

**ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
DEPARTMENT OF LABOR AND LICENSING
FOR THE YEAR ENDED JUNE 30, 2022**

Finding 1:

In accordance with R1-19-4-903 of the State Financial Management Guide, travel reimbursements, including private vehicle mileage, are allowable for official business. The shortest major highway route between destinations determines the maximum mileage allowed.

During our analysis of mileage reimbursements, we noted one employee with reimbursements totaling \$5,736, an increase of \$4,640 compared to fiscal year 2021. Upon review of the employee's TR-1 forms for fiscal year 2022, we discovered that the mileage between destinations was calculated incorrectly on several forms, resulting in overpayments totaling \$441.

Additional review revealed another employee was overpaid for mileage reimbursements, totaling \$39, because of a formula error.

Recommendation:

We recommend the Agency review all TR-1 forms for accuracy prior to approval and issuance of payment.

Agency Response:

The division employee will prepare and submit their TR-1's subject to approval by the employee's supervisor. Agency travel supervisors will review and approve these TR-1's to ensure that travel expenses comply with State travel laws and rules. In addition, the finance section of the Agency will provide training for all travel supervisors approved by the Secretary during fiscal year 2024.

Finding 2:

Ark. Code Ann. § 21-8-701(4-5) requires an agency head, department director, or division director of state government; a chief of staff or chief deputy of a constitutional officer; and a public appointee to a state board or commission to file a written statement of financial interest with the Secretary of State by January 31 of each year for the previous year.

Our review revealed that, of 185 individuals required to file a statement, 69 failed to do so, as summarized below:

Agency	Tested	Exceptions
Department of Labor and Licensing	11	6
Division of Labor	20	11
Abstractors' Board	5	4
State Board of Public Accountancy	7	1
Appraiser Licensing and Certification Board	10	3
State Board of Architects, Landscape Architects, and Interior Designers	9	4
State Athletic Commission	8	8
Auctioneer's Licensing Board	7	1
Professional Bail Bond Company and Professional Bail Bondsman Licensing Board	8	2
State Board of Barber Examiners	5	0
State Board of Collection Agencies	6	2
Contractors Licensing Board	15	1
State Board of Licensure for Professional Engineers and Professional Surveyors	10	3
State Board of Registration for Professional Geologists	8	2
Real Estate Commission	6	2
Home Inspector Registration Board	7	1
Towing and Recovery Board	10	5
Fire Protection Licensing Board	12	3
Manufactured Home Commission	7	4
Motor Vehicle Commission	10	5
Workers' Compensation Commission	4	1
Totals	185	69

Recommendation:

We recommend the Agency implement procedures to ensure statements of financial interest are filed as required by state law.

Agency Response:

The Department is currently working on a comprehensive and consistent procedure to remind all required employees to timely file their Statements of Financial Interest. Please note, however, that further review of the Secretary of State's website revealed eleven Statements of Financial Interest that were, in fact, filed.

Finding 3:

Seven business areas had 53 employees who earned 1,336 hours of compensatory time for fiscal year 2022 as shown below:

<u>Agency</u>	<u># of Employees</u>	<u>Hours Earned</u>
State Board of Public Accountancy	1	2
State Athletic Commission	1	8
Professional Bail Bonds Company and Professional Bail Bondsmen Licensing Board	1	8
State Board of Collection Agencies	1	47
Real Estate Commission	10	77
Division of Labor and Licensing	29	803
Department of Labor and Licensing	10	391
Total	53	1,336

Office of Personnel Management (OPM) policy 28 and the Agency's internal policies state that compensatory time may only be earned with prior approval from the employee's supervisor for a legitimate business purpose.

Our review revealed the following deficiencies:

- Department of Labor and Licensing (BA 9910) – Prior documented approval could not be provided for the compensatory time accrued by two employees:
 - > *HVACR Mechanical Inspector* – One employee earned compensatory time in two weekly periods, but documented prior approval was only obtained for one of those periods. Unauthorized compensatory time totaled 9 hours.
 - > *Fiscal Support Supervisor* – One employee earned compensatory time in 17 weekly periods, but documented prior approval was not obtained. Unauthorized compensatory time totaled 150 hours.
- Division of Labor (BA 0800) – Prior documented approval could not be provided for the compensatory time accrued by three employees:
 - > *Elevator Division/Code Enforcement* – One employee earned compensatory time in eight weekly periods, but documented prior approval was only obtained for two of those periods. Unauthorized compensatory time totaled 46 hours.
 - > *Labor Mediator* – One employee earned compensatory time in six weekly periods, but documented prior approval was not obtained. Unauthorized compensatory time totaled 76 hours.
 - > *Arkansas Occupational Safety and Health (AOSH)* – One employee earned compensatory time in eight weekly periods but documented prior approval was not obtained. Unauthorized compensatory time totaled 79 hours.
- Board of Collection Agencies (BA 0221) – One employee earned 47 hours of compensatory time, but the Agency could provide documented approval for only 5 hours.

OPM policy 28 also requires Agencies to maintain complete and accurate records in AASIS regarding compensatory time earned and used. Our review revealed the following:

- Department of Labor and Licensing (BA 9910) – In two weekly periods, one employee recorded time worked in 5-minute increments instead of 15-minute increments, causing an incorrect accrual of .76 hours of unearned compensatory time.

- Athletic Commission (BA 0209) – One employee with an 8-hour workday recorded annual leave of 16 hours on the same day, resulting in the incorrect accrual of 8 hours of compensatory time. On April 25, 2023, prior to the end of fieldwork, the Agency corrected the accrual.
- Professional Bail Bondsman Licensing Board (BA 0211) – One employee with an 8-hour workday recorded 8 hours of sick leave and 8 hours of annual leave on the same day, resulting in the incorrect accrual of 8 hours of compensatory time. As of the end of fieldwork, the Agency had not corrected the accrual of compensatory time in AASIS. (Note: The compensatory time had not been used by the employee.)
- Real Estate Commission (BA 0248) – One employee with an 8-hour workday recorded 7.25 hours of attendance and 1.25 hours of authorized leave on the same day, resulting in the incorrect accrual of .5 hours of compensatory time.

Recommendation:

We recommend the Agency implement procedures to ensure prior written approval is obtained before compensatory time is worked by employees. In addition, procedures should also ensure that employee time worked is accurately recorded, reviewed, and approved to prevent the accrual of unearned compensatory time.

Agency Response:

The Department has implemented an overtime and compensatory time policy that determines the process for earning and using compensatory time. It specifically states that employees should have written approval from their supervisor in advance of earning compensatory time and that failure to do so may result in disciplinary action. Furthermore, this policy states that accrued compensatory time shall be used prior to the use of any accrued annual leave hours.

Finding 4:

Office of Personnel Management (OPM) Policy 54 outlines the requirements for leave payouts for state employees at separation of employment. Our review of payouts revealed the following deficiencies:

- Division of Labor (BA 0800) – One employee was overpaid \$210 in annual leave payout.
- Workers Compensation Commission (BA 0390)
 - > One employee submitted paperwork to take two weeks of annual leave prior to the actual retirement date. Because the Agency incorrectly entered the retirement date, the employee was not paid for the 88 hours of annual leave taken between the last day of work and the actual retirement date. As a result, the employee is due \$2,886 (gross). In addition, because this employee was not compensated for an additional 39.5 hours of annual leave and 8 hours of birthday leave, an additional \$1,558 (gross) is due to the employee.
 - > Annual leave payouts, totaling \$435 and \$137, respectively, were not paid for two additional employees.

Recommendation:

We recommend the Agency review and strengthen its procedures regarding lump sum payments to ensure calculations are accurate prior to issuing payment. In addition, the Agency should contact OPM to initiate payment to the three employees noted above.

Agency Response:

The Department is currently exploring the manner and method of making former employees whole in consultation with OPM. Regarding the overpayment of \$210 on the former employee's annual leave payout, the Department will consult with DFA on appropriate action to recover the loss. The Department's Chief Human Resource Officer is developing a standard operating procedure regarding lump sum payouts that will be followed by all human resource employees within the Department in order to keep these errors from occurring in the future.