

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas State Military Department

For the Fiscal Year Ended June 30, 2018



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 State Military Department. Assessment procedures disclosed no reportable items of noncompliance.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas State Military Department, a department of Arkansas state government, as of and for the year ended June 30, 2018, and have issued our report dated June 24, 2019. 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 2018 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 State Military Department is responsible for all matters relating to the command, control, and supervision of the militia, National Guard, or other military organization under the jurisdiction of the Governor. The National Guard is divided into two basic components: Air National Guard and Army National Guard. The Guard primarily serves the State of Arkansas, except when it is federalized by the President, and responds to the Governor's call-up in times of invasion, disaster, insurrection, riot, or breach of peace. Some of the State Military Department facilities and programs are as follows:

- The National Guard Professional Education Center at Camp Robinson provides a structured education program for National Guard and federal technicians.
- The National Guard Marksmanship Center at Camp Robinson provides a structured marksmanship training program for individuals and teams from National Guard units nationwide.

ARKANSAS LEGISLATIVE AUDIT

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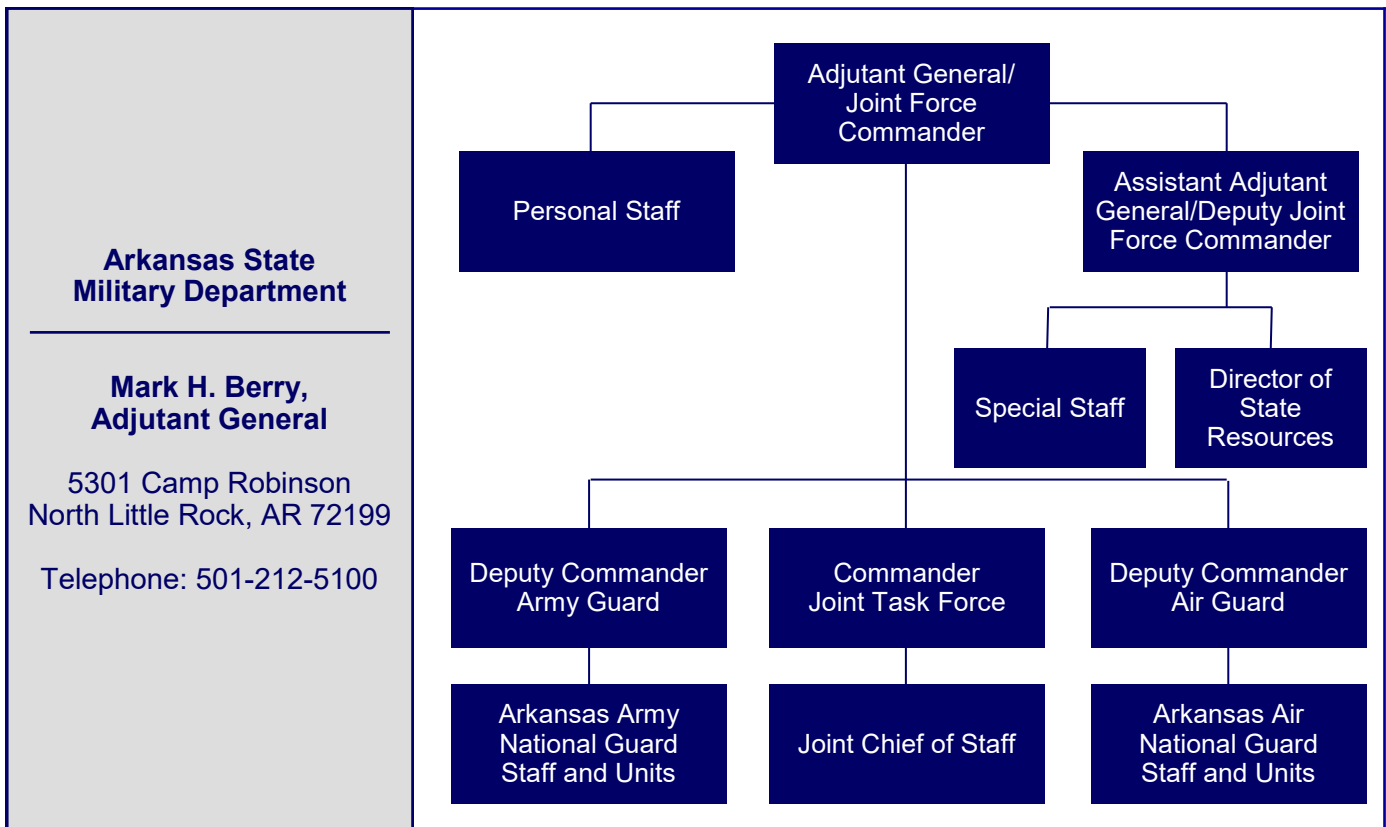
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Two youth programs, Civilian Student Training Program (for 13- to 17-year-old males referred through Juvenile Court) and Arkansas National Guard Youth Challenge Program (for at-risk youth who have dropped out of high school), are located at Camp Robinson. These programs utilize a military environment to provide values, skills, education, and self-discipline to help these youth redirect their lives.

The Department’s organizational chart is presented in **Exhibit I**.

Exhibit I
Arkansas State Military Department
Organizational Chart



Source: Arkansas State Military Department

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Agency revenues, expenditures, and transfers for fiscal years 2014 through 2018 are illustrated in **Exhibit II on page 3**. Revenues and expenditures totaled \$49.7 million and \$62.0 million, respectively, for the year ended June 30, 2018. The majority of revenue consisted of federal grants and reimbursements. As shown in **Exhibit IV on page 4**, the Agency received federal awards of \$48.0 million during FY2018. Other expenses and salary expenses were the largest expenditures, comprising 25% and 42% of total expenditures, respectively.

Net transfers totaled \$10.4 million for the fiscal year ended June 30, 2018. The majority of these transfers were for general revenue distributions.

Assets and Liabilities

Agency asset and liability balances at year-end for fiscal years 2014 through 2018 are presented in **Exhibit III**. Assets and liabilities totaled \$334.7 million and \$6.3 million, respectively, at June 30, 2018. The increase in assets in 2018 was due to the construction and purchase of fixed assets, while the increase in payables was due to an increase in unearned income in fiscal year 2018.

Exhibit II

**Arkansas State Military Department
Revenues, Expenditures, and Transfers
For the Years Ended June 30, 2014 through 2018**

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues					
Federal grants and reimbursements	\$ 48,018,404	\$ 50,310,894	\$ 42,800,625	\$ 50,628,828	\$ 52,563,445
Grants and reimbursements	1,379,397	6,395	8,101	41,251	10,991
Rents	96,414	95,176	95,449	92,160	92,212
Other income	179,589	94,893	83,585	188,381	81,634
Total Revenues	\$ 49,673,804	\$ 50,507,358	\$ 42,987,760	\$ 50,950,620	\$ 52,748,282
Expenditures					
Salaries	\$ 26,079,711	\$ 23,485,416	\$ 22,339,801	\$ 23,393,350	\$ 25,091,098
Repair and servicing	13,815,156	15,421,550	12,049,573	14,591,303	13,965,897
Capital outlay	6,816,844	8,346,100	6,766,844	9,015,436	9,073,405
Other expenses	15,293,714	15,446,202	15,674,265	14,368,136	17,493,353
Total Expenditures	\$ 62,005,425	\$ 62,699,268	\$ 56,830,483	\$ 61,368,225	\$ 65,623,753
Net Transfers In (Out)	\$ 10,385,658	\$ 10,026,413	\$ 9,828,119	\$ 10,039,193	\$ 10,396,371

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

Exhibit III

**Arkansas State Military Department
Assets and Liabilities
For the Years Ended June 30, 2014 through 2018**

	Fiscal Year				
	2018	2017	2016	2015	2014
Assets					
Cash and cash equivalents	\$ 4,378,599	\$ 5,624,772	\$ 6,219,173	\$ 8,320,626	\$ 8,336,805
Federal receivables	1,707,703	604,322	1,136,609	1,663,934	3,711,452
Fixed assets	328,212,106	322,450,192	313,728,062	311,578,390	304,501,876
Other assets	413,309	221,434	51,210	42,467	101,177
Total Assets	\$ 334,711,717	\$ 328,900,720	\$ 321,135,054	\$ 321,605,417	\$ 316,651,310
Liabilities					
Accounts payable	\$ 3,193,920	\$ 2,827,660	\$ 2,118,780	\$ 1,602,762	\$ 3,388,402
Unearned revenues	2,018,500	706,900			
Payroll liability	856,525	766,634	655,808	541,948	539,446
Other liabilities	260,778	260,461	677,034	348,334	1,303,208
Total Liabilities	\$ 6,329,723	\$ 4,561,655	\$ 3,451,622	\$ 2,493,044	\$ 5,231,056

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

Exhibit IV
Arkansas State Military Department
Schedule of Federal Awards
For the Year Ended June 30, 2018

Program Title	Pass Through Agency	CFDA Number	Federal Program Revenues
Military Construction, National Guard		12.400	\$ 4,950
National Guard Military Operations and Maintenance (O&M) Projects		12.401	45,647,195
National Guard Challenge Program		12.404	2,534,754
Miscellaneous US Department of Justice Programs		16.000	29,136
Total			48,216,035
Adjustments			
Adjustment for Non-Budget Relevant (NBR) amounts			(173,105)
Other Adjustments			(24,526)
Total Adjustments			(197,631)
Total Federal Grants and Reimbursements			\$ 48,018,404
<i>DFA - Department of Finance and Administration</i>		<i>CFDA - Catalog of Federal Domestic Assistance</i>	

Source: DFA 2018 Agency Federal Award Data (unaudited by Arkansas Legislative Audit)

