

# **Internal Control and Compliance Assessment**

## **Arkansas Legislative Audit**

### **Arkansas Assessment Coordination Department**

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 Assessment Coordination Department. Assessment procedures disclosed no reportable items of noncompliance.

## **SCOPE AND METHODOLOGY**

We performed an internal control and compliance assessment of the Arkansas Assessment Coordination Department, a department of Arkansas state government, as of and for the year ended June 30, 2014, and have issued our report dated October 7, 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, accounts receivable, 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 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 Assessment Coordination Department, created by Act 436 of 1997, which transferred the Assessment Coordination Division of the Public Service Commission to the Department, supervises the valuation, assessment, and equalization of all locally assessed ad valorem taxes in the State and the local officials and employees administering these taxes in all 75 counties.

The Department conducts appraisal courses and seminars for county officials, county employees, and private citizens; prepares valuation manuals containing suggested guidelines for the appraisal of real and personal property; performs assessment ratio studies to measure the level and uniformity of assessments; conducts performance audits to ensure the accuracy of appraisals; and provides pertinent data necessary to maintain appraisals.

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Report ID: SR1049014

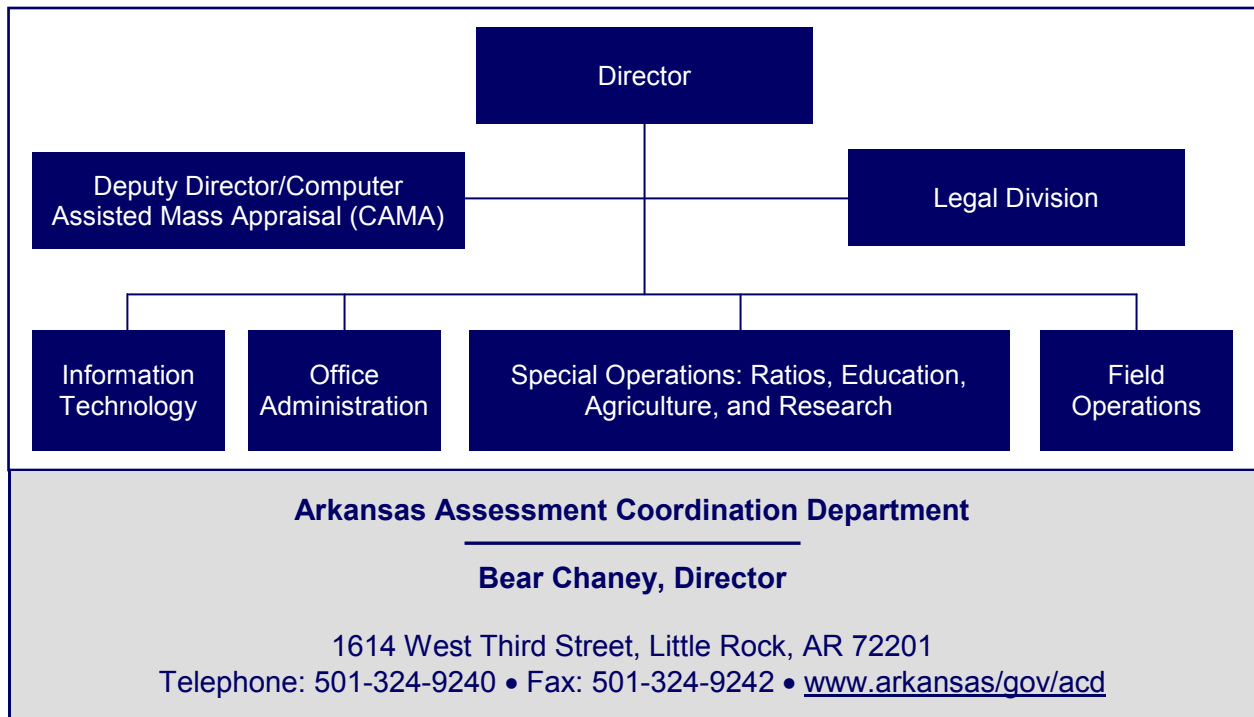
Report Date: October 7, 2015



Act 1185 of 1999 established a uniform system of real property assessment and requires each county to appraise all market value real estate normally assessed by the county assessor at least once every three years. In addition, the Act created the Real Property Reappraisal Fund to pay counties and professional appraisal companies for the appraisal of real property required by the Act. The Act authorizes the Department to develop and implement appraisal procedures to be followed by the counties; develop and implement rules relating to training, experience, and testing requirements for determining whether a person is qualified to manage an appraisal; enter into contracts with private entities for appraisal services on behalf of counties; and make payments to counties and professional appraisal companies from amounts appropriated and payable from the Real Property Reappraisal Fund. Act 1058 of 2001 amended Act 1185 of 1999, adding a five-year appraisal cycle and defining when a three- or five-year cycle is required based on the increase in market value of real estate assessed. The Department's organizational chart is presented in **Exhibit I**.

**Exhibit I**

**Arkansas Assessment Coordination Department  
Organizational Chart**



*Source: Arkansas Assessment Coordination Department*

## **FISCAL ANALYSIS**

### **Revenues, Expenditures, and Transfers**

Revenues, expenditures, and transfers for fiscal years 2010 through 2014 are presented in **Exhibit II on page 3**. Reported revenue totaled \$67,904 for the fiscal year ended June 30, 2014. The primary sources of these funds were fees collected for appraisal courses, seminars, and manuals.

Expenditures totaled \$17.3 million for the fiscal year ended June 30, 2014. Professional service fees constituted approximately 85% of all expenditures. This amount reflects payments made to counties for the appraisal of real property required by Act 1185 of 1999, as amended.

Transfers totaled \$17.2 million for the fiscal year ended June 30, 2014. The balance primarily represents funding of appropriations provided through interagency transfers from the Public School Fund, County Aid Fund, and Municipal Aid Fund to the Real Property Reappraisal Fund.

### **Assets and Liabilities**

Asset and liability balances at year-end for fiscal years 2010 through 2014 are presented in **Exhibit III on page 4**. Assets and liabilities at June 30, 2014, totaled \$3.6 million and \$326,809, respectively. The “cash and cash equivalents” amount is comprised of cash in State Treasury balances, which were reconciled without exception. The majority of liabilities is attributable to excess general revenues that will be reclaimed in the next fiscal year.

### **Exhibit II**

#### **Arkansas Assessment Coordination Department Revenues, Expenditures, and Transfers For the Years Ended June 30, 2010 through 2014**

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Revenues</b>					
County assessor education fees (net)	\$ 42,355	\$ 42,935	\$ 43,515	\$ 44,232	\$ 44,135
Assessment and appraisal course tuition and fees	24,584	16,628	23,519	35,612	31,266
Other income	965	826	934	31	268
<b>Total Revenues</b>	<b>\$ 67,904</b>	<b>\$ 60,389</b>	<b>\$ 67,968</b>	<b>\$ 79,875</b>	<b>\$ 75,669</b>
<b>Expenditures</b>					
Salaries and employee benefits	\$ 1,817,482	\$ 1,922,089	\$ 1,894,223	\$ 1,783,020	\$ 1,804,799
Travel and subsistence	351,462	360,726	370,444	319,331	345,827
Professional service fees	14,757,904	14,629,279	14,765,815	14,873,406	14,876,359
Other expenses	375,340	373,626	358,142	386,339	454,252
<b>Total Expenditures</b>	<b>\$ 17,302,188</b>	<b>\$ 17,285,720</b>	<b>\$ 17,388,624</b>	<b>\$ 17,362,096</b>	<b>\$ 17,481,237</b>
<b>Net Transfers In (Out)</b>	<b>\$ 17,181,945</b>	<b>\$ 18,640,417</b>	<b>\$ 17,859,307</b>	<b>\$ 16,610,717</b>	<b>\$ 16,918,541</b>

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

**Exhibit III**

**Arkansas Assessment Coordination Department  
Assets and Liabilities  
For the Years Ended June 30, 2010 through 2014**

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Assets</b>					
Cash and cash equivalents	\$ 2,698,092	\$ 3,165,372	\$ 1,755,683	\$ 1,246,704	\$ 1,882,519
Fixed assets	351,265	326,127	301,001	299,590	308,044
Prepaid expenses	37,501	31,697	25,821	43,961	40,522
Other assets	550,666	1,867	0	1,913	17,124
<b>Total Assets</b>	<b>\$ 3,637,524</b>	<b>\$ 3,525,063</b>	<b>\$ 2,082,505</b>	<b>\$ 1,592,168</b>	<b>\$ 2,248,209</b>
<b>Liabilities</b>					
Payroll liability	\$ 37,658	\$ 42,481	\$ 32,670	\$ 91,939	\$ 85,118
Other liabilities	289,151	10,028	3,695	1,161	2,248
<b>Total Liabilities</b>	<b>\$ 326,809</b>	<b>\$ 52,509</b>	<b>\$ 36,365</b>	<b>\$ 93,100</b>	<b>\$ 87,366</b>

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

