

AGENDA

ARKANSAS LEGISLATIVE COUNCIL - JOINT BUDGET COMMITTEE BUDGET HEARINGS

Tuesday, October 20, 2020

9:00 AM

Room A, MAC

Little Rock, Arkansas

Sen. Cecile Bledsoe, Co-Chair	Rep. Jeff Wardlaw, Co-Chair	Rep. Dan M. Douglas
Sen. Joyce Elliott	Rep. Stephen Meeks	Rep. Les Eaves
Sen. Larry Teague	Rep. Lane Jean	Rep. Ron McNair
Sen. Linda Chesterfield	Rep. Fredrick J. Love	Rep. Jack Ladyman
Sen. Jason Rapert	Rep. Reginald Murdock	Rep. Robin Lundstrum
Sen. Stephanie Flowers	Rep. Matthew J. Shepherd	Rep. Michelle Gray
Sen. Missy Irvin	Rep. Gary Deffenbaugh	Rep. Dwight Tosh
Sen. Jonathan Dismang	Rep. Jon S. Eubanks	Rep. Jana Della Rosa
Sen. Bill Sample	Rep. David Fielding	Rep. Rick Beck
Sen. Ronald Caldwell	Rep. Bruce Cozart	Rep. Kenneth B. Ferguson
Sen. Jane English	Rep. Douglas House	Rep. Justin Boyd
Sen. Alan Clark	Rep. Mark Lowery	Rep. Laurie Rushing
Sen. Bruce Maloch	Rep. Stephen Magie	Rep. Dan Sullivan
Sen. Keith Ingram	Rep. Jim Dotson	Rep. Lanny Fite
Sen. Jim Hendren	Rep. Josh Miller	Rep. DeAnn Vaught
Sen. Gary Stubblefield	Rep. Joe Jett	Rep. Marcus E. Richmond
Sen. Jimmy Hickey, Jr	Rep. Richard Womack	Rep. Austin McCollum
Sen. Bart Hester	Rep. Ken Bragg	Rep. Frances Cavanaugh
Sen. Eddie Cheatham	Rep. Mike Holcomb	Rep. Bruce Coleman
Sen. John Cooper	Rep. Charlene Fite	Rep. Roger D. Lynch
Sen. Scott Flippo	Rep. Andy Davis	Rep. Sarah Capp
Sen. Terry Rice	Rep. David Whitaker	Rep. Clint Penzo
Sen. Blake Johnson	Rep. Deborah Ferguson	Rep. Jim Wooten
Sen. Lance Eads	Rep. John Payton	Rep. Denise Garner
Sen. David Wallace	Rep. Monte Hodges	Rep. Tippi McCullough
Sen. Will Bond		
Sen. Breanne Davis		
Sen. Bob Ballinger		
Sen. Mark Johnson		
Sen. Greg Leding		
Sen. Kim Hammer		

Committee meetings are open to the public. However, there is limited seating due to the social distancing requirements and members of the public shall wear a mask while in the Big Mac Building.

- A. Call to Order
- B. Reports and Communications
- C. Presentation of Budget Requests

Note: All exhibits for this meeting are available by electronic means and are accessible on the General Assembly's website at www.arkleg.state.ar.us

Notice: Silence your cell phones. Keep your personal conversations to a minimum. Observe restrictions designating areas as *'Members and Staff Only'*.

	Budget Requests Volume/Page	Appr. Page	A-Book Page	Budget Analyst
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*** Audit Finding Attached**

**Department of Parks, Heritage, and
Tourism (9912)**

Ms. Stacy Hurst, Secretary

Department of Parks, Heritage, and Tourism

2 / 1

246

Billy Parrish

4

**Parks, Heritage, and Tourism – Division
of Heritage (0865)**

Ms. Stacy Hurst, Director

Conservation Tax – Amendment 75

Director’s Office – State Operations

DAH-Delta Cultural Center – Bank Charges

DAH-MTCC – Bank Charges

DAH-Old State House – Bank Charges

DAH-Historic AR Museum – Bank Charges

DAH-Delta Cultural Center – Cash in Treasury

DAH-Mosaic Templar – Cash in Treasury

DAH-Old State House – Cash in Treasury

DAH-Historic Preservation – Real Estate Transfer Tax

DAH-Historic Preservation – Federal Program

DAH-Historic Pres-Main Street – Cash in Treasury

DAH-NHC-Natural Area Management – Cash in Treasury

DAH-NHC-Natural Area Research – Treasury Cash

DAH-Natural Heritage – Gas Royalty Expenses

DAH-Natural Heritage – Federal Program

DAH-Historic Museum – Cash in Treasury

DAH-AR State Archives – Cash in Treasury

2 / 9

252

Billy Parrish

15

17

19

21

23

25

27

29

31

33

35

37

39

41

43

45

47

49

DPHT – Arts Council (0870)

Mr. Patrick Ralston, Director

Arts Council – Federal Program

Arts Council – Cash in Treasury

DAH-Arts Council – Bank Charges

2 / 50

246

Billy Parrish

53

55

57

**DPHT – Natural and Cultural Resources
Council (0887)**

Ms. Stacy Hurst, Director

NCRC – Administrations

NCRC – State Owned Lands or Historic Sites

NCRC – Main Street Program

2 / 58

265

Billy Parrish

61

63

65

DPHT – State Parks and Tourism (0900)

Ms. Cynthia Dunlap, Interim, Director

SCORP Program – Federal

Museum Natural Resources – Special Revenue

State Operations

Conservation Tax

Keep Arkansas Beautiful – Conservation Tax

2 / 66

270

Billy Parrish

71

73

76

78

80

Tourism Promotion – Special Revenue	82
Wildlife Observation Trails	84
Outdoor Recreation Grants Program	86
Operations & Construction – Cash in Treasury	88
Retirement and Relocation Program	90
Tourism – Cash in Treasury	92
War Memorial Stadium – General Revenue	94
War Memorial Stadium – Cash	96
WFF DHT (Delta Heritage Trail) Grant Cash Fund	98

Capitol Zoning Commission (0315) 2 / 99 249 Billy Parrish

Mr. Boyd Maher, Director

Capitol Zoning District – State Operations	102
Capitol Zoning District Commission – Cash Fund	104

LUNCH

1:30 PM

	Budget Requests Manual/Tab/Page	Appr. Page	A-Book Page	Budget Analyst
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**Audit Finding Attached*

Department of Finance & Admin (9906) 2 / 105 156 Adam Penman

Mr. Larry Walther, Director

Department of Finance & Administration	109
Regulatory Division	112
Sales to Minors Enforcement – Cash	114
ATC Cigarette Fire Safety	116
Tobacco Inspection Program	118
Spirtuous and Vinous Beverages	120
ATC Revenue Enforcement	122

**Department of Finance & Admin – Management
Services Division (0610) 2 / 126**

Mr. Larry Walther, Director

Victims of Crime Justice Assistance – Federal	132
Dept of Justice Non-Victim Assistance Grant – State	134
Dept of Justice Non-Victim Assistance Grant – Federal	136
DFA Management Services – Operations	139
Information Technology	141
Victims of Crime Justice Assistance – State	143
Statewide Payroll Paying	145
DFA Management Services – Misc. Cash	147
Developmental Disabilities Council – State	149
Developmental Disabilities Council – Federal	151
Domestic Violence Shelter Grants	153
Justice Reinvestment Initiative	155
Project Safe Neighborhood Initiative	157
Comprehensive Opioid Abuse Program	159

Coronavirus Emergency Supplemental Funds	161
Family Violence Prevention Services Grant	163

Department of Finance & Admin – Revenue Services Division (0630)

2 / 164

180 Adam Penman

Mr. Charlie Collins, Commissioner

Commercial Driver’s License Program	171
Individual Income Tax & Ad Valorem Property Tax Rebates	173
Corporate Income Tax	175
Gasoline Tax Refunds	177
Interstate Motor Fuel Tax Refunds	179
Miscellaneous Tax Refunds	181
Revenue Services Division – Operations	184
Motor Vehicle Special Plates	186
Revenue Miscellaneous Cash	188

DFA – Alcohol Beverage Control Administration (0611)

2 / 189

161 Adam Penman

Ms. Doralee Chandler, Director

ABC Administration – State Operations	193
Spirituos and Vinous Beverages	195
Medical Marijuana Commission	197

DFA – Alcohol Beverage Control Enforcement (0612)

2 / 198

162 Adam Penman

Ms. Doralee Chandler, Director

ABC Enforcement – State Operations	200
------------------------------------	-----

DFA – Racing Commission (0631)

2 / 213

179 Adam Penman

Mr. J. C. Campbell, Director

Division of Racing - Operations	218
License applications	220
Racing – Casino Holding	222

****Audit Finding Attached***

Tobacco Control Board (0261)

2 / 201

163 Adam Penman

Mr. Steve Goode, Director

Sales to Minors Enforcement – Cash	204
ATC Cigarette Fire Safety	206
Tobacco Inspection Program	208
Tobacco Control Board Operations	210
ATC Revenue Enforcement	212

DFA – Assessment Coordination Department (0490)

2 / 223

164 Adam Penman

Ms. Sandra Cawyer, Director

Real Property Reappraisal Program	227
County Assessor Continuing Education	229
Assessment Coordination – State Operations	231
Cash Operations	233

DFA – Child Support Enforcement (0634)	2 / 234	165	Adam Penman
Mr. Alan McVey, Administrator			
Child Support Enforcement – Operations	238		

Department of Finance & Administration – Disbursing Officer (0620)	2 / 239	166	Adam Penman
Mr. Larry Walther, Director			
Fireman & Police Officers Pension & Relief Fund	245		
Disaster Assistance Grants	247		
Unemployment Compensation Claims	249		
Marketing and Redistribution	251		
Child Abuse/Rape/Domestic Violence Contract (UAMS)	253		
Child Welfare Restructuring (UAMS)	255		
Information Network of Arkansas	257		
Administration of Justice Fund	259		
Arkansas Sheriff’s Association	261		
Drug Enforcement and Education	263		
Baby Sharon Act Grants	265		
Organ Donation Education Grants	267		
Agricultural Marketing Grants	269		
Fire Protection Services – Additional Funding	271		
Public Legal Aid	273		
Workforce 2000	275		
Multi-Jurisdictional Drug Crime Task Force	277		
Indigent Patient – Emergency Medical Services Program	279		
Prostate Cancer	281		
Juvenile Detention Facilities	283		
Purchase of Vehicles	285		
DFA Disbursing – Miscellaneous Cash Transfers	287		
Arkansas Children’s Hospital	301		
Blanket Bond Program	303		
Pandemic Unemployment Compensation Program	289		
Miscellaneous Federal Programs	305		
Maintenance Transfers	308		
State’s Contributions	310		
Medical Marijuana Appropriation Holding	291		
Various Grants and Expenses	312		
Various State Agencies – Cash	314		
Arkansas Wine Grants Program	293		
Temp Appropriation	295		

D. Other Business

E. Adjournment

**ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
DEPARTMENT OF ARKANSAS HERITAGE
(DEPARTMENT OF PARKS, HERITAGE, AND TOURISM)
FOR THE YEAR ENDED JUNE 30, 2018**

Finding:

Our review of Historic Arkansas Museum contracts revealed an overpayment to four contractors totaling \$34,226, as follows:

- All four contractors were paid \$1,500 each, through the Loughborough Trust, prior to the effective date of their contracts. Subsequent contract payments were not adjusted to reflect the advance payments.
- An overpayment of \$2,726 was made to one contractor who subsequently became an Agency employee during the term of the contract.
- An overpayment of \$25,500 was made to one contractor because of an error in the contract amendment.

The overpayments were the result of inefficient oversight of the contract amendment process.

Recommendation:

We recommend the Agency establish appropriate controls to ensure compliance with state procurement laws and regulations.

Agency Response:

The Agency acknowledges inefficient internal oversight of the contract amendment process for Historic Arkansas Museum (HAM) for four contractors. The Agency has taken proactive measures to remediate the procurement process for these contractors.

HAM has employed four contractors for many years for the Arkansas Made Research Program, which researches, collects, documents, and preserves decorative, mechanical, and fine art produced by Arkansas artists and artisans. The contractors also assist the museum curator with exhibit preparations. These engagements and the annual contract renewal process began prior to the current agency management team's tenure. Although we had identified, generally, the unusual nature of these contracts and the need to correct them, the contracts and their renewals were not reviewed in-depth until this year. Following this internal review, the Agency has concluded that the most efficient method of managerial oversight is to convert current contractors to Agency staff members utilizing available, vacant agency positions within the Agency's headcount cap.

- a. The Historic Arkansas Museum is financially supported by both a non-profit 501(C)3 board (the HAM Foundation) and a private trust administered by the HAM Commission (the Loughborough Trust). While the HAM Foundation is an entirely separate entity, the Loughborough Trust and its fiscal relationship with HAM need better definition. The Loughborough Trust, for example, maintains its own checkbook with approval for expenditures through the HAM Commission. We are working to gain better clarification of roles.
- b. In early state fiscal year 2018, the HAM Commission authorized payments from a non-appropriated cash fund account to four contractors for \$1,500 each. These onetime payments were in response to scheduling delays in the contract review process for the four contractors. Scheduled payments to the contractors were to begin July 1, 2017, but delayed until the first week of September 2017; the individual payments of \$1,500 partially bridged the gap in payments for July and August.

Following legislative review in August 2017, each contractor submitted an invoice for payment for work completed in July and August, which the Agency Accounting Department paid as a typical supplier invoice. No adjustment was made for the prior payment of \$1,500 to each contractor, as the Agency Accounting Department was unaware of the specific circumstances of the prior payments from the non appropriated cash fund account.

Since review of this internal control and compliance assessment finding, the Agency has stressed the need for greater transparency and control to Agency division managers of reviewed actions by the HAM Commission in regards to financial transactions associated with the non-appropriated cash fund account, including the need for adherence to state financial policies, procedures, practices, and guidelines.

- c. Contractor activities reviewed during the most recent internal control and compliance assessment at the HAM division of the Agency are continuous and uninterrupted throughout the state fiscal year. This has been the practice for several years. Assigned duties include acting as project managers for the Arkansas Made Research Program and assisting the museum curator with exhibit preparations.

Due to the continuous nature of the work performed by these HAM contractors, the HAM division developed a schedule of payments based on 48 weeks for a contract that was for 52 weeks. This allowed for the payment of contractor invoices prior to the four weeks in June when invoicing is suspended due to the annual shutdown of the state accounting system. This is not a practice followed by other Agency divisions.

Upon review of this internal control and compliance assessment finding, the Agency has ended this unique and informal practice of prorated contract payments and communicated the need to Agency division managers for adherence to state financial policies, procedures, practices, and guidelines.

- d. Due to communications issues between the Agency and the Office of State Procurement during the process of submitting a contract for legislative review in May 2017, an amendment to a renewing contract was incorrectly entered into the state accounting system, resulting in an incorrect contract amount for State Fiscal Year 2018.

The correct contract amount to enter into the state accounting system was \$31,025, a \$3,000 increase from the previous state fiscal year contract amount of \$28,025. The full, updated amount of \$31,025 was not entered, just the \$3,000 increase. The review period was for two years; therefore, the reviewed amount was \$6,000 ($3,000 \times 2 = 6,000$). The difference between the actual contract amount (\$31,025) and the reviewed amount (\$6,000) was \$25,025.

Because of this internal control and compliance assessment finding, the Agency has stressed to all relevant staff the need to better capture, record, and analyze financial data on contract renewals to ensure proper tracking of annual expenditures and total project cost over the lifetime of a contract.

**ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
DEPARTMENT OF FINANCE AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2018**

Finding:

On October 1, 2018, DFA discovered three checks, totaling \$1,933, missing from September deposits at the Hot Springs - Downtown Revenue Office. After being questioned by police, Service Representative Faleasha Young admitted removing and destroying a \$639 check for her personal title and registration and recording a nonexistent customer check to conceal \$1,217 in misappropriated cash. A third check for \$77 remains unaccounted for. Young reimbursed DFA \$639, and her employment was terminated.

Recommendation:

We recommend the Agency strengthen controls around the receipt and recording of checks at the local revenue offices.

Agency Response:

DFA has changed its policy to require two persons go to the bank, where practical. One employee carries the bank bag and the other employee carries the key to the money bag. Ms. Young admitted she was aware the missing checks would be investigated and that she would be held accountable, but that she was desperate and did not know what else to do to help her family.

Finding:

A DFA employee from the Hot Springs – Albert Pike Revenue Office informed management that her cash drawer was short \$1,001 on December 3, 2018. Further investigation by DFA revealed that the employee did not follow protocol when accepting cash from a customer. After a failed attempt to have the customer pay the remaining balance, the employee reimbursed the State \$1,001 and retired from her position.

Recommendation :

We recommend the Agency emphasize the importance of following procedures for accepting cash from customers.

Agency Response:

On December 3, the employee made the District Manager aware she was short in her cash drawer, but she felt she had found the shortage; however, she later decided she had not. The employee and the District Manager could not find the shortage. DFA police investigated the incident and could not determine how the shortage occurred. The employee reimbursed the State \$1,001 and retired from her position.

DFA instituted a policy that someone in the office verify any transaction over \$500 that involves cash before the transaction is completed.

**ARKANSAS LEGISLATIVE AUDIT REPORT ON:
ARKANSAS TOBACCO CONTROL BOARD (DEPARTMENT OF FINANCE
AND ADMINISTRATION) FOR THE YEARS ENDED JUNE 30, 2019 AND
2018**

Finding:

The Department of Finance and Administration (DFA) Financial Management Guide, R4-19-4-2004, requires agencies "to prepare aging reports at least monthly...to be reviewed by management. ..." The Agency was unable to produce complete aging reports for fiscal years ended June 30, 2018 and 2019, due to problems resulting from the conversion from the Agency's legacy system to its new Records Management System (RMS). As such, receivables recorded could not be reconciled to receivables reported to DFA. In addition, it was not possible to determine if the Agency's internal controls regarding receivables were appropriately designed and implemented.

Recommendation:

We recommend the Agency work with its partners at the Division of Information Systems (DIS) to complete the conversion of data to RMS and produce the required aging reports for regular review by management.

Agency Response:

During our recent audit for Fiscal Years 2018 and 2019, it was noted that we were unable to prepare aging reports of receivables at least monthly to be reviewed by management. Although the Agency was manually making corrections to resolve the issues stemming from the system conversions before the audit began, we have since spoken with DIS and have been assured they will make the remaining necessary corrections after July 1, 2020. Additionally, DIS has agreed to create a new aging report that will comply with the requirements of R4-19-4-2004 of the Financial Management Guide. This report will be reviewed each month by the Director.

Note: All exhibits for this meeting are available by electronic means and are accessible on the General Assembly's website at www.arkleg.state.ar.us

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