

# Internal Control and Compliance Assessment

## Arkansas Legislative Audit

### Department Labor

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

## SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Department of Labor, 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 Department of Labor was created in 1937 to promote the welfare of Arkansas wage earners, improve working conditions, and advance opportunities for profitable employment. The Agency is responsible for enforcing laws relating to minimum wage, overtime, child labor, equal pay, and health and safety in the workplace; intervening in labor disputes; promoting harmony in employer/employee relations; inspecting boilers and pressure vessels and licensing their inspectors, operators, installers, and repairmen; licensing and testing all elevators, escalators, and dumbwaiters; and testing and licensing master journeymen and industrial maintenance electricians and electrical contractors.

As illustrated in **Exhibit I on page 2**, the Agency is comprised of four divisions:

1. Administration provides support services such as accounting, personnel, information technology, legal, planning, and publications for the entire Agency.

ARKANSAS LEGISLATIVE AUDIT

500 Woodlane Street, Suite 172, Little Rock, AR 72201

Phone: 501-683-8600 Fax: 501-683-8605

[www.arklegaudit.gov](http://www.arklegaudit.gov)

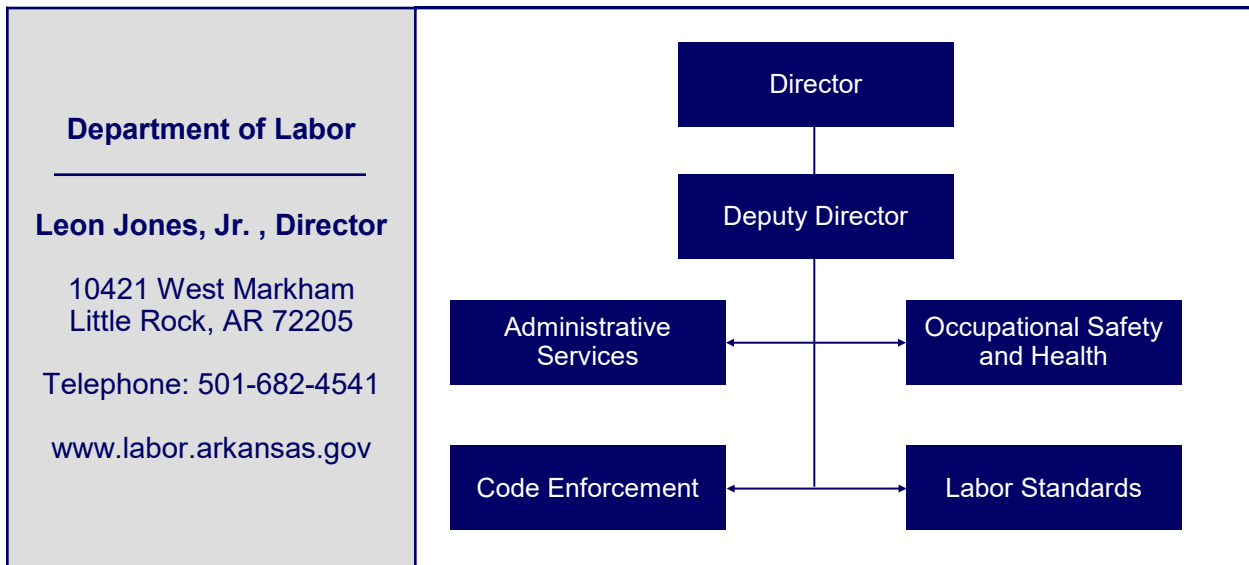
Report ID: SR2180018

Report Date: June 24, 2019



2. Occupational Safety and Health, the largest division, enforces and promotes worker safety through consultations, inspections, training classes, safety awards, accident investigations, and amusement ride inspections. This division also annually reports workplace fatalities, injuries, and illnesses.
3. Code Enforcement is responsible for licensing members of the boiler, electrical, and elevator occupations; enforcing code; completing inspections; and issuing permits.
4. Labor Standards administers and enforces issues relating to wage and hour laws, wage claims, and child labor. This division is also authorized to license and regulate private employment agencies. When necessary, the Mediation and Conciliation Division of Labor Standards intervenes in labor disputes to help both parties reach an equitable agreement.

**Exhibit I**  
**Department of Labor**  
**Organizational Chart**



Source: Department of Labor

## FISCAL ANALYSIS

### Revenues, Expenditures, and Transfers

Agency revenues, expenditures, and transfers for fiscal years 2014 through 2018 are presented in **Exhibit II on page 3**. The Agency reported \$3 million in total revenues for the fiscal year ending June 30, 2018. The primary sources of these funds were electrical, boiler, and elevator license fees and permits. Another significant revenue source was federal grants and reimbursements.

Agency expenditures totaled \$5.9 million for the fiscal year ended June 30, 2018. The majority of expenditures was for salaries, which comprised 83% of total expenditures.

The Agency reported net transfers of \$3.1 million, which represent the general revenue distribution.

**Exhibit II**  
**Department of Labor**  
**Revenues, Expenditures, and Transfers**  
**For the Years Ended June 30, 2014 through 2018**

	Fiscal Year				
	2018	2017	2016	2015	2014
<b>Revenues</b>					
Special revenues:					
Elevator safety fees	\$ 415,380	\$ 318,990	\$ 373,324	\$ 407,574	\$ 397,038
Boiler license and inspection fees	837,105	777,654	874,916	822,141	877,384
Electrical licenses and fees	563,038	474,986	343,682	516,786	509,199
Safety inspection and training fees	213,105	191,945	219,260	227,895	238,017
Federal grants and reimbursements	1,100,153	1,435,610	1,200,113	1,306,193	1,253,091
Other income (net)	(143,812)	17,352	83,390	(57,080)	124,948
<b>Total Revenues</b>	<u>\$ 2,984,969</u>	<u>\$ 3,216,537</u>	<u>\$ 3,094,685</u>	<u>\$ 3,223,509</u>	<u>\$ 3,399,677</u>
<b>Expenditures</b>					
Salaries	\$ 4,925,674	\$ 4,839,221	\$ 5,095,550	\$ 5,306,988	\$ 5,368,976
Travel and subsistence	377,109	410,580	402,673	366,797	393,055
Utilities and rent	319,965	319,635	322,495	358,902	359,908
Other expenses	298,142	429,186	380,810	455,846	455,423
<b>Total Expenditures</b>	<u>\$ 5,920,890</u>	<u>\$ 5,998,622</u>	<u>\$ 6,201,528</u>	<u>\$ 6,488,533</u>	<u>\$ 6,577,362</u>
<b>Net Transfers In (Out)</b>	<u>\$ 3,089,870</u>	<u>\$ 3,067,146</u>	<u>\$ 3,261,503</u>	<u>\$ 3,183,534</u>	<u>\$ 2,995,981</u>

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

### **Assets, Liabilities, and Deferred Inflows of Resources**

Agency asset, liability, and deferred inflows of resources balances at year-end for fiscal years 2014 through 2018 are presented in **Exhibit III on page 4**. Assets and liabilities totaled \$4.4 million and \$833,708, respectively, at June 30, 2018. Cash and cash equivalents comprised 69% of total assets, and fixed assets comprised 24%. The largest component of total liabilities was unearned income totaling \$372,211 for electrical license terms that extended beyond the fiscal year-end.

The Agency's deferred inflows of resources totaled \$125,816 and were the result of accounts receivable that are not available (i.e., collectable within 45 days of fiscal year-end) to finance expenditures of the current fiscal period.

### **ELECTRICAL LICENSES**

In accordance with Ark. Code Ann. § 17-28-202, the Agency is responsible for administering state law governing the licensing of electricians. Such responsibilities include, but are not limited to, issuing electrical licenses and collecting license fees. For fiscal year 2018, 11,917 electrical licenses were issued, with license fees totaling \$532,155, as illustrated in **Exhibit IV on page 4**.

**Exhibit III**  
**Department of Labor**  
**Assets, Liabilities, and Deferred Inflows of Resources**  
**For the Years Ended June 30, 2014 through 2018**

	Fiscal Year				
	2018	2017	2016	2015	2014
<b>Assets</b>					
Cash and cash equivalents	\$ 3,037,423	\$ 2,711,310	\$ 2,114,062	\$ 2,122,139	\$ 1,973,554
Fixed assets	1,040,525	1,035,855	1,007,098	1,017,664	1,088,312
Other assets	316,990	222,853	194,877	165,430	213,340
<b>Total Assets</b>	<b>\$ 4,394,938</b>	<b>\$ 3,970,018</b>	<b>\$ 3,316,037</b>	<b>\$ 3,305,233</b>	<b>\$ 3,275,206</b>
<b>Liabilities</b>					
Accounts payable	\$ 13,257	\$ 12,282	\$ 8,415	\$ 5,073	\$ 1,818
Payroll liability	169,608	162,801	151,481	123,564	122,059
Unearned income	372,211	319,159	298,138	437,375	336,342
Other liabilities	278,632	198,980	7,575	51,265	9,723
<b>Total Liabilities</b>	<b>\$ 833,708</b>	<b>\$ 693,222</b>	<b>\$ 465,609</b>	<b>\$ 617,277</b>	<b>\$ 469,942</b>
<b>Deferred Inflows of Resources</b>					
Related to revenues	\$ 125,816	\$ 112,550	\$ 18,376	\$ 34,838	\$ 17,052

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

**Exhibit III**  
**Department of Labor**  
**Electrical Licenses Issued**  
**For the Year Ended June 30, 2018**

License Type	Total Issued	Amount Received
Temporary Master	12	\$ 600
Air Conditioning	52	2,705
Temporary Journeyman	81	3,450
Specialty Sign	103	4,610
Residential Journeyman	210	8,675
Electrical Contractor	40	4,300
Electrical Inspector	203	10,400
Residential Master	224	16,880
Industrial Maintenance	593	23,015
Electrical Apprentice	3,331	34,140
Journeyman	3,755	160,670
Master Electrician	3,313	262,710
<b>Totals</b>	<b>11,917</b>	<b>\$ 532,155</b>

Source: Department of Labor (unaudited by Arkansas Legislative Audit)

