

**ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
DEPARTMENT OF VETERANS AFFAIRS
FOR THE YEAR ENDED JUNE 30, 2022**

Finding 1:

Our review of contracts and expenses/payments revealed direct payments to two vendors. Direct payments are not tied to a contract within AASIS, which can cause contracts to be overpaid. The following issues were noted:

- Quality Staffing – As of June 30, 2022, the contract (including amendments) totaled \$1.5 million, with payments charged against the contract totaling \$766,840. We discovered one contract service payment totaling \$26,275 made outside the contract.
- Highland Healthcare – As of June 30, 2022, the contract (including amendments) totaled \$2 million, with payments charged against the contract totaling \$1,356,746. We discovered one contract service payment totaling \$4,743 made outside the contract.

These payments would not have created a contract overage, but they could lead to an overage in the future.

Although outside the fiscal year under audit, it should be noted that we also discovered a direct payment in fiscal year 2023 totaling \$31,793.

Additionally, the contract listing provided by the Agency was outdated and incomplete.

Recommendation:

We recommend the Agency's new administration review with applicable employees its current procedures regarding contract payments to ensure compliance.

Agency Response:

Direct payments were made at the direction of the former Accounting Operations Manager. Executive Order 20-03 as authorized by Ark. Code Ann. 19-11-233 was believed to be the authorization to make direct payments. Remaining staff note they were also advised to pay prior year invoices that were past the 45 days by direct pay as a way to separate old expenditures from the current fiscal year.

As of April 2023, the Agency has a new Procurement Manager. All contracts are being reviewed and updated as needed. There will be a few direct payments during the time it takes for these contracts to go through OSP and ALC review and approval process. Once new contracts are completed, all future direct payments must have the approval of the CFO or Account Operations Manager. The CFO and AOM will only approve direct payments for such things as utilities, rent, and leases unless there is an emergency that will cause harm or death.

An internal Excel workbook has been created as an additional check point for the expenditure amounts and outlined agreement numbers. This will provide a heads up when contracts are getting low on funds or reaching the expiration date. An AASIS status report will be generated the first week of each month by the fiscal team and/or the Procurement Manager to check for expiring contracts.

The Agency is also in contact with OSP about the possibility of in-person training for procurement. Online training is also available through the OSP website.

All staffing contracts for the Veterans' Homes will be ran through an additional employee that will create and contact the vendors for adjustments when needed. We believe this will speed up the process of getting the correct invoices to the fiscal team to be paid in a timely manner.

Finally, the fiscal team will conduct monthly unliquidated reviews with Cemeteries and Veterans' Homes to forecast contract needs.

Finding 2:

In accordance with Chapter 5 of the Arkansas Procurement Manual, a competitive bid is a procurement method used for purchases between \$20,000 and \$75,000. Competitive bids require the buyer to request price quotes (bids) from at least three different prospective contractors to allow for competitive pricing. Low cost determines the successful contractor.

Our review of expenditures revealed one vendor that provided drapes for the Fayetteville Veterans Home was paid \$33,629. Although a purchase order was created for this service, documented competitive bid information or a contract could not be provided.

Recommendation:

We recommend the Agency's new administration review, strengthen, and implement procedures to ensure applicable employees adhere to competitive bidding procedures and contract requirements, in accordance with the Arkansas Procurement Manual and state law.

Agency Response:

The Agency is no longer using this vendor. The procurement department has been told that anything with historical data of being over \$18,000 annually needs to be sent out for competitive bidding for future use of that vendor as a safeguard for unforeseen expenses.

**ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
GAME AND FISH COMMISSION
FOR THE YEAR ENDED JUNE 30, 2022**

Finding 1:

R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide states that “the bonded disbursing officer for each state agency, board, commission or institution is responsible for...reporting any losses of state funds to the Chief Fiscal Officer of the State and to the Division of Legislative Audit. Losses include the apparent theft or misappropriation of state funds or property theft.” The Arkansas Game and Fish Commission (AGFC) notified us of the following thefts of state property:

- On September 6, 2022, a Wildlife Officer reported a theft at the Holland Bottoms WMA compound of a 2013 Honda Rancher ATV, valued at \$5,655. Additionally, a fence was damaged for apparent entry into the compound. An incident report was filed with the Pulaski County Sheriff’s Office.
- On April 11, 2023, an AGFC employee reported that a 2005 metal enclosed trailer, valued at \$5,000, was stolen from AGFC property. An incident report was filed with the Lonoke County Sheriff’s Office.
- On May 23, 2023, a Wildlife Officer reported that the chain securing the gate at the Gene Rush Wildlife Management Area was cut and the following items stolen:
 - ❖ Two 2014 Honda Rubicon ATVs valued at \$4,353 and \$4,821, respectively.
 - ❖ A 2007 Tandem trailer valued at \$2,982.
 - ❖ A 50 gallon fuel tank containing approximately 25 gallons of torch fuel valued at \$110.
 - ❖ A 50 gallon fuel tank containing approximately 25 gallons of gasoline valued at \$100.
 - ❖ Two drip torches valued at \$1,800 each.
 - ❖ A toolbox containing straps and miscellaneous hand tools valued at \$650.

The value of the items stolen totaled \$16,616. An incident report was filed with the Newton County Sheriff’s Office.

Recommendation:

We recommend the Agency continue to monitor and strengthen controls related to the safeguarding of assets to prevent future occurrences of theft.

Agency Response:

Management concurs with the finding and recommendation to strengthen controls related to the safeguarding of inventory. We will provide employees with additional information and guidance to support the prevention of future occurrences of theft and strengthen internal controls to safeguard our inventory.

Finding 2:

Department of Transformation and Shared Services – Office of Personnel Management (DTSS-OPM) Policy #54, which is based on Ark. Code Ann. § 21-4-501, allows for the payment of accumulated, unused sick leave at retirement or death of an employee. A review of employee sick leave payouts made during the fiscal year revealed that, due to a calculation error by the Agency, one employee was overpaid \$2,515.

Recommendation:

We recommend the Agency strengthen internal controls over the processing of sick leave payouts. We also recommend the Agency contact DTSS-OPM to start the process of recoupment.

Agency Response:

Management concurs with the finding. We have already implemented changes to the internal process for sick leave payouts to strengthen internal controls. These process updates include incorporating the TSS-Office of Personnel Management Sick Leave Payout form to reduce the risk of errors. Additional supporting documentation for calculation of the payout and validation of changes made within the State system are provided by the Payroll Manager for management review.