

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Geological Survey

For the Fiscal Year Ended June 30, 2014



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 Geological Survey. Assessment procedures disclosed no reportable items of noncompliance.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas Geological Survey, a commission of Arkansas state government, as of and for the year ended June 30, 2014, and have issued our report dated August 10, 2015. 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, investments, 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 2014 State Comprehensive Annual Financial Report (CAFR) and Single Audit Report. The methodology used in conducting this assessment was developed uniquely for this engagement and, therefore, was more limited in scope than an audit or attestation engagement performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

RESULTS OF ASSESSMENT

Assessment procedures did not disclose instances of noncompliance considered reportable.

ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

The Arkansas Geological Survey was created by Act 16 of 1963. The Arkansas State Board of Registration for Professional Geologists was transferred to the Agency through Act 708 of 2013, effective July 1, 2013, and is represented in the organization chart displayed in **Exhibit I on page 2**. Agency activities are divided into three major sections:

- *Administration Services* supports the Agency with fiscal, human resources, and personnel services, providing all administrative support for the Agency as well as physical plant and vehicle maintenance.

ARKANSAS LEGISLATIVE AUDIT
500 Woodlane Street, Suite 172, Little Rock, AR 72201
Phone: 501-683-8600 Fax: 501-683-8605
www.arklegaudit.gov

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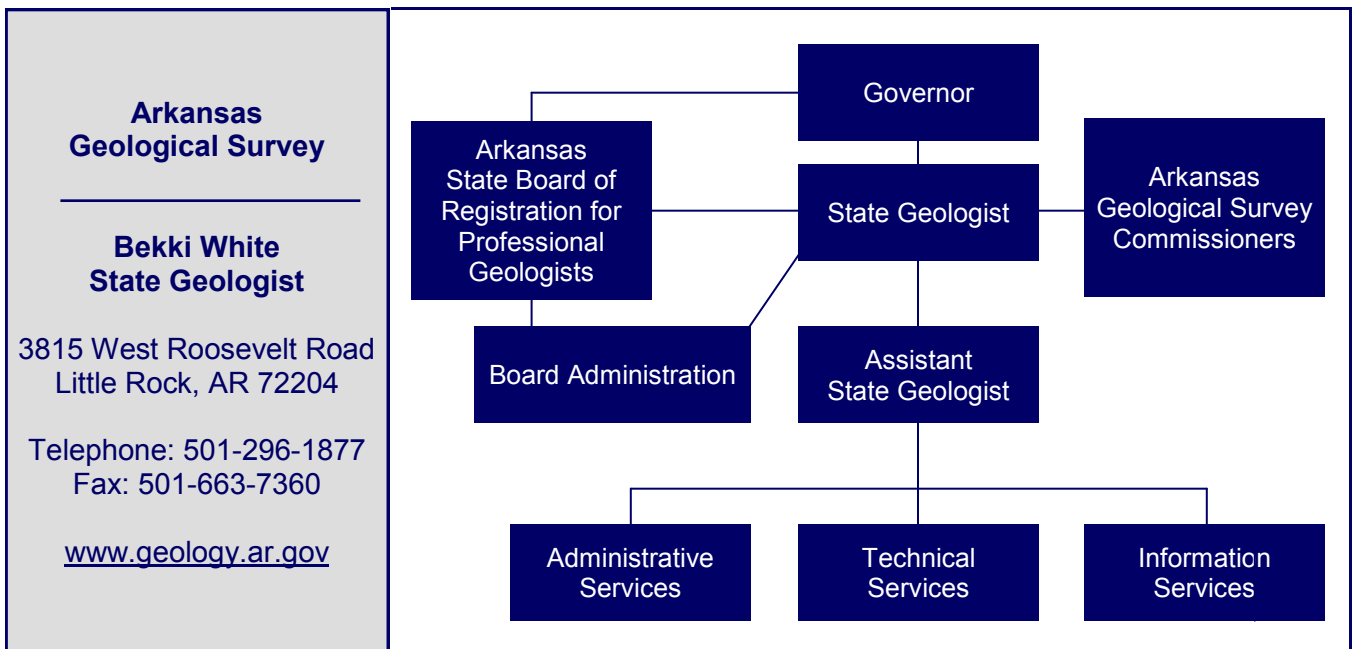
Report Date: August 10, 2015



- *Technical Services* is composed of geologic staff and technical support personnel. Primary responsibilities include searching for and providing information on the State's mineral, fossil-fuel, and water resources; encouraging orderly development of these resources; maintaining a current geologic map of the State; and studying and reporting on the geologic factors affecting the State's environment.
- *Information Services* distributes information prepared and maintained by the Technical Services Section through map and publication sales, a geological library, network and computer services, and Geographic Information Systems (GIS) cartographic services.

Exhibit I

**Arkansas Geological Survey
Organizational Chart**



Source: Arkansas Geological Survey

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Agency revenues, expenditures, and transfers for fiscal years 2010 through 2014 are provided in **Exhibit II on page 3**. Agency activities are primarily supported by general revenue funds, which are reflected in net transfers, federal grants, map and publication sales, and donations. Beginning in fiscal year 2014, the Agency also collected license fees for registered professional geologists, which amounted to approximately \$49,000. The Agency received \$2.2 million in general revenues during fiscal year 2014 and approximately \$150,000 in grants for several federally-funded programs.

Agency expenditures totaled approximately \$2.3 million for fiscal year 2014. The majority of the expenditures (81%) were for salaries and payroll-related items.

Assets and Liabilities

Asset and liability balances at year-end for fiscal years 2010 through 2014 are presented in **Exhibit III on page 4**. Agency assets and liabilities at June 30, 2014 totaled approximately \$2 million and \$121,000, respectively. Fund balances were reconciled to the State Treasury without exception. Liabilities included unearned license fees of approximately \$35,000, which result when licenses fees are collected for the portion of the license term that extends beyond the fiscal year end. Liabilities due to other agencies increased in fiscal year 2014 due to general revenue reclamation initiated by the Department of Finance and Administration per Ark. Code Ann. § 19-5-1004.

Exhibit II
Arkansas Geological Survey
Revenues, Expenditures, and Transfers
For the Years Ended June 30, 2010 through 2014

| | Fiscal Year | | | | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Revenues | | | | | |
| Licenses, permits, and fees | \$ 48,647 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Federal grants and reimbursements | 149,605 | 128,030 | 168,673 | 248,761 | 151,000 |
| Sale of publications and maps | 13,226 | 14,887 | 17,108 | 18,108 | 22,704 |
| Other income | 889 | 2,618 | 9,143 | 2,066 | 1,704 |
| Total Revenues | \$ 212,367 | \$ 145,535 | \$ 194,924 | \$ 268,935 | \$ 175,408 |
| Expenditures | | | | | |
| Salaries and fringe benefits | \$ 1,837,462 | \$ 1,908,025 | \$ 1,916,750 | \$ 1,815,266 | \$ 1,709,732 |
| Professional service fees | 110,254 | 110,211 | 107,367 | 117,700 | 125,348 |
| Commodities, materials, and supplies | 66,733 | 61,090 | 76,838 | 105,634 | 110,555 |
| Other expenses | 244,880 | 199,366 | 190,561 | 190,702 | 170,613 |
| Total Expenditures | \$ 2,259,329 | \$ 2,278,692 | \$ 2,291,516 | \$ 2,229,302 | \$ 2,116,248 |
| Net Transfers In (Out) | \$ 2,172,671 | \$ 2,124,213 | \$ 2,055,570 | \$ 2,003,324 | \$ 1,942,854 |

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

Exhibit III
Arkansas Geological Survey
Assets and Liabilities
For the Years Ended June 30, 2010 through 2014

| | Fiscal Year | | | | |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Assets | | | | | |
| Cash and cash equivalents | \$ 300,319 | \$ 191,621 | \$ 201,061 | \$ 252,222 | \$ 250,676 |
| Investments | 60,921 | 0 | 0 | 0 | 0 |
| Fixed assets | 1,533,589 | 1,530,546 | 1,429,629 | 1,435,069 | 1,370,456 |
| Prepaid expenses | 11,672 | 1,525 | 9,040 | 9,924 | 10,476 |
| Other assets | 135,249 | 135,291 | 137,601 | 181,154 | 136,874 |
| Total Assets | \$ 2,041,750 | \$ 1,858,983 | \$ 1,777,331 | \$ 1,878,369 | \$ 1,768,482 |
| Liabilities | | | | | |
| Payroll liability | \$ 35,870 | \$ 33,706 | \$ 33,634 | \$ 91,568 | \$ 81,195 |
| Accounts payable | 2,357 | 0 | 0 | 0 | 0 |
| Due to other agencies | 47,943 | 6,601 | 13,460 | 369 | 21,690 |
| Unearned license fees | 35,280 | 0 | 0 | 0 | 0 |
| Other liabilities | 0 | 0 | 3,533 | 13,266 | 0 |
| Total Liabilities | \$ 121,450 | \$ 40,307 | \$ 50,627 | \$ 105,203 | \$ 102,885 |

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

