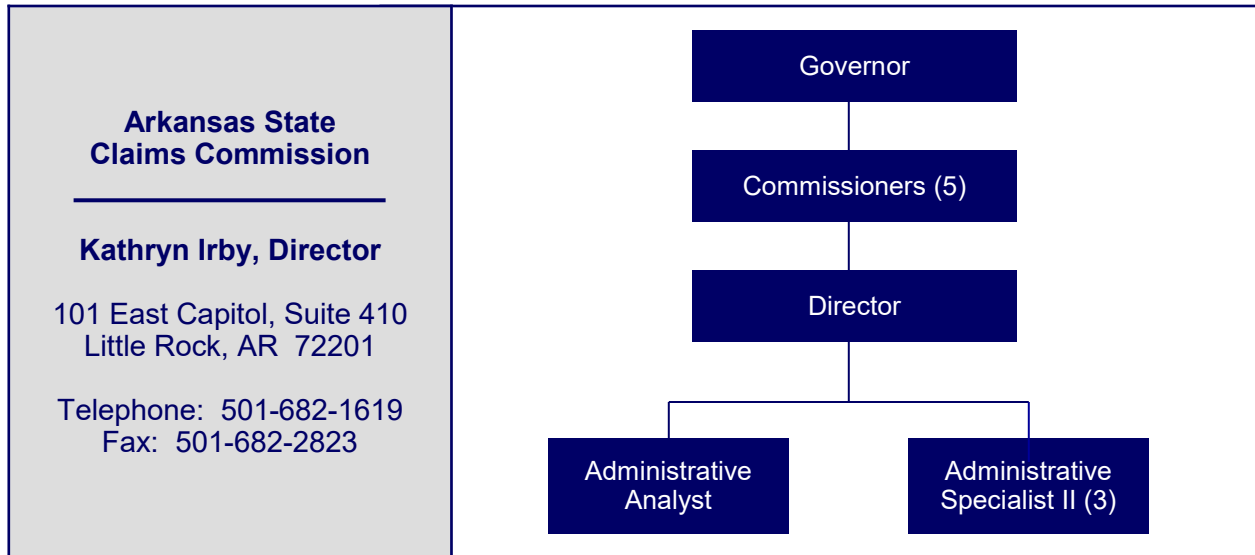
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Exhibit I
Arkansas State Claims Commission
Organizational Chart



Source: Kathryn Irby, Director

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Commission revenues, expenditures, and transfers for fiscal years 2020 through 2024 are illustrated in **Exhibit II on page 3**. The Commission reported total revenues of \$133,642 in fiscal year 2024. The primary source of revenue is allocations from corporate and individual income tax.

Commission expenditures totaled \$2.01 million in fiscal year 2024. 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 the Agency should have recorded in prior fiscal years, based on the ACFR.

Transfers totaled \$2.56 million in fiscal year 2024. 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 2020 through 2024 are presented in **Exhibit III on page 3**. Assets totaled \$89,834 in fiscal year 2024. The change in cash and cash equivalents fluctuates between fiscal years due to transfers from the Miscellaneous Revolving Fund for claims payments.

Liabilities totaled \$1.60 million in fiscal year 2024. In fiscal year 2023, the Agency began reporting accounts payable for the scheduled annual installment payments for death benefit claims approved by the Commission. These items represent 99% of total liabilities.

Exhibit II
Arkansas State Claims Commission
Revenues, Expenditures, and Transfers
For the Years Ended June 30, 2020 through 2024

	Fiscal Year				
	2024	2023	2022	2021	2020
Revenues					
Income tax allocation	\$ 133,642	\$ 98,223	\$ 66,524	\$ 142,518	\$ 56,311
Other revenue	0	17,567	0	0	32
Total Revenues	<u>\$ 133,642</u>	<u>\$ 115,790</u>	<u>\$ 66,524</u>	<u>\$ 142,518</u>	<u>\$ 56,343</u>
Expenditures					
Salaries	\$ 629,686	\$ 622,228	\$ 544,651	\$ 506,032	\$ 486,920
Utilities and rent	49,030	48,886	48,963	48,912	52,606
Refunds, taxes, and claims	1,289,682	1,611,637	1,451,289	1,328,186	(228,843)
Other expenses	44,215	46,608	46,584	43,912	38,496
Total Expenditures	<u>\$ 2,012,613</u>	<u>\$ 2,329,359</u>	<u>\$ 2,091,487</u>	<u>\$ 1,927,042</u>	<u>\$ 349,179</u>
Net Transfers In (Out)	<u>\$ 2,556,964</u>	<u>\$ 1,933,789</u>	<u>\$ 2,206,160</u>	<u>\$ 1,621,684</u>	<u>\$ 2,088,123</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, 2020 through 2024

	Fiscal Year				
	2024	2023	2022	2021	2020
Assets					
Cash and cash equivalents	\$ 46,352	\$ 44,978	\$ 462,557	\$ 265,615	\$ 425,472
Fixed assets	39,550	39,550	37,017	51,537	48,169
Prepaid expenses	3,932	1,072	3,272	3,772	6,272
Other assets	0	0	0	4,178	0
Total Assets	<u>\$ 89,834</u>	<u>\$ 85,600</u>	<u>\$ 502,846</u>	<u>\$ 325,102</u>	<u>\$ 479,913</u>
Liabilities					
Accounts payable	\$ 1,592,925	\$ 2,268,500	\$ 97	\$ 92	\$ 435
Payroll liability	10,966	10,580	34,324	24,483	20,136
Accrued liabilities	0	0	752	942	1,542
Total Liabilities	<u>\$ 1,603,891</u>	<u>\$ 2,279,080</u>	<u>\$ 35,173</u>	<u>\$ 25,517</u>	<u>\$ 22,113</u>

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

