

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Department of Inspector General

For the Fiscal Year Ended June 30, 2023



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 Inspector General. Assessment procedures disclosed no reportable items of noncompliance.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Department of Inspector General, a department of Arkansas state government, as of and for the year ended June 30, 2023, and have issued our report dated May 29, 2024. 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, 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 2023 State Annual Comprehensive Financial Report (ACFR) and Single Audit Report.

RESULTS OF ASSESSMENT

Assessment procedures did not disclose instances of noncompliance considered reportable.

ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

The Department of Inspector General is a cabinet-level department established by The Transformation and Efficiencies Act of 2019 (Act 910 of 2019). Under the Act, the administrative functions of the Office of Medicaid Inspector General (OMIG), Arkansas Fair Housing Commission, and Internal Audit Section (previously under DFA), were transferred to the Department of Inspector General. During the Regular Session of 2021, the General Assembly passed Act 586 of 2021, which established the Independent Tax Appeals Commission within the Department of Inspector General. **Exhibit 1 on page 2** illustrates the Department's current structure.

OMIG serves as the Program Integrity (PI) Unit for the Arkansas Medicaid Program. Under federal law, all states that participate in the federal Medicaid program and receive funding are required to have a PI division that conducts Medicaid fraud investigations and audits.

ARKANSAS LEGISLATIVE AUDIT

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

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

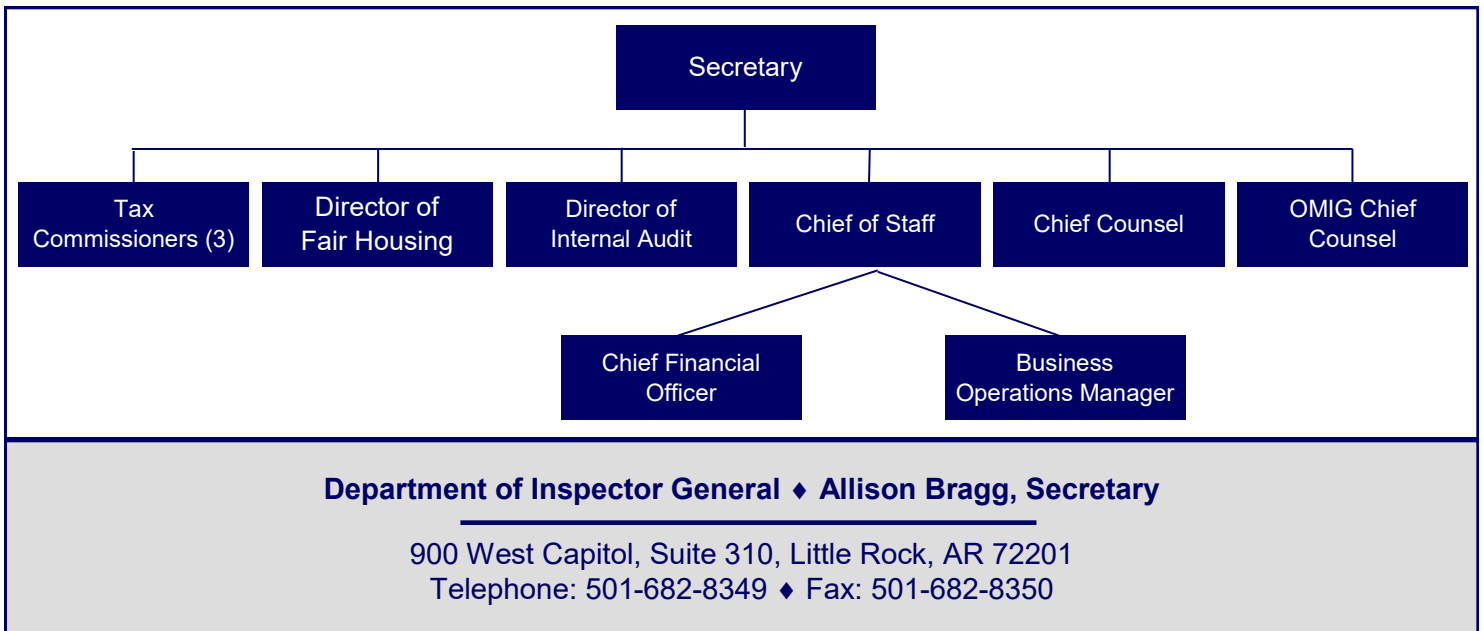
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Exhibit I
Department of Inspector General
Organizational Chart



OMIG = Office of Medicaid Inspector General

Source: Department of Inspector General

The Arkansas Fair Housing Commission (the Commission) acts as a quasi-judicial regulatory agency that enforces state and federal fair housing and fair lending laws. The Commission has the authority to hold administrative hearings and litigate cases where discriminatory conduct is found to have occurred. The Commission is comprised of 13 Commissioners: seven appointed by the Governor, three appointed by the President Pro Tempore of the Senate, and three appointed by the Speaker of the House of Representatives. Six of the Commissioners are industry representatives, and seven are consumer representatives. Each congressional district must be represented by a Commissioner.

The Tax Appeals Commission is an independent tax tribunal that provides taxpayers with a “means of resolving controversies with the Department of Finance and Administration before a neutral body.” Commissioners are appointed by the Governor from individuals recommended by the Arkansas Bar Association, a majority of the Supreme Court, and the Arkansas Society of Certified Public Accountants.

FISCAL ANALYSIS

As previously mentioned, in accordance with Act 910 of 2019, effective July 1, 2019, OMIG, Arkansas Fair Housing Commission, and Internal Audit section of DFA were consolidated to form the cabinet-level Department of Inspector General. Summary financial information for each business area is presented in **Exhibit II on page 3**. For fiscal year 2023, Arkansas Fair Housing Commission financial activity was primarily recorded in the Department of Inspector General business area.

Exhibit II
Department of Inspector General
Summary of Financial Information by Business Area
For the Year Ended June 30, 2023

Board/Commission/Division	Assets	Liabilities and Deferred Inflows	Revenues	Expenditures	Net Transfers In (Out)
Department of Inspector General	\$ 765,412	\$ 161,637	\$ 245,484	\$ 3,680,295	\$ 3,158,131
Office of Medicaid Inspector General	590,795	94,245	6,517	1,336,088	1,385,667
Arkansas Fair Housing Commission					(1,732)
Totals	\$ 1,356,207	\$ 255,882	\$ 252,001	\$ 5,016,383	\$ 4,542,066

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

Revenues, Expenditures, and Transfers

Revenues, expenditures, and transfers for fiscal years 2019 through 2023 are presented in **Exhibit III**.

Revenues totaled \$252,001, and expenditures totaled \$5 million for the fiscal year ended June 30, 2023. Federal revenue totaled \$181,418, comprised 72% of total revenues, and included amounts awarded to the Arkansas Fair Housing Commission. Salaries totaled \$4.4 million and comprised 88% of total expenditures. The increase in salaries from the prior year was primarily related to the addition of the Tax Appeals Commission.

Net transfers totaled \$4.5 million and included \$1.3 million in federal revenues transferred from the Arkansas Department of Human Services, \$1.35 million in general revenue, and \$1.8 million from the State Central Services Fund.

Exhibit III
Department of Inspector General
Revenues, Expenditures, and Transfers
For the Years Ended June 30, 2019 through 2023

	Fiscal Year				
	2023	2022	2021	2020	2019
Revenues					
Federal grants and reimbursements	\$ 181,418	\$ 219,000	\$ 1,126,840	\$ 0	\$ 0
Grant and reimbursements	7,646	10,663	4,600	1,194	325
Training fees	46,826	10,400	22,524	10,911	0
Other income	16,111	5,302	8,808	37,328	74
Total Revenues	\$ 252,001	\$ 245,365	\$ 1,162,772	\$ 49,433	\$ 399
Expenditures					
Salaries	\$ 4,404,569	\$ 3,825,458	\$ 3,575,560	\$ 3,651,183	\$ 2,126,581
Utilities and rent	257,177	171,221	170,704	186,963	161,744
Travel and subsistence	83,399	7,584	8,913	33,554	14,332
Other expenses	271,238	388,861	158,397	154,187	54,456
Total Expenditures	\$ 5,016,383	\$ 4,393,124	\$ 3,913,574	\$ 4,025,887	\$ 2,357,113
Net Transfers In (Out)	\$ 4,542,066	\$ 4,045,443	\$ 3,196,715	\$ 3,206,858	\$ 2,339,759

Note: Amounts prior to fiscal year 2020 are only composed of the Office of Medicaid Inspector General financial information and do not include all agencies transferred into the cabinet-level Department of Inspector General.

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

Assets, Liabilities, and Deferred Inflows of Resources

Assets and liabilities balances for fiscal years 2019 through 2023 are presented in **Exhibit IV**. Assets and liabilities totaled \$1.36 million and \$255,882, respectively, for the year ended June 30, 2023. Assets were mostly comprised of cash and cash equivalents totaling \$942,036.

Exhibit IV
Department of Inspector General
Assets, Liabilities, and Deferred Inflows of Resources
For the Years Ended June 30, 2019 through 2023

	Fiscal Year				
	2023	2022	2021	2020	2019
Assets					
Cash and cash equivalents	\$ 942,036	\$ 1,177,863	\$ 1,061,680	\$ 1,082,904	\$ 210,140
Federal receivables	0	0	0	1,126,840	0
Fixed assets	396,095	425,130	477,171	483,090	348,104
Other assets	18,076	915	12,373	11,934	3,125
Total Assets	\$ 1,356,207	\$ 1,603,908	\$ 1,551,224	\$ 2,704,768	\$ 561,369
Liabilities					
Payroll liability	\$ 92,714	\$ 226,995	\$ 177,116	\$ 159,533	\$ 70,761
Other liabilities	163,168	25,343	45,292	77,433	10,533
Total Liabilities	\$ 255,882	\$ 252,338	\$ 222,408	\$ 236,966	\$ 81,294
Deferred Inflows of Resources					
Related to revenues	\$ 0	\$ 0	0	\$ 1,126,840	\$ 0

Note: Amounts prior to fiscal year 2020 are only composed of the Office of Medicaid Inspector General financial information and do not include all agencies transferred into the cabinet-level Department of Inspector General.

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

