

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Public Service Commission

For the Two Fiscal Years 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 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 two-year period ended June 30, 2014, and have issued our report dated August 25, 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, 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 years 2014 and 2013 State Comprehensive Annual Financial Reports (CAFR) and Single Audit Reports. 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 Commission is comprised of two divisions. The Utilities Division is responsible for regulating the intrastate rates and services of the public utilities in Arkansas. These utilities 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**.

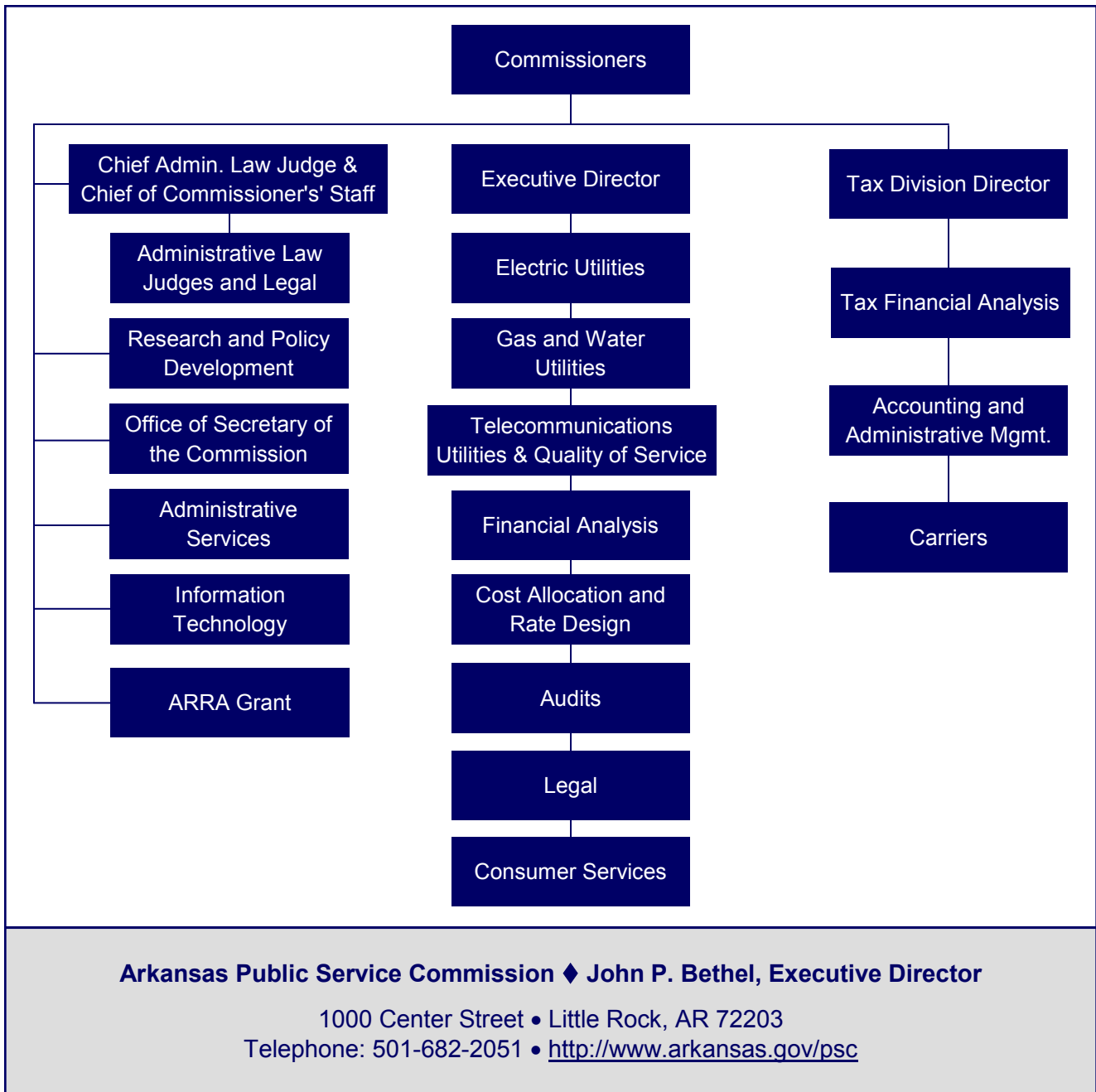
ARKANSAS LEGISLATIVE AUDIT
500 Woodlane Street, Suite 172, Little Rock, AR 72201
Phone: 501-683-8600 Fax: 501-683-8605
www.arklegaudit.gov

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Exhibit I
Arkansas Public Service Commission
Organizational Chart



Source: Arkansas Public Service Commission

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Commission revenues, expenditures, and transfers for fiscal years 2010 through 2014 are presented in **Exhibit II**. Revenue totaled \$9.6 million for the fiscal year ended June 30, 2014, and \$10.2 million for the fiscal year ended June 30, 2013. The primary source of revenues was utility assessment fees. The negative other income is a result of journal entries to record deferred inflows of resources in accordance with GASB no. 65, *Items Previously Reported as Assets and Liabilities*.

Commission expenditures totaled \$9.5 million and \$9.8 million for the fiscal years ended June 30, 2014 and 2013, respectively. The majority of expenditures were for salaries and benefits, which comprised 83% and 80% of total expenditures for fiscal years 2014 and 2013, respectively.

Net transfers, which represent the ad valorem taxes, totaled \$967,185 and \$1.1 million for the fiscal years ended June 30, 2014 and 2013.

Assets, Liabilities, and Deferred Inflows of Resources

Commission asset, liability, and deferred inflows of resources balances at year-end for fiscal years 2010 through 2014 are presented in **Exhibit III on page 4**. Assets, liabilities, and deferred inflows of resources totaled \$8.2 million, \$192,985, and \$233,325, respectively, at June 30, 2014, and \$7.6 million, \$163,574, and \$172,888, respectively, at June 30, 2013. Of Commission assets, 79% and 81% were cash and cash equivalents for fiscal years 2014 and 2013, respectively. Deferred inflows of resources consisted of accounts receivable amounts not collected within 45 days after fiscal year-end.

Exhibit II

Arkansas Public Service Commission Revenues, Expenditures, and Transfers

	Fiscal Year				
	2014	2013	2012	2011	2010
Revenues					
Utility assessment fees	\$ 9,234,046	\$ 9,724,871	\$ 9,862,399	\$ 8,348,695	\$ 8,534,836
Federal grants and reimbursements	568,893	433,615	432,755	393,195	326,714
Other income	(212,199)	11,371	15,336	13,759	1,951
Total Revenues	\$ 9,590,740	\$ 10,169,857	\$ 10,310,490	\$ 8,755,649	\$ 8,863,501
Expenditures					
Salaries	\$ 7,868,008	\$ 7,812,598	\$ 7,897,263	\$ 7,705,695	\$ 7,593,477
Utilities and rent	622,515	619,862	621,476	622,183	616,300
Professional services and fees	354,820	711,041	1,035,865	862,472	432,688
Other expenses	640,326	625,148	744,700	725,264	659,727
Total Expenditures	\$ 9,485,669	\$ 9,768,649	\$ 10,299,304	\$ 9,915,614	\$ 9,302,192
Net Transfers In (Out)	\$ 967,185	\$ 1,060,312	\$ 902,619	\$ 774,230	\$ 813,171

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, 2010 through 2014

	Fiscal Year				
	2014	2013	2012	2011	2010
Assets					
Cash and cash equivalents	\$ 6,485,566	\$ 6,123,398	\$ 5,310,427	\$ 5,299,009	\$ 6,291,212
Federal receivables	230,137	172,039	159,067	150,834	161,003
Fixed assets	1,193,100	1,178,276	1,193,602	1,183,497	1,134,111
Other assets	276,116	115,775	67,096	115,195	101,084
Total Assets	\$ 8,184,919	\$ 7,589,488	\$ 6,730,192	\$ 6,748,535	\$ 7,687,410
Liabilities					
Payroll liability	\$ 179,300	\$ 150,393	\$ 152,367	\$ 430,534	\$ 412,026
Other liabilities	13,685	13,181	22,171	5,378	9,197
Total Liabilities	\$ 192,985	\$ 163,574	\$ 174,538	\$ 435,912	\$ 421,223
Deferred Inflows of Resources					
Related to revenues	\$ 233,325	\$ 172,888	\$ 160,853	\$ 150,964	\$ 161,871

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

