

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Public Service Commission

For the Fiscal Year Ended June 30, 2020



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 year ended June 30, 2020, and have issued our report dated February 2, 2021. 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 2020 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 Public Service Commission is comprised of two divisions. The Utilities Division is responsible for regulating the intrastate rates and services of the public utilities in Arkansas, which 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**. In accordance with Act 910 of 2019, effective July 1, 2019, the Arkansas Public Service Commission will not become part of any newly-created cabinet-level Department.

ARKANSAS LEGISLATIVE AUDIT

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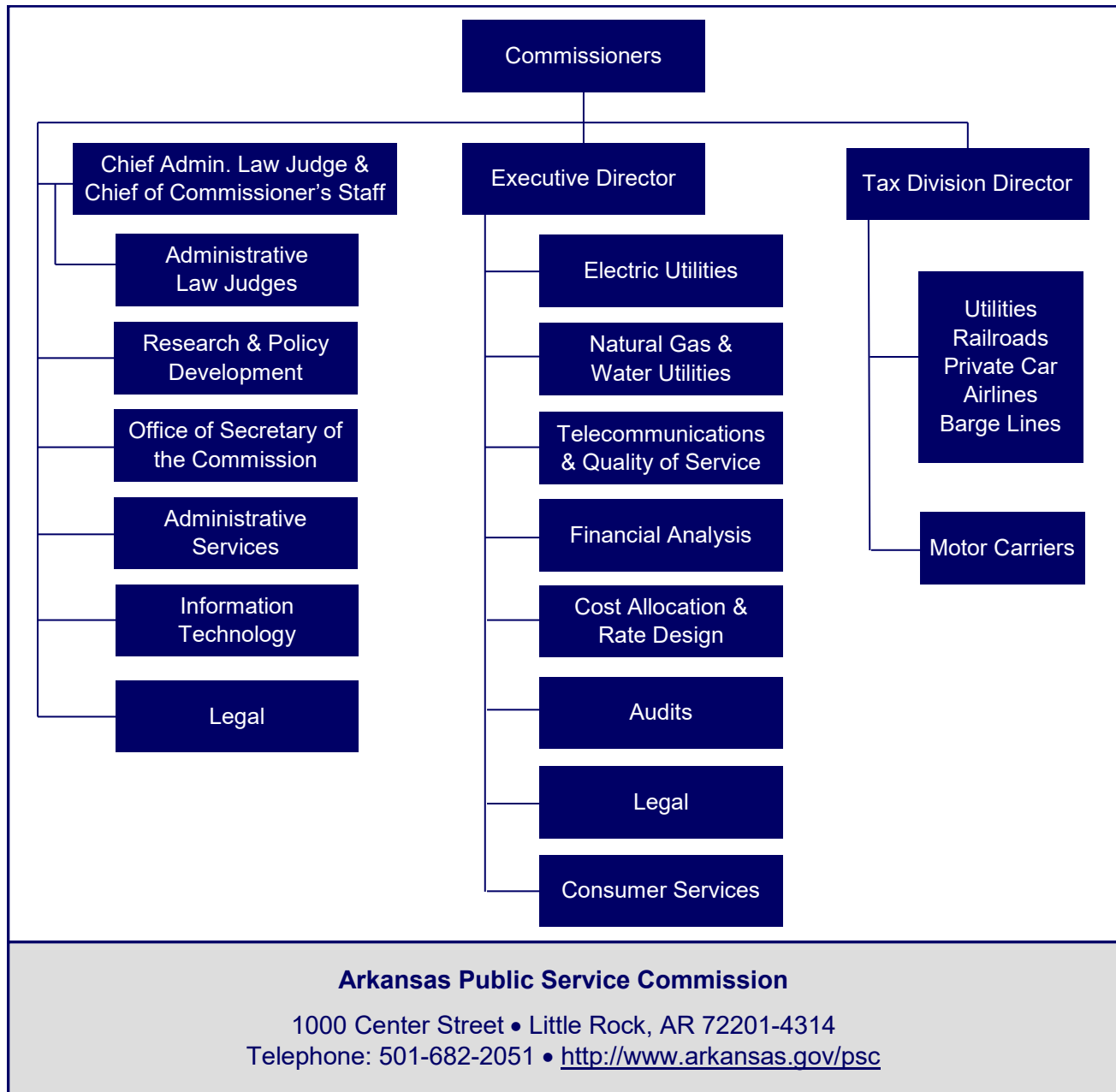
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Exhibit I

Arkansas Public Service Commission
Organizational Chart



Source: Arkansas Public Service Commission

EFFECTS OF CORONAVIRUS DISEASE 2019

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring a public health emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The COVID-19 outbreak has disrupted all aspects of professional and personal life. The Agency has taken precautions to protect its employees as well as those touched by the Agency. The extent of financial impact for future periods will depend on certain developments, including the duration of the outbreak and revenue collection – all of which are uncertain.

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Revenues, expenditures, and transfers for fiscal years 2016 through 2020 are presented in **Exhibit II**.

Revenues totaled \$9.1 million for the fiscal year ended June 30, 2020. Utility assessment fees of \$8.5 million represented the largest revenue source. Federal revenue consisted of reimbursement for pipeline safety expenses provided by the United State Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA).

Expenditures totaled \$10.4 million for the fiscal year ended June 30, 2020. Salaries totaling \$8.7 million were the Agency's largest expenditure.

Net transfers totaled \$1.1 million for the fiscal year ended June 30, 2020, and consisted primarily of ad valorem taxes collected by and transferred from the Department of Finance and Administration, in accordance with Ark. Code Ann. § 19-5-1024.

Assets and Liabilities

Assets, liabilities, and deferred inflows of resources for fiscal years 2016 through 2020 are presented in **Exhibit III on page 4**.

Agency assets, primarily comprised of cash and cash equivalents, totaled \$8.4 million as of June 30, 2020. Liabilities were \$393,539 as of June 30, 2020. Deferred inflows of resources related to revenues, totaling \$231,761, primarily represented federal receivables not collected within 45 days after the 2020 fiscal year-end.

Exhibit II

Arkansas Public Service Commission Revenues, Expenditures, and Transfers For the Years Ended June 30, 2016 through 2020

	Fiscal Year				
	2020	2019	2018	2017	2016
Revenues					
Utility assessment fees	\$ 8,484,850	\$ 9,107,459	\$ 8,220,007	\$ 9,015,099	\$ 8,227,061
Federal grants and reimbursements	555,535	675,623	563,068	559,011	603,713
Other Income	32,200	23,754	21,644	34,300	2,156
Total Revenues	<u>\$ 9,072,585</u>	<u>\$ 9,806,836</u>	<u>\$ 8,804,719</u>	<u>\$ 9,608,410</u>	<u>\$ 8,832,930</u>
Expenditures					
Salaries	\$ 8,656,761	\$ 8,581,826	\$ 8,685,347	\$ 8,711,223	\$ 8,804,975
Utilities and rent	622,636	636,576	633,871	632,711	636,105
Professional service fees	553,053	449,525	500,260	315,357	335,340
Other expenses	527,616	803,213	583,704	637,484	632,198
Total Expenditures	<u>\$ 10,360,066</u>	<u>\$ 10,471,140</u>	<u>\$ 10,403,182</u>	<u>\$ 10,296,775</u>	<u>\$ 10,408,618</u>
Net Transfers In (Out)	<u>\$ 1,118,337</u>	<u>\$ 1,092,848</u>	<u>\$ 1,123,310</u>	<u>\$ 1,079,960</u>	<u>\$ 996,170</u>

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, 2016 through 2020

	Fiscal Year				
	2020	2019	2018	2017	2016
Assets					
Cash and cash equivalents	\$ 6,815,242	\$ 6,188,678	\$ 6,477,856	\$ 6,936,635	\$ 6,547,670
Federal receivables	231,761	235,209	241,639	245,482	214,526
Fixed assets	1,250,946	1,316,890	1,142,751	1,139,242	1,140,785
Other assets	101,249	819,472	91,130	112,051	76,868
Total Assets	\$ 8,399,198	\$ 8,560,249	\$ 7,953,376	\$ 8,433,410	\$ 7,979,849
Liabilities					
Payroll liability	377,725	\$ 299,935	\$ 295,251	\$ 303,967	\$ 268,101
Other liabilities	15,814	9,496	11,017	8,598	11,910
Total Liabilities	\$ 393,539	\$ 309,431	\$ 306,268	\$ 312,565	\$ 280,011
Deferred Inflows of Resources					
Related to revenues	\$ 231,761	\$ 241,831	\$ 241,639	\$ 245,482	\$ 214,526

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

