

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Public Service Commission

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 Public Service Commission. Assessment procedures disclosed no reportable items of noncompliance.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas Public Service Commission, a commission of Arkansas state government, as of and for the year ended June 30, 2022, and have issued our report dated February 28, 2023. 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 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 Public Service Commission is comprised of two divisions. The Utilities Division is responsible for regulating the intrastate rates and services of the public utilities in Arkansas, which provide electricity, natural gas, water, telephone and pipeline safety services. The Tax Division determines ad valorem assessments for property tax purposes on public utilities and carriers, including telecommunications providers; electric, gas, and water utilities; pipeline companies; railroads; airlines; barge lines; cable television providers; motor carriers; and bus lines.

The Commission consists of three appointed members who serve six-year terms. The Commission's organizational chart is presented in **Exhibit I on page 2**. In accordance with Act 910 of 2019, effective July 1, 2019, the Arkansas Public Service Commission did not become part of any newly-created cabinet-level Department.

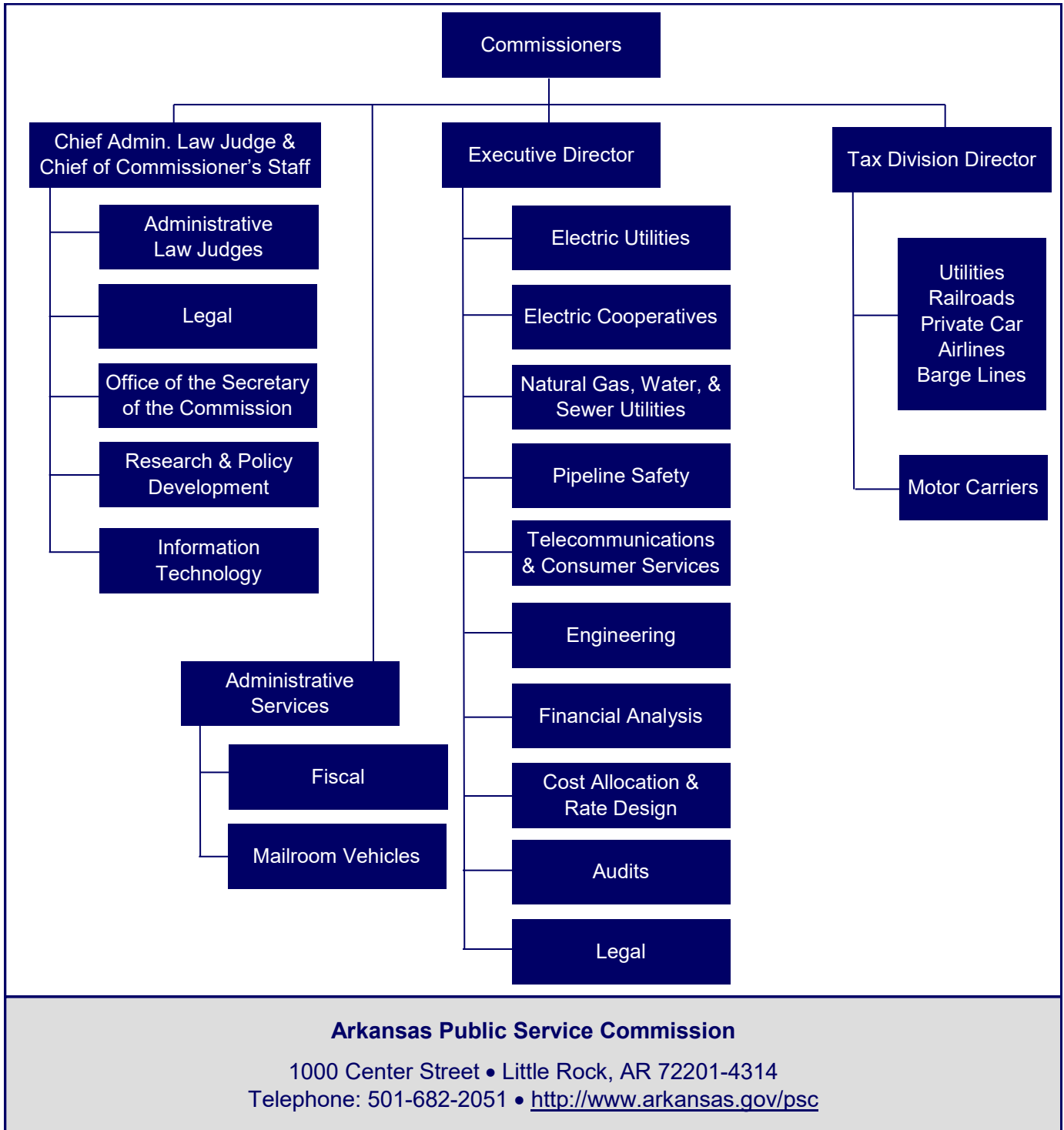
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Exhibit I
Arkansas Public Service Commission
Organizational Chart



Source: Arkansas Public Service Commission

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Revenues, expenditures, and transfers for fiscal years 2018 through 2022 are presented in **Exhibit II**.

Revenues totaled \$9.4 million for the fiscal year ended June 30, 2022. Utility assessment fees of \$8.8 million represented the largest revenue source. Federal revenue consisted of reimbursement for pipeline safety expenses provided by the United States Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA).

Expenditures totaled \$11 million for the fiscal year ended June 30, 2022. Salaries totaling \$8.9 million were the Agency's largest expenditure.

Net transfers totaled \$1.1 million for the fiscal year ended June 30, 2022, and consisted primarily of ad valorem taxes collected by and transferred from the Department of Finance and Administration in accordance with Ark. Code Ann. § 19-5-1024.

Assets, Liabilities, and Deferred Inflows of Resources

Assets, liabilities, and deferred inflows of resources for fiscal years 2018 through 2022 are presented in **Exhibit III on page 4**.

Agency assets, primarily comprised of cash and cash equivalents, totaled \$8.6 million as of June 30, 2022. Liabilities were \$525,018 as of June 30, 2022. Deferred inflows of resources related to revenues, totaling \$235,463, primarily represented federal receivables not collected within 45 days after the 2022 fiscal year-end.

Exhibit II

Arkansas Public Service Commission Revenues, Expenditures, and Transfers For the Years Ended June 30, 2018 through 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Revenues					
Utility assessment fees	\$ 8,809,164	\$ 8,997,032	\$ 8,484,850	\$ 9,107,459	\$ 8,220,007
Federal grants and reimbursements	525,453	663,266	555,535	675,623	563,068
Other income	37,824	50,980	32,200	23,754	21,644
Total Revenues	<u>\$ 9,372,441</u>	<u>\$ 9,711,278</u>	<u>\$ 9,072,585</u>	<u>\$ 9,806,836</u>	<u>\$ 8,804,719</u>
Expenditures					
Salaries	\$ 8,909,003	\$ 8,496,822	\$ 8,656,761	\$ 8,581,826	\$ 8,685,347
Utilities and rent	627,193	623,784	622,636	636,576	633,871
Professional service fees	771,862	480,012	553,053	449,525	500,260
Other expenses	732,208	465,556	527,616	803,213	583,704
Total Expenditures	<u>\$ 11,040,266</u>	<u>\$ 10,066,174</u>	<u>\$ 10,360,066</u>	<u>\$ 10,471,140</u>	<u>\$ 10,403,182</u>
Net Transfers In (Out)	<u>\$ 1,091,159</u>	<u>\$ 1,069,796</u>	<u>\$ 1,118,337</u>	<u>\$ 1,092,848</u>	<u>\$ 1,123,310</u>

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

Exhibit III
Arkansas Public Service Commission
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	\$ 6,783,771	\$ 7,577,076	\$ 6,815,242	\$ 6,188,678	\$ 6,477,856
Federal receivables	228,495	221,445	231,761	235,209	241,639
Fixed assets	1,125,170	1,222,140	1,250,946	1,316,890	1,142,751
Other assets	450,414	110,848	101,249	819,472	91,130
Total Assets	\$ 8,587,850	\$ 9,131,509	\$ 8,399,198	\$ 8,560,249	\$ 7,953,376
Liabilities					
Payroll liability	\$ 501,525	\$ 431,290	\$ 377,725	\$ 299,935	\$ 295,251
Other liabilities	23,493	15,519	15,814	9,496	11,017
Total Liabilities	\$ 525,018	\$ 446,809	\$ 393,539	\$ 309,431	\$ 306,268
Deferred Inflows of Resources					
Related to revenues	\$ 235,463	\$ 224,709	\$ 231,761	\$ 241,831	\$ 241,639

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

