Legislative Joint Auditing Committee Handbook

Spring 2015

From the Legislative Auditor

Welcome to the Legislative Joint Auditing Committee (LJAC). Utilizing state resources effectively and efficiently has always been the desire of Arkansas's legislators, making independent, objective evaluations of the stewardship of these resources essential.

Arkansas Legislative Audit (ALA) provides oversight through multiple types of audits and other engagements each year. Utilizing the work of highly-qualified staff, ALA serves the General Assembly, the LJAC, and the citizens of Arkansas by promoting sound financial management and accountability of public resources entrusted to the various governmental entities. The location of ALA within the legislative branch of government provides organizational independence recognized under government auditing standards, allowing our work to be conducted in an unbiased, non-partisan manner. ALA strictly adheres to the standards of the auditing profession.

This handbook is designed to familiarize you with LJAC, ALA, its staff, and its work and to answer common questions. We look forward to working with you and invite any additional questions you may have.

Sincerely,

Roger A. Norman, JD, CPA, CFE, CFF

About the Legislative Auditor

Roger Norman, JD, CPA, CFE, CFF

- Nearly 40 years of governmental auditing experience
- Appointed Legislative Auditor in 2007
- Previously served as a staff auditor and legal counsel
- Represents ALA and the State in numerous professional organizations as both a member and an officer
- Current President of the National State Auditors Association
- Named Outstanding CPA in Government on both state and national levels in 2012
- Graduate of Ouachita Baptist University (BA in Accounting) and University of Arkansas at Little Rock School of Law (JD)

What is the Legislative Joint Auditing Committee (LJAC)?

Co-Chairs

Senator
Jimmy Hickey, Jr.

Representative
Mary Broadaway

Vice Co-Chairs

Senator
Linda Chesterfield

Representative
Sue Scott

Created in 1953, the Legislative Joint Auditing Committee (LJAC) is responsible for the auditing of state government entities and is comprised of 16 Senate members and 20 House members. The President Pro Tempore of the Senate, Speaker of the House of Representatives, immediate past LJAC Co-Chairs, and Legislative Council Co-Chairs and Co-Vice Chairs serve as ex-officio members. The 2015-2016 LJAC members can be found on the General Assembly's website at www.arkleg.state.ar.us by selecting "Committees," as shown at right.

The LJAC Co-Chairs assign members to three Standing Subcommittees on state agencies, educational institutions, and counties and municipalities. The LJAC Co-Chairs and the Standing Subcommittee Chairs compose the LJAC Executive Subcommittee. When the General Assembly is not in session, the full LJAC meets on the second Friday of each month; the three Standing Subcommittees and Executive Subcommittee meet on the preceding Thursday.

What is Arkansas Legislative Audit (ALA)?

ALA was created in 1953 to serve the General Assembly, the LJAC, and Arkansas citizens by promoting sound financial management and accountability in state government.

ALA staff complete over 1,000 engagements annually involving entities of the State and its political subdivisions. The reports that result from these engagements normally include recommendations that, if implemented, should improve management of public funds.

FAST facts

ALA's enabling legislation can be found at Arkansas Code Annotated §§ 10-4-401 — 10-4-427.

What types of reports does ALA produce?

While all ALA reports are sometimes referred to as "audits," ALA staff actually produce many types of specialized reports as a result of engagements at state agencies, counties, municipalities, prosecuting attorneys' offices, and educational institutions:

- A **financial audit** is an independent assessment of an entity's financial statements for accuracy and completeness.
- A **financial and compliance engagement** is conducted to determine if entities are complying with state laws and regulations and accepted accounting practices.
- An **internal control and compliance assessment** examines accounting practices; internal controls in place to protect public resources from fraud, waste, and abuse; and compliance with the entity's internal policies as well as state laws and regulations.
- An **information systems audit** may be conducted simultaneously with other engagements to evaluate an entity's information processing systems (e.g., passwords, disaster recovery, etc.).

(continued)

What types of reports does ALA produce? (cont.)

- An **investigative report** usually involves examination of bank accounts, invoices, deposits, disbursements, and other transactions to detect misappropriation of public funds.
- A **special report** is designed to address specific concerns and interests of the LJAC regarding efficient and effective use of public resources by a particular entity or in a specific program.
- A **performance audit** provides objective analysis of government programs to assist management and those charged with governance and oversight with improving performance and to further contribute to the public accountability of resources.

Notably, ALA staff audit the State's Comprehensive Annual Financial Report (CAFR) prepared by the Department of Finance and Administration. Additionally, ALA staff conduct the Statewide Single Audit, including the Schedule of Expenditures of Federal Awards (SEFA) that examines use of various federal grant awards in the State.

By law, all reports that disclose unaccounted for funds or property or unauthorized disbursements, or matters that appear to involve a criminal offense, are referred by the Legislative Auditor to the appropriate prosecuting attorney.

FAST facts

In 2013, LJAC referred 194 matters totaling $15.2 million in improper transactions to the State's prosecuting attorneys.

What happens after a report is completed?

Reports are presented to the LJAC or one of its Standing Subcommittees before becoming available to any other legislative committee or to the public. After presentation, reports become publicly available on the ALA website at www.arklegaudit.gov. In some instances, the LJAC Co-Chairs may approve a report for "early release" so that it is made public prior to presentation to the LJAC or a Standing Subcommittee.

How do I find a previously-issued report?

All reports issued by ALA from 1998 to the present are available in a searchable database on the ALA website at www.arklegaudit.gov. Reports issued prior to 1998 can be obtained by calling the ALA office at 501-683-8600.

How do I request a special audit, report, or investigation?

A member of the General Assembly may submit a written request to the LJAC Co-Chairs for a special audit, report, or investigation regarding an entity or topic not included in the scope of ALA's typical work. The request is then reviewed by the Executive Subcommittee and either approved or not approved.

What are the professional requirements for ALA staff?

Because the auditing profession is highly regulated, ALA auditors are required to adhere to auditing and accounting standards from a number of national regulatory and professional entities, including the Governmental Accounting Standards Board, the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, and the Government Accountability Office.

Based on these extensive, complex standards, all applicants for professional audit positions must have college degrees with sufficient accounting and total credit hours to qualify them to take the Uniform Certified Public Accountant (CPA) examination and become a licensed CPA in the State of Arkansas.

ALA currently employees 266 professional staff and 12 support staff. As of January 1, 2015, professional staff had achieved the following designations:

- 154 Certified Public Accountants (CPA)
- 53 Certified Fraud Examiners (CFE)
- 13 Certified in Financial Forensics (CFF)
- 10 Certified Information Systems Auditors (CISA)
- 2 Attorneys (JD)

Who "audits the auditors"?

Government auditing standards require all organizations conducting government audits to establish and maintain a system of quality control. ALA demonstrates commitment to the highest standards for auditing work by voluntarily agreeing to both internal and external quality control procedures.

Internally, ALA's Quality Assurance personnel inspect reports and related audit documentation and monitor ALA's Continuing Professional Education activities. Quality Assurance personnel also review relevant literature issued by auditing and accounting authoritative bodies, communicate new or amended standards to ALA staff, and assist in implementing appropriate standards.

Externally, ALA undergoes a quality control review (also known as a "peer review") every three years by members of the National State Auditors Association. A bi-annual financial audit is also performed by a private CPA firm to ensure stewardship of public funds entrusted to ALA.

FAST facts

In its most recent peer review, ALA received the highest opinion possible from the National State Auditors Association.

Who makes up ALA's executive management team?

In addition to the Legislative Auditor, ALA's executive management team consists of seven professional staff who have over 150 combined years of experience at ALA. These staff members are all stationed in Little Rock and maintain offices in the State Capitol or the nearby Victory Building. ALA staff includes 24 additional audit managers and supervisors in Little Rock and regions around the State who oversee the work of auditors in the field.

Legal Counsel
Frank Arey, JD

- Joined ALA in 2008
- Advises ALA staff and the LJAC on legal matters; drafts legislation; testifies regarding LJAC legislation during General Assembly meetings; and monitors legislative action, court decisions, and Attorney General opinions
- Graduate of Hendrix College (BA in History) and University of Arkansas at Little Rock School of Law (JD with honors)

Assistant Legislative Auditor
Kim Williams, CPA, CFE, CFF

- Joined ALA in 1982
- Coordinates LJAC meetings; oversees ALA policy, human resources, and certain fiscal matters; supervises special and investigative reports; and directs fraud-related auditing procedures
- Graduate of the University of Arkansas, Fayetteville (BSBA in Accounting)

Assistant Legislative Auditor
Paula Kinnard, CPA, CFF

- Joined ALA in 1997
- Ensures ALA reports comply with all professional standards and internal quality control policies; oversees ALA's paperless audit software application and continuing professional education activities; and coordinates ALA recruiting efforts at the State's colleges and universities
- Graduate of the University of Arkansas at Monticello (BS in Accounting) and the University of Arkansas at Little Rock (MBA)

Who makes up ALA's executive management team? (cont)

Deputy Legislative Auditor – Information Systems
Larry Barlow, CPA

- Joined ALA in 2001
- Oversees information systems audits and development and maintenance of ALA's computer network, website, and internal computer applications
- Graduate of Oklahoma State University (BS in Accounting, minor in Computer Science) and the University of Tulsa (MBA)

Deputy Legislative Auditor – Counties and Municipalities
June Barron, CPA, CFE

- Joined ALA in 1981
- Responsible for financial and compliance engagements regarding Arkansas's counties, municipalities, and prosecuting attorney offices
- Graduate of Henderson State University (BSBA in Accounting)

Deputy Legislative Auditor – Educational Institutions
Larry Hunter, CPA, CFE

- Joined ALA in 1984
- Oversees financial and compliance audits of state-supported institutions of higher education, public school districts, open-enrollment charter schools, and education service cooperatives
- Graduate of the University of Arkansas at Monticello (BS in Accounting)

Deputy Legislative Auditor – State Agencies
Jon Moore, CPA, CFE, CFF

- Joined ALA in 1981
- Manages all engagements involving state agencies, including the financial and federal compliance audit of the State, financial and compliance audits of individual state agencies, as well as special reports and internal control and compliance assessments regarding state government entities
- Graduate of the University of Arkansas, Fayetteville (BSBA in Accounting)

Arkansas Legislative Audit

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