# State of Arkansas

# Single Audit Report

For the Year Ended June 30, 2014

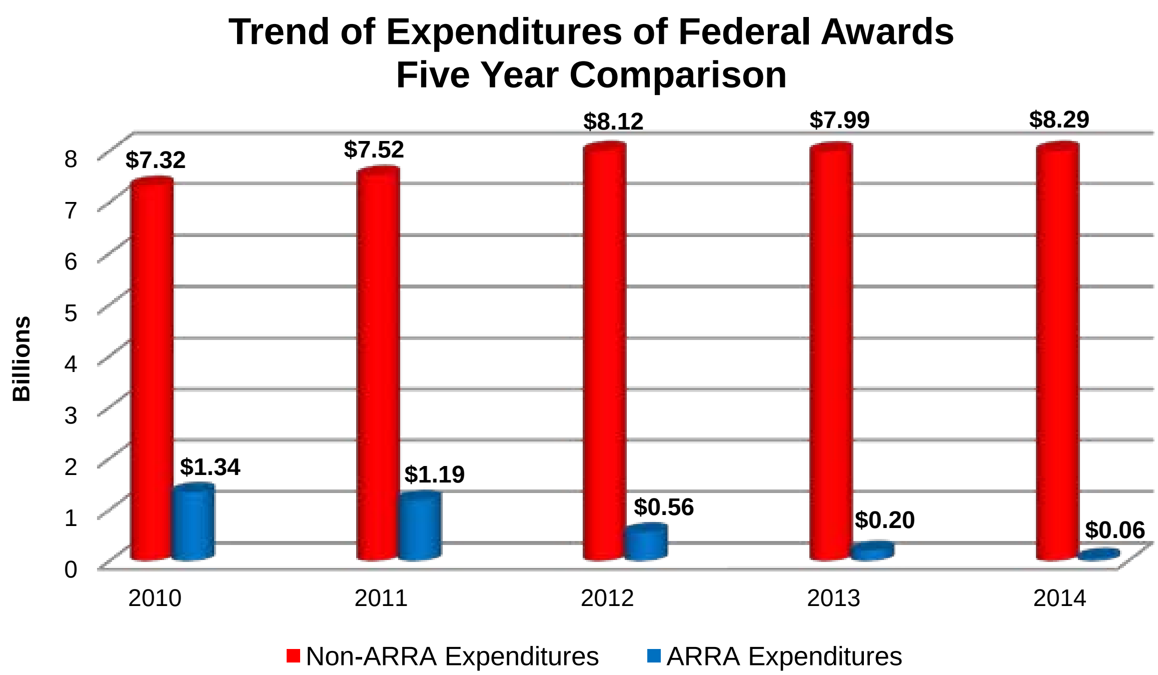
# State of Arkansas
# Table of Contents
# For the Year Ended June 30, 2014

The Single Audit Act, as amended in 1996, was enacted to streamline the effectiveness of audits of federal awards. As a result, the Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, to establish audit guidelines and policy, providing a consistent and uniform system to audit states, local governments, and not-for-profits that expend federal awards. The A-133 audit is required to determine whether

- The State's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles (GAAP).
- The Schedule of Expenditures of Federal Awards (SEFA) is presented fairly, in all material respects, in relation to the State's financial statements taken as a whole.
- The State has adequate internal controls in place to ensure compliance with the requirements of various federal awards.
- The State has complied with laws, regulations, and provisions of contracts or grant agreements pertaining to federal awards that may have a direct and material effect on major programs.

The State of Arkansas Single Audit for the fiscal year ended June 30, 2014, as performed by the Division of Legislative Audit, meets these requirements.

Beginning with the fiscal year ended June 30, 2009, additional federal funds were made available through the American Recovery and Reinvestment Act of 2009 (ARRA), which increased total expenditures of federal awards for the fiscal years ended June 30, 2009, 2010, and 2011. ARRA awards were made available for a limited period of time, and most ARRA awards were fully expended by the end of fiscal year 2012. Quarterly reporting for recipients of ARRA awards ended with the January 2014 reporting period. The State of Arkansas expended a total of $8,349,705,451 in federal awards during the year ended June 30, 2014. Of that total, $55,159,340 (.66%) in ARRA awards was expended.



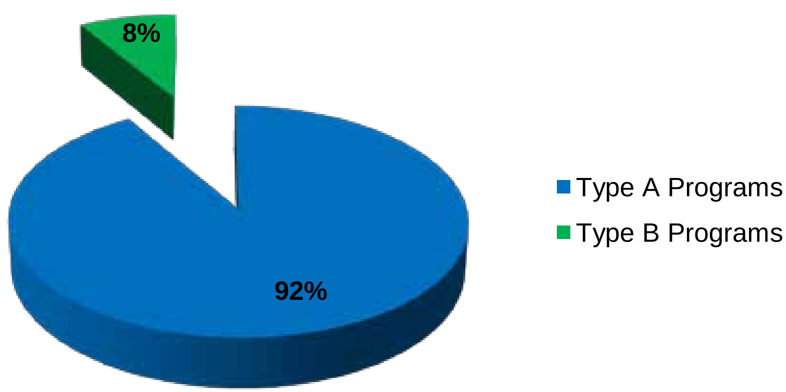
In accordance with OMB Circular A-133, larger federal programs are identified and labeled as Type A. The following table outlines how the Type A programs for the State of Arkansas were identified.

**Type A Program Determination**

| | | | |
|---|---|---|---|
| Larger of: | | | $ 3,000,000 |
| | | | **or** |
| Total expenditures of federal awards | | $8,349,705,451 | |
| Three-tenths of one percent | x | 0.003 | |
| | | | $25,049,116 |
| Type A threshold | | $ 25,049,116 | |

All federal programs with expenditures of at least $25,049,116 were labeled Type A. All other federal programs were labeled Type B. Of the 427 federal programs represented in the June 30, 2014, State of Arkansas Single Audit, 23 were Type A programs with expenditures totaling $7,661,107,786, which is 92% of total expenditures, and 404 were Type B programs with expenditures totaling $688,597,665, which is 8% of total expenditures.

**Type A and Type B Programs**
**Expenditures of Federal Awards**



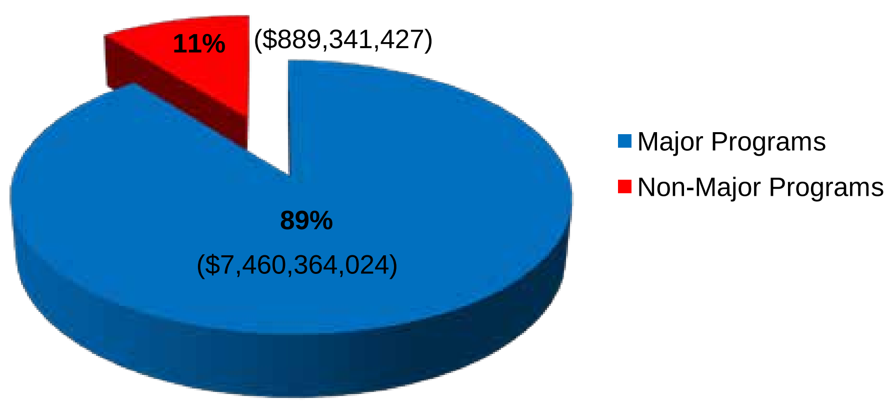

OMB Circular A-133 requires the auditor to perform risk assessments on all Type A programs and to audit, as major, each Type A program assessed as high-risk based on various risk factors. Risk assessments were performed on each Type A program, and 17 of the 23 were determined to be high-risk or major.

Additionally, OMB Circular A-133 requires the auditor to perform risk assessments on larger Type B programs to determine which ones will be audited as major to replace the Type A programs not being audited. Only Type B programs above the calculated threshold are included in the population to be assessed.

| Threshold for Type B Programs | | | |
|---|---|---|---|
| Larger of: | | | $ 300,000 |
| | | | **or** |
| Total expenditure of federal awards | | $8,349,705,451 | |
| Three-hundredths of one percent | x | 0.0003 | |
| | | | $ 2,504,912 |
| Threshold of Type B programs | | $ 2,504,912 | |

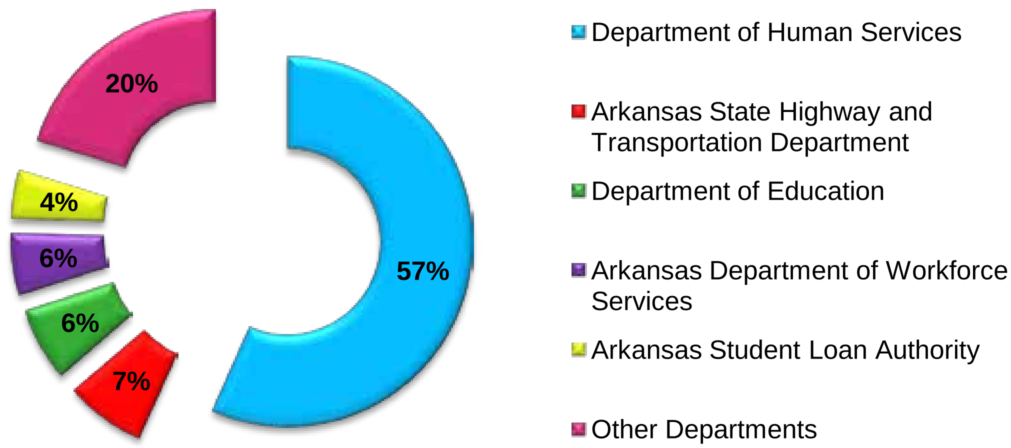
For the year ended June 30, 2014, major program expenditures represent 89% of total expenditures of federal awards.

**Fiscal Year 2014**
**Major vs. Non-Major Programs**
**$8,349,705,451**



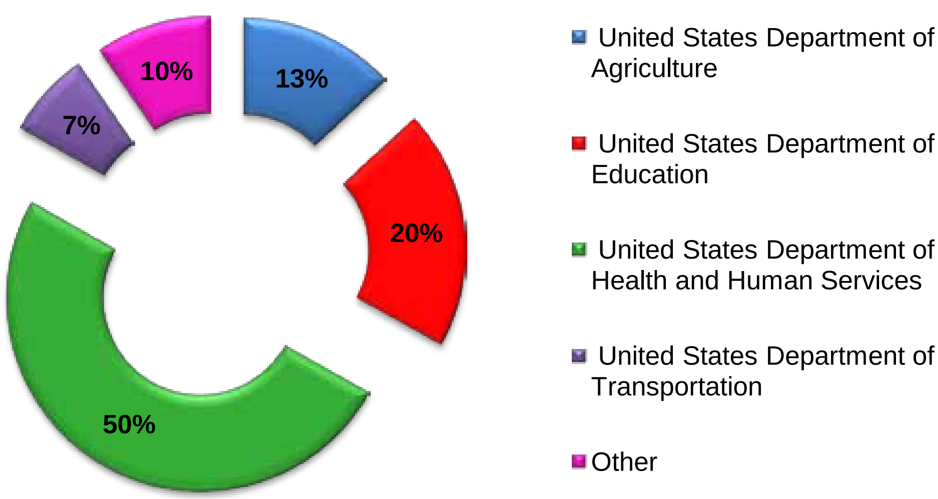
A majority (80%) of federal awards were expended by five state departments, as noted below.

## Percentage of Total Expenditures of Federal Awards by State Department




The State received federal awards from 28 different federal agencies. Most of the federal awards (90%) came from four federal agencies.

## Total Expenditures of Federal Awards by Federal Awarding Agency



# Independent Auditor's Reports

## For the Year Ended June 30, 2014

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair

Rep. Mary Broadaway
House Chair
Rep. Sue Scott
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

**LEGISLATIVE JOINT AUDITING COMMITTEE**
**DIVISION OF LEGISLATIVE AUDIT**

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

### Independent Auditor's Report

The Honorable Asa Hutchinson, Governor,
and Members of the Legislative Joint Auditing Committee
State of Arkansas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas (the State) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 31, 2014. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, the University of Arkansas for Medical Sciences (a portion of the Higher Education Fund), the Department of Workforce Services (Administrative, a portion of the General Fund, and Unemployment Insurance Fund, major enterprise fund), the Construction Assistance Revolving Loan Fund (non-major enterprise fund), and the Other Revolving Loan Funds (non-major enterprise funds) as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. (discretely presented component units) were not audited in accordance with *Government Auditing Standards*.

#### *Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Arkansas Code Annotated § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
December 31, 2014

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair

Rep. Mary Broadaway
House Chair
Rep. Sue Scott
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

**LEGISLATIVE JOINT AUDITING COMMITTEE**
**DIVISION OF LEGISLATIVE AUDIT**

# Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

The Honorable Asa Hutchinson, Governor,
and Members of the Legislative Joint Auditing Committee,
State of Arkansas:

## Report on Compliance for Each Major Federal Program

We have audited the State of Arkansas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2014. The State's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

### *Basis for Qualified Opinion on Children's Health Insurance Program*

As described in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with requirements regarding Children's Health Insurance Program (CFDA 93.767), as described in finding number 2014-012 for Reporting. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

***Qualified Opinion on Children's Health Insurance Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Children's Health Insurance Program for the year ended June 30, 2014.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001, 2014-002, 2014-005 through 2014-009, 2014-013 through 2014-017, and 2014-019 through 2014-021. Our opinion on each major federal program is not modified with respect to these matters.

The State's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The State's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002 through 2014-004, 2014-009, and 2014-011 through 2014-021 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001, 2014-005, 2014-007, 2014-010, and 2014-022, to be significant deficiencies.

The State's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The State's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the State as of and for the year ended June 30, 2014, and have issued our report thereon dated December 31, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

DIVISION OF LEGISLATIVE AUDIT

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
March 6, 2015, except for the
Schedule of Expenditures of Federal
Awards, dated December 31, 2014

# Schedule of Findings and Questioned Costs

## For the Year Ended June 30, 2014

Audit findings regarding compliance and internal controls over compliance for the major programs are disclosed on the following pages. Each finding has been evaluated and assigned one or more of the following designations:

- Ø ***Material Noncompliance*** with the provisions of laws, regulations, contracts, or grant agreements related to a major program. The determination of whether noncompliance is material for the purpose of reporting is in relation to one of the 14 types of compliance requirements for a major program or an audit objective identified in the OMB A-133 Compliance Supplement.
- Ø ***Noncompliance*** with the provisions of laws, regulations, contracts, or grant agreements related to a major program.
- Ø ***Material Weakness*** in internal control over compliance. A deficiency or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented or detected and corrected timely.
- Ø ***Significant Deficiency*** in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

In addition, known questioned costs that are greater than $10,000 for a type of compliance requirement for a major program are required to be reported. Questioned costs are questioned by the auditor because of an audit finding (a) that resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (b) for which the costs, at the time of the audit, are not supported by adequate documentation; or (c) for which the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

As part of the audit process, the findings were provided to the applicable State/Educational Agency (Agency) for management's response. The responses were prepared by management of each Agency and are included at the end of each finding beginning on page 15 under the caption "*Views of Responsible Officials and Planned Corrective Action.*" The responses include the planned corrective action, the anticipated completion date, and the Agency contact.

We have presented our findings, generally, by Federal Grantor Agency, State/Educational Agency, and Catalog of Federal Domestic Assistance Number (CFDA). Each finding is assigned a seven-digit reference number (e.g., 2014-xxx). The first set of digits represents the fiscal year audited, and the second set represents the sequential finding number. An index of the findings is located on page 14.

## State of Arkansas
## Schedule of Findings and Questioned Costs
## For The Year Ended June 30, 2014

### Section I - Summary of Auditor's Results

*Financial Statements*

| | | |
|---|---|---|
| Type of auditor's report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | ___ Yes | X No |
| Significant deficiency(s) identified not considered to be a material weakness(es)? | ___ Yes | X None reported |
| Noncompliance material to financial statements noted? | ___ Yes | X No |

*Federal Awards*

| | | |
|---|---|---|
| Internal control over major programs: | | |
| Material weakness(es) identified? | X Yes | ___ No |
| Significant deficiency(s) identified not considered to be a material weakness(es)? | X Yes | ___ None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified * | |
| * Except for the program listed on page 7 of this report, which was Qualified. | | |
| Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? | X Yes | ___ No |
| Dollar threshold used to distinguish between Type A and Type B programs: | $25,049,116 | |
| Auditee qualified as low-risk auditee? | ___ Yes | X No |

## Section I - Summary of Auditor's Results (Continued)

Identification of major programs:

| | CFDA Number(s) | Name of Cluster or Federal Program |
|---|---|---|
| **1.** | 10.551, 10.561 | SNAP Cluster |
| **2.** | 10,553, 10.555, 10.559 | Child Nutrition Cluster |
| **3.** | 17.207, 17.801, 17.804 | Employment Service Cluster |
| **4.** | 17.258, 17.259, 17.260 | WIA Cluster |
| **5.** | 20.205, 20.219, 23.003 | Highway Planning and Construction Cluster |
| **6.** | 66.458 | Clean Water State Revolving Fund Cluster |
| **7.** | 66.468 | Drinking Water State Revolving Fund Cluster |
| **8.** | 84.027, 84.173 | Special Education Cluster (IDEA) |
| **9.** | 93.558 | TANF Cluster |
| **10.** | 93.575, 93.596 | CCDF Cluster |
| **11.** | 93.720, 93.775, 93.777, 93.778 | Medicaid Cluster |
| **12.** | 96.001, 96.006 | Disability Insurance/SSI Cluster |
| **13.** | Various | Research and Development Cluster |
| **14.** | 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364 | Student Financial Assistance Cluster |
| **15.** | 10.415 | Rural Rental Housing Loans |
| **16.** | 11.557 | ARRA - Broadband Technology Opportunities Program (BTOP) |
| **17.** | 14.239 | Home Investment Partnerships Program |
| **18.** | 17.225 | Unemployment Insurance;  ARRA - Unemployment Insurance |
| **19.** | 84.010 | Title I Grants to Local Educational Agencies |
| **20.** | 84.032 | Federal Family Education Loans |
| **21.** | 84.126 | Rehabilitation Services_Vocational Rehabilitation Grants to States |
| **22.** | 93.000 | National Children's Study Information Management System Hubs |
| **23.** | 93.525 | State Planning and Establishment Grants for the Affordable Care Act (ACA) Exchanges |
| **24.** | 93.530 | Affordable Care Act Teaching Health Center Graduate Medical Education Payment Program |
| **25.** | 93.658 | Foster Care_Title IV-E |
| **26.** | 93.767 | Children's Health Insurance Program |

## Section II – Financial Statement Findings

No findings reported

## Section III - Federal Award Findings and Questioned Costs

## U.S. DEPARTMENT OF AGRICULTURE

| | |
|---|---|
| **Finding Number:** | **2014-001** |
| **State/Educational Agency(s):** | **University of Arkansas at Pine Bluff** |
| **CFDA Number(s) and Program Title(s):** | **10.500 – Cooperative Extension Service (Research and Development Cluster)** |
| **Federal Award Number(s):** | **2008-45200-04406** |
| **Federal Award Year(s):** | **2014** |
| **Compliance Requirement(s) Affected:** | **Procurement and Suspension and Debarment** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Criteria:**
In accordance with 2 CFR, part 180, OMB Guidelines to Agencies on Government-wide Debarment and Suspension (Nonprocurement), and 2 CFR, part 417, U.S. Department of Agriculture's nonprocurement suspension and debarment regulations, nonfederal entities may not contract with suspended or debarred parties.

**Condition and Context:**
Although goods and services were properly received or rendered, the University did not verify that applicable vendors had not been suspended or debarred from doing business with the Federal Government. However, none of the applicable vendors identified during the audit period were suspended or debarred. University management provided a vendor listing of the applicable transactions that revealed seven vendors paid with program funds should have been verified as not being suspended or debarred prior to the execution of the applicable contracts.

**Questioned Cost:**
None

**Cause:**
The University did not implement internal control procedures to ensure that applicable contracts were not executed with suspended or debarred parties.

**Effect:**
Without adequate internal control procedures, transactions could be conducted with suspended or debarred parties, which could result in a repayment of program funds to the grantor.

**Recommendation:**
We recommend the University implement adequate internal control procedures to ensure applicable transactions are not conducted with suspended or debarred parties.

**Views of Responsible Officials and Planned Corrective Action:**
The University of Arkansas Pine Bluff will strengthen its internal control processes to ensure all federal guidelines are being followed. Each quarter, the University will review the expenditures to federal vendors to determine which vendors, if any, have been paid over $25,000. Also, those vendors will be checked against the federal suspended and debarred website. This procedure will be performed by those in the Controller's office. As an additional control, the procurement office will check all vendors against the website to determine if those businesses are eligible to receive federal funds before a purchase order is processed from the University. A copy of the verification will be printed and attached to the purchase requisition. These changes will go into effect immediately at our institution.

**Anticipated Completion Date**: February 5, 2015

**Contact Person:**
Adrian Childs
Controller
University of Arkansas Pine Bluff
1200 N University Drive, Mail Slot 4984
Pine Bluff, AR 71601
(870) 575-8329
childsa@uapb.edu

**U.S. DEPARTMENT OF AGRICULTURE (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-002** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **10.555 – National School Lunch Program (Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **6AR300322** |
| **Federal Award Year(s):** | **2015** |
| **Compliance Requirement(s) Affected:** | **Special Tests and Provisions** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Criteria:**
In accordance with 7 CFR § 250.16, agencies are required to maintain accurate and complete records with respect to the receipt, distribution/use, and inventory of donated foods.

**Condition and Context:**
Testing of fiscal year ended inventory reports submitted by third-party processors indicated errors in pricing and quantity. Recalculation of the inventory amounts revealed errors in 7 of 23 items, with a net understatement of inventory value totaling $41,490.

**Questioned Costs:**
Unknown

**Cause:**
The Agency appears to have used weights and prices without verifying the submitted data when calculating ending inventory.

**Effect:**
Values for commodities were incorrectly reported.

**Recommendation:**
We recommend the Agency review and strengthen procedures to ensure accurate prices and weights are used to determine ending inventory values.

**Views of Responsible Officials and Planned Corrective Action:**
The Agency concurs with the findings. We have reviewed and strengthened our procedures to ensure accurate prices and weights are used to determine ending inventory values. New procedures were implemented July 1, 2014, to ensure that submitted calculations to determine ending inventory values are correct.

**Anticipated Completion Date**: Completed

**Contact Person:**
Delia Anderson
Director - Division of County Operations
Arkansas Department of Human Services
P. O. Box 1437, Mail Slot S301
Little Rock, AR 72203-1437
(501) 682-8375
delia.anderson@dhs.arkansas.gov

**U.S. DEPARTMENT OF AGRICULTURE (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-003** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **10.559 – Summer Food Service Program for Children (Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **6AR300322** |
| **Federal Award Year(s):** | **2014** |
| **Compliance Requirement(s) Affected:** | **Subrecipient Monitoring – Sponsors** |
| **Type of Finding:** | **Material Weakness** |

**Criteria:**
The Arkansas Department of Human Services (DHS), through the Special Nutrition Unit (SNU) of the Division of Child Care and Early Childhood Education (DCCECE), is responsible for administering a portion of the State's Child Nutrition Cluster program. Child Nutrition Cluster funds at the Agency are distributed through the National School Lunch Program (NSLP) and the Summer Food Service Program (SFSP). DHS is responsible for determining eligibility, monitoring subrecipient compliance, and determining whether funds are disbursed for allowable activities. In accordance with 7 CFR § 225.6, state agencies administering Child Nutrition Cluster programs must provide sufficient and qualified consultative, technical, and managerial personnel to administer the SFSP, monitor performance, and measure progress in achieving Program goals. In addition, state agencies administering the Child Nutrition Cluster programs are required to perform specific monitoring procedures for the SFSP in accordance with 7 CFR § 225.7.

**Condition and Context:**
For fiscal year 2014, DHS identified instances of fraudulent claims in the SFSP. The amount of fraudulent claims is presently unknown due to a pending federal investigation involving the Federal Bureau of Investigation, the United States Department of Agriculture (USDA) Office of Inspector General, and other federal agencies. DHS is also conducting an internal audit to identify and correct internal control weaknesses in the SNU. Indictments involving sponsors in the program and agency employees were issued by the United States District Court Eastern District of Arkansas on December 11, 2014. The investigation and internal audit were ongoing at the end of fieldwork.

**Questioned Costs:**
Unknown

**Cause:**
Per discussion with DHS officials, the primary contributing factor for fraud was collusion among DHS employees and food service sponsors to inflate the number of claims submitted for reimbursement and circumvent internal controls. An additional factor contributing to the fraud was a lack of staff to sufficiently monitor sponsors.

**Effect:**
Fraudulent claims were submitted for reimbursement.

**Recommendation:**
We recommend the Agency continue to provide training for employees, implement policy changes, and increase monitoring to reduce the chances of fraudulent claims being submitted and paid.

**Views of Responsible Officials and Planned Corrective Action:**
The Agency concurs with the finding. The USDA currently provides training to Agency staff at the Agency's request. The Agency has implemented policy changes to enhance internal controls. Procedures have been modified to separate duties – from the application to the approval to the monitoring. A different staff is responsible for each step of the process. To strengthen our monitoring, we have implemented a claim validation system. We randomly select a number of reimbursement claims and require those vendors selected to send us further documentation to match their claims.

To further increase our monitoring, we will do random spot-checking and random follow-up of the staff reviews. In addition, we will monitor variances in payments and look closely at significant changes.

**U.S. DEPARTMENT OF AGRICULTURE (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-003 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **10.559 – Summer Food Service Program for Children (Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **6AR300322** |
| **Federal Award Year(s):** | **2014** |
| **Compliance Requirement(s) Affected:** | **Subrecipient Monitoring – Sponsors** |
| **Type of Finding:** | **Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action (Continued):**

**Anticipated Completion Date**: Training/Procedures - April 2015
Monitoring plan - complete

**Contact Person:** Tonya Williams
Director - Division of Child Care and Early Childhood Education
Arkansas Department of Human Services
Donaghey Plaza South
P.O. Box 1437, Slot S140
Little Rock, AR 72203-1437
(501) 320-8953
tonya.williams@dhs.arkansas.gov

**U.S. DEPARTMENT OF AGRICULTURE (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-004** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **10.555 – National School Lunch Program**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **6AR300322** |
| **Federal Award Year(s):** | **2014** |
| **Compliance Requirement(s) Affected:** | **Subrecipient Monitoring – Sponsors** |
| **Type of Finding:** | **Material Weakness** |

**Criteria:**
The Arkansas Department of Human Services (DHS), through the Special Nutrition Unit (SNU) of the Division of Child Care and Early Childhood Education (DCCEC), is responsible for administering a portion of the State's Child Nutrition Cluster Program. Child Nutrition Cluster funds at the Agency are distributed through the National School Lunch Program (NSLP) and the Summer Food Service Program (SFSP). Guidance in the Administrative Review Manual, issued by the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS), requires DHS to document corrective action taken by sponsors for any degree of findings identified through an administrative review.

**Condition and Context:**
Our review revealed that DHS did not maintain adequate documentation of the corrective action for findings identified during an administrative review for one sponsor.

**Questioned Cost:**
None

**Cause:**
The Agency did not have the required documentation because of turnover in personnel responsible for conducting the administrative review.

**Effect:**
Failure to maintain documentation for corrective action could result in continued noncompliance by sponsors.

**Recommendation:**
We recommend the Agency review and strengthen procedures to ensure documentation is adequately maintained.

**Views of Responsible Officials and Planned Corrective Action:**
The Agency concurs with the finding. The Agency will implement a tracking system that follows the corrective action plan from the finding to the follow-up. We will keep a calendar schedule for regular follow-ups. The Division's auditor will regularly monitor follow-up progress.

| | |
|---|---|
| **Anticipated Completion Date**: | IT systems rewrite Mid/Long Term: February 2016 to September 2016<br>Manual tracking process - complete |
| **Contact Person:** | Tonya Williams<br>Director - Division of Child Care and Early Childhood Education<br>Arkansas Department of Human Services<br>Donaghey Plaza South<br>P.O. Box 1437, Slot S140<br>Little Rock, AR 72203-1437<br>(501) 320-8953<br>tonya.williams@dhs.arkansas.gov |

## U.S. DEPARTMENT OF EDUCATION

| | |
|---|---|
| **Finding Number:** | **2014-005** |
| **State/Educational Agency(s):** | **Southern Arkansas University** |
| **CFDA Number(s) and Program Title(s):** | **84.038 – Federal Perkins Loan Program_Federal Capital Contributions**<br>**84.268 – Federal Direct Student Loans**<br>**(Student Financial Assistance Cluster)** |
| **Federal Award Number(s):** | **Unknown (84.038) and P268K141087 (84.268)** |
| **Federal Award Year(s):** | **2014** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Criteria:**
The Arkansas Department of Finance and Administration (DFA) requires each institution of higher education to submit federal program information, including expenditures, for preparation of the State's Schedule of Expenditures of Federal Awards (SEFA).

**Condition and Context:**
The University's reported expenditures to DFA for the Federal Perkins Loan Program_Federal Capital Contributions and Federal Direct Student Loans were overstated by $48,978 and $2,768,022, respectively. The SEFA was not adjusted for these reporting errors.

**Questioned Cost:**
None

**Cause:**
The University did not have adequate internal control procedures to ensure that federal expenditures reported to DFA were properly verified.

**Effect:**
The federal expenditures reported to DFA for the preparation of the SEFA were incorrect.

**Recommendation:**
We recommend the University implement adequate internal control procedures to ensure federal expenditures are properly reported.

**Views of Responsible Officials and Planned Corrective Action:**
Federal expenditures for Federal Capital Contributions were overstated due to June UAS reports being processed after the SEFA deadline. The Accounting Department will request that these transactions be processed sooner or take care to submit an amended report once they are received.

Federal expenditures for Federal Direct Student Loans were overstated due to a typographical error submitted by the University's Loan Officer to the Assistant Controller, who prepares the report. The Director of Financial Aid has now implemented a review process to evaluate out-going information for accuracy.

**Anticipated Completion Date**: June 30, 2015

**Contact Person:**
Shawana Reed
Controller
Southern Arkansas University
P.O. Box 9411
Magnolia, AR 71754
(870) 235-5008
shawanareed@saumag.edu

**U.S. DEPARTMENT OF EDUCATION (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-006** |
| **State/Educational Agency(s):** | **Arkansas Department of Education** |
| **CFDA Number(s) and Program Title(s):** | **84.173 – Special Education_Preschool Grants (Special Education Cluster (IDEA))** |
| **Federal Award Number(s):** | **H173A130021** |
| **Federal Award Year(s):** | **2014** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Noncompliance** |

**Criteria:**
Title 34 Part 300.816, which applies to Preschool Grants for Children with Disabilities, requires the allocation of remaining funds after base payments to Local Education Agencies (LEAs) to be based on the relative number of children enrolled in public and private elementary schools and secondary schools within the LEA's jurisdiction.

**Condition and Context:**
In 2014, the Agency used only the preschool 3- to 5-year-old counts in the "allocation of remaining funds" for population amounts after the base instead of using the total school-aged and preschool children count in the calculation. Although the total distribution of remaining funds of $776,082 to the LEAs for 2014 was appropriate, the breakdown among recipients was incorrect.

**Questioned Costs:**
None

**Cause:**
The Agency's Special Education Preschool calculation for the allocation of remaining funds was not in accordance with program requirements.

**Effect:**
Inappropriate calculations could result in an incorrect payment to an LEA.

**Recommendation:**
No further action is required as the Agency has taken corrective action for fiscal year 2015.

**Views of Responsible Officials and Planned Corrective Action:**

**Anticipated Completion Date**: Corrective action was implemented prior to the audit date, and we believe we are now in full compliance.

**Contact Person:**
Ron Byrns
Controller
Arkansas Department of Education
4 Capitol Mall
Little Rock, AR 72201
(501) 682-4740
ron.byrns@arkansas.gov

## U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

| | |
|---|---|
| **Finding Number:** | **2014-007** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.558 – Temporary Assistance for Needy Families (TANF Cluster)** |
| **Federal Award Number(s):** | **G-0801ARTANF; G-901ARTANF; 1302ARTANF; 1402ARTANF** |
| **Federal Award Year(s):** | **2008, 2009, 2013, and 2014** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles; Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Criteria:**
For cash assistance costs to be allowable, they must be made to eligible clients, as outlined in Sections 3 and 11 of the State Plan for Title IV-A of the Social Security Act: Temporary Assistance for Needy Families (TANF). In addition, Section 3805 of the Department of Workforce Services Transitional Employment Assistance (TEA) Policy Manual governs sanctions related to client non-compliance. Also, Section 2201 of the TEA Policy Manual governs who is included in the assistance unit.

**Condition and Context:**
To test the $13,969,653 in cash assistance disbursements to 12,168 clients, we randomly sampled $65,878 in cash assistance payments to 60 clients to determine allowable cost and eligibility for those clients. Our sample revealed four clients with overpayments, as summarized below:

- One client was paid a supplemental payment of $746 and a regular payment of $373, based on an assistance unit total of seven. The number of people in the assistance unit was six; therefore, payments should have been for $662 and $331, respectively. An overpayment of $126 resulted.
- One client was paid three monthly payments, two of $122 each and one of $162, when the case was sanctioned, and these payments were supposed to be suspended. An overpayment of $406 resulted.
- One client was paid $102 when the case was sanctioned due to the client's refusal to work, and the payment was supposed to be suspended, resulting in an overpayment of $102.
- One client was paid three monthly payments of $102 each for a case that was closed, resulting in an overpayment of $306.

**Questioned Costs**:
$940

**Cause:**
Lack of adequate training for staff who apply sanctions and calculate the assistance unit during the application process, lack of appropriate communication between case workers, and inadequate review by supervisory staff led to clients being paid amounts to which they were not entitled.

**Effect:**
Failure to provide staff with adequate training and to properly review client eligibility has placed assets at risk and could jeopardize the Agency's ability to provide program funding.

**Recommendation:**
We recommend the Agency provide adequate training to staff responsible for determining client eligibility as well as strengthen the review process performed by supervisory staff to ensure federal program funds are utilized in accordance with federal regulations and the State Plan for TANF.

**Views of Responsible Officials and Planned Corrective Action:**
The Agency concurs with the findings and will continue our existing corrective action since marked improvement has been made. TEA Caseworkers will complete a refresher Computer-Based Training on calculating assistance units and applying sanctions correctly. Supervisors will continue to monitor and review these cases.

**Anticipated Completion Date**: May 2015

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-007 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.558 – Temporary Assistance for Needy Families (TANF Cluster)** |
| **Federal Award Number(s):** | **G-0801ARTANF; G-901ARTANF; 1302ARTANF; 1402ARTANF** |
| **Federal Award Year(s):** | **2008, 2009, 2013, and 2014** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles; Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action (Continued):**

**Contact Person:**

Delia Anderson
Director - Division of County Operations
Arkansas Department of Human Services
P. O. Box 1437, Mail Slot S301
Little Rock, AR 72203-1437
(501) 682-8375
delia.anderson@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-008** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.575 – Child Care and Development Block Grant**<br>**93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund**<br>**(CCDF Cluster)** |
| **Federal Award Number(s):** | **G-1201ARCCDF; G-1301ARCCDF; G-1401ARCCDF** |
| **Federal Award Year(s):** | **2012, 2013, and 2014** |
| **Compliance Requirement(s) Affected:** | **Allowable Cost/Cost Principles** |
| **Type of Finding:** | **Noncompliance** |

**Criteria:**
The Arkansas Department of Human Services (DHS) is responsible for administering the State's CCDF Cluster program. The Agency's responsibility includes determining eligibility for each applicant and documenting that eligibility criteria were met. The Agency outlines eligibility for the program in its State Plan.

**Condition and Context:**
Between October 1, 2013 and September 30, 2014, the Division of Child Care and Early Childhood Education identified 68 cases of client and provider overpayments totaling $137,412. The Agency also identified an additional 44 cases of possible overpayments totaling $67,181 that are currently under investigation.

In addition to the above, we selected 95 clients for audit testing from the database of child care billings, including the 45 clients receiving the highest benefits. As a result of this testing, we referred four clients to the Agency for further analysis due to information in the records that raised questions relating to eligibility and appropriateness of payments.

**Questioned Costs:**
$137,412

**Cause:**
Factors contributing to these issues include (a) case heads and/or clients failing to report changes in client eligibility criteria that affected their eligibility status, (b) clients willfully misrepresenting their eligibility data, and (c) providers billing for services not provided.

**Effect:**
Benefits could have been provided to ineligible clients and providers.

**Recommendation:**
We recommend the Agency continue to provide training for employees, implement policy changes, and increase monitoring to reduce overpayments to clients and providers.

**Views of Responsible Officials and Planned Corrective Action:**
The Agency concurs with the finding. Approximately 40-50% of the clients had actually reported their changes in income to a different division in the Agency. There is currently no cross-checking between divisions. We will request that the Office of Finance and Administration research the possibility of both systems communicating and sending alerts to each other.

The main reasons for overpayment are:

- Failure to report changes in marital status.
- Failure to report increases in income.
- Failure to work the required number of hours per week.
- Failure to keep the required class hours per week.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-008 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.575 – Child Care and Development Block Grant**<br>**93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund**<br>**(CCDF Cluster)** |
| **Federal Award Number(s):** | **G-1201ARCCDF; G-1301ARCCDF; G-1401ARCCDF** |
| **Federal Award Year(s):** | **2012, 2013, and 2014** |
| **Compliance Requirement(s) Affected:** | **Allowable Cost/Cost Principles** |
| **Type of Finding:** | **Noncompliance** |

**Views of Responsible Officials and Planned Corrective Action (Continued):**

We will work with the legal and compliance teams and look at methods of tracking these and ways to reduce by the end of the year. We will also discuss with the legal team the possibility of clients providing permission to have employers tell us their earnings.

We have between 1,300 and 2,300 providers. Providers are required to report to us children who have not been attending. The Agency has a restitution process in place. The Agency continues to provide training to the staff.

**Anticipated Completion Date**: April 2015

**Contact Person:**

Tonya Williams
Director - Division of Child Care and Early Childhood Education
Arkansas Department of Human Services
Donaghey Plaza South
P.O. Box 1437, Slot S140
Little Rock, AR 72203-1437
(501) 320-8953
tonya.williams@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-009** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.658 – Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **1301AR1401; 1401AR1401** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Cash Management** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Criteria:**
In accordance with 31 CFR § 205.33, "A State must minimize the time between drawdown of Federal funds...and their disbursement for Federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportion share of any allowable indirect costs."

Also, in accordance with 2 CFR § 225, costs must be necessary and reasonable for proper administration of federal awards as well as allocable to federal awards. 45 CFR § 92.22(a)(1) also states that "grant funds may only be used for allowable costs of the grantees."

**Condition and Context:**
We reviewed federal draws recorded in the Payment Management System (PMS) to determine if draws were adequately supported, were made for actual program expenditures, and met the immediate cash needs of the program. Our review included comparing the program draws recorded in PMS to program expenditures recorded in the Arkansas Administrative Statewide Information System (AASIS) and reported on the program's quarterly financial reports. Our review revealed federal draws exceeded actual program expenditures by $1,121,060. A similar issue was discovered and reported during our 2013 Single Audit.

Our testing revealed two specific instances that contributed to draws exceeding actual program expenditures. The first instance was a keying error resulting in an excess draw totaling $10,000. The second instance involved a coding error in AASIS that mistakenly identified costs as Foster Care, resulting in unallowable costs drawn totaling $19,982.

**Questioned Costs:**
$1,121,060

**Cause:**
A change in personnel and a change in the presentation of the quarterly financial reports due to the implementation of a new waiver contributed to the noncompliance. The Agency's reconciliation contained several keying errors that were not discovered. In addition, a review of the reconciliation and reports for the third and fourth quarters of 2014 was not performed.

**Effect:**
The Agency was unable to ensure federal draws represented the immediate cash needs of the program and were allowable. As a result, the Agency had excess cash on hand.

**Recommendation:**
We recommend the Agency review existing policies and procedures and take immediate corrective action to strengthen controls to ensure federal draws do not exceed actual program expenditures. In addition, procedures for supervisory review of reconciliations and reports should be strengthened to ensure new staff perform and understand their duties to ensure cash management criteria are met. The Agency should also review program codes in AASIS to ensure federal draws are made against the appropriate federal program.

**Views of Responsible Officials and Planned Corrective Action:**
The Office of Finance and Administration (OFA) agrees with the finding. The $1,121,060 was primarily related to a cost being entered twice on the quarterly Title IV-E worksheet. We have changed the process to include an additional review. The worksheet is now prepared by the Division of Children and Family Services CFO and reviewed by an OFA Assistant Director. Program codes will be reviewed on a quarterly basis.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-009 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.658 – Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **1301AR1401; 1401AR1401** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Cash Management** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action (Continued):**

**Anticipated Completion Date**: Complete

**Contact Person:**
Ronald Gillert
Director - Division of Administrative Services
Arkansas Department of Human Services
P.O. Box 1437, Slot W401
Little Rock, AR 72203-1437
(501) 682-5448
ronald.gillert@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-010** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.767 – Children's Health Insurance Program**<br>**93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 05-1305ARADM; 05-1405ARADM; 05-1405AR502** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Significant Deficiency** |

**Criteria:**
The State is responsible for a portion of the costs regarding the Medical Assistance Program and the Children's Health Insurance Program (CHIP). As noted in OMB Circular A-133, § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This includes ensuring that the state portion of expenditures is from non-federal funds only and meets the approved matching rate.

A portion of the Agency's process to ensure compliance with the matching requirement includes comparing draws of federal funds to allowable federal expenditures. The comparison allows the Agency to identify variances and make timely adjustments, ensuring the approved matching rate is maintained. The comparisons are performed quarterly and are included in the Agency's reporting reconciliations for the CMS-64, *Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program*, and the CMS-21, *Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI.*

**Condition and Context:**
Our review of the reconciliations for the quarters ended September 30, 2013, and December 31, 2013, revealed variances identified by the Agency that were not adequately addressed. In addition, both reconciliations we reviewed were performed 12 days after the CMS-64 and CMS-21 reports were due for submission.

**Questioned Costs:**
Unknown

**Cause:**
Agency staff were not sufficiently trained and did not appear to have adequate knowledge of the programs or the funding and reporting processes.

**Effect:**
Failure to adequately address identified variances and perform timely reconciliations could lead to inaccurate reporting of expenditures to the federal awarding agency and could contribute to the Agency's noncompliance with approved matching rates.

**Recommendation:**
We recommend the Agency review and strengthen existing procedures and implement immediate corrective action to ensure all variances identified are adequately addressed and reconciliations are performed timely.

**Views of Responsible Officials and Planned Corrective Action:**
The Office of Finance and Administration (OFA) and the Division of Medical Services (DMS) agree with the finding. This finding resulted from the following factors: new staff preparing the report, lack of DMS staff familiarity with the report due to turnover, and changes in the reporting due to the Affordable Care Act and the Private Option. Total reconciliation of the report before submission is not always feasible currently, due to the sheer volume of the information required to prepare the report and the short time frame to file it in. However, DMS is working on an information technology system which will automate the gathering of much of the information needed to file the report and make reconciliation more efficient and timely.

In addition, DMS and OFA staff are meeting together monthly to both improve the knowledge of the report and have reconciliations that both Divisions can review.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-010 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.767 – Children's Health Insurance Program**<br>**93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 05-1305ARADM; 05-1405ARADM; 05-1405AR502** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action (Continued):**

**Anticipated Completion Date**: October 2015

**Contact Person:** Ronald Gillert
Director - Division of Administrative Services
Arkansas Department of Human Services
Division of Administrative Services
P.O. Box 1437, Slot W401
Little Rock, AR 72203-1437
(501) 682-5448
ronald.gillert@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-011** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.767 – Children's Health Insurance Program** |
| **Federal Award Number(s):** | **05-1305AR5021; 05-1405AR5021** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Reconciliation of Expenditures** |
| **Type of Finding:** | **Material Weakness** |

**Criteria:**
As noted in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This includes preparing reconciliations between federal expenditures recorded in the Agency's financial management system and federal expenditures reported to the federal awarding agency to ensure accuracy of information.

**Condition and Context:**
Our review revealed the Agency does not perform a reconciliation between federal expenditures recorded in its financial management system and the amounts reported to the federal awarding agency. As a result, the following discrepancies were noted:

- The Agency understated its Schedule of Expenditures of Federal Awards (SEFA) regarding the Children's Health Insurance Program (CHIP) by $6,311,958.
- Sufficient, appropriate evidence could not be provided for a variance totaling $9,396,434 between the federal expenditures recorded in the Agency's financial management system and the federal expenditures reported to the federal awarding agency. (Note: A portion of this variance is the result of issues noted in findings **2014-012** and **2014-013** on pages **32** and **33**.)

**Questioned Costs:**
Unknown

**Cause:**
The Agency does not perform a reconciliation of federal award activity for CHIP.

**Effect:**
Sufficient, appropriate evidence could not be provided to adequately explain or identify the variances existing between federal expenditures recorded in the Agency's financial management system and federal expenditures reported to the federal awarding agency, resulting in an understatement of the CHIP portion of the SEFA.

**Recommendation:**
We recommend the Agency establish and implement procedures to ensure federal expenditures recorded in the Agency's financial management system are reconciled to federal expenditures reported to the federal awarding agency. Reconciliations will ensure variances are properly researched and resolved timely.

**Views of Responsible Officials and Planned Corrective Action:**
The Office of Finance and Administration (OFA) and the Division of Medical Services (DMS) agree with the finding. Staff have been instructed to look at CHIP and traditional Medicaid separately since they are two different federal awards. DMS is also working on an information technology system which will automate the gathering of much of the information needed to file the grant report and will make reconciliation more efficient and timely.

**Anticipated Completion Date**: April 30, 2015

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-011 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.767 – Children's Health Insurance Program** |
| **Federal Award Number(s):** | **05-1305AR5021; 05-1405AR5021** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Reconciliation of Expenditures** |
| **Type of Finding:** | **Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action (Continued):**

**Contact Person:**
Ronald Gillert
Director - Division of Administrative Services
Arkansas Department of Human Services
P.O. Box 1437, Slot W401
Little Rock, AR 72203-1437
(501) 682-5448
ronald.gillert@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-012** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.767 – Children's Health Insurance Program** |
| **Federal Award Number(s):** | **05-1305AR5021; 05-1405AR5021** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Criteria:**
In accordance with Centers for Medicare and Medicaid Services (CMS) regulations, states are required to report quarterly expenditures for the Children's Health Insurance Program (CHIP) using the CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program. In addition, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This includes submitting accurate and complete financial data to the federal awarding agency.

**Condition and Context:**
Our review of the CMS-64.21U portion of the report revealed an error in the amount reported as rebates for drug purchases in the quarter ended December 31, 2013. A formula error in the Agency's workbook, used as support for the data reported on the CMS-64, resulted in an excess claim for drug rebates totaling $10,199,414. The federal share of the excess claim totals $8,064,677.

**Questioned Costs:**
$8,064,677

**Cause:**
Adequate controls are not in place to ensure the Agency's workbook produces accurate and complete data.

**Effect:**
The excess claim resulted in an understatement of expenditures for the quarter ended December 31, 2013.

**Recommendation:**
We recommend the Agency establish adequate procedures to ensure supporting data used to report required information on the CMS-64 are accurate and complete.

**Views of Responsible Officials and Planned Corrective Action:**
The Office of Finance and Administration (OFA) and the Division of Medical Services (DMS) agree with the finding. This error resulted from a bad formula in a workbook. An additional full-time staff person was added in February, along with the temporary assignment of another staff person, to help review the workbook and ensure that formulas are correct. In addition, OFA is working to break the workbook into smaller, more manageable pieces. DMS is also working on an information technology system that will automate the gathering of much of the information needed to file the grant report and thereby reduce the complexity of the workbook.

**Anticipated Completion Date:** September 30, 2015

**Contact Person:**
Ronald Gillert
Director - Division of Administrative Services
Arkansas Department of Human Services
P.O. Box 1437, Slot W401
Little Rock, AR 72203-1437
(501) 682-5448
ronald.gillert@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-013** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.767 – Children's Health Insurance Program** |
| **Federal Award Number(s):** | **05-1305AR5021; 05-1405AR5021** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Criteria:**
In accordance with Centers for Medicare and Medicaid Services (CMS) regulations, grantees are required to report quarterly expenditures for the Children's Health Insurance Program (CHIP) using the CMS-21, Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI. In addition, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This includes submitting accurate and complete financial data to the federal awarding agency.

**Condition and Context:**
Our review of the CMS-21 base report revealed the Agency failed to report ARHealth premiums collected, totaling $1,265,705. The omission affected the quarter ended June 30, 2013, and the quarters ended September 30, 2013; December 31, 2013; and March 31, 2014. Adjustments regarding recoupments, refunds, and premiums received are required to be included on the CMS-21.

**Questioned Costs:**
$832,818 (2014)
$432,887 (2013)

**Cause:**
The Agency does not have adequate controls in place to ensure the Agency's workbook produces accurate and complete data.

**Effect:**
Omission of the premiums resulted in an overstatement of expenditures for the affected quarters.

**Recommendation:**
We recommend the Agency establish adequate procedures to ensure supporting data used to report required information on the CMS-21 are accurate and complete.

**Views of Responsible Officials and Planned Corrective Action:**
The Office of Finance and Administration (OFA) agrees with the finding. This error resulted from a bad formula in a workbook. An additional full-time staff person was added in February, along with the temporary assignment of another staff person, to help review the workbook and ensure that formulas are correct. In addition OFA is working to break the workbook into smaller, more manageable pieces. The Division of Medical Services is also working on an information technology system that will automate the gathering of much of the information needed to file the grant report and thereby reduce the complexity of the workbook.

**Anticipated Completion Date:** September 30, 2015

**Contact Person:**
Ronald Gillert
Director - Division of Administrative Services
Arkansas Department of Human Services
P.O. Box 1437, Slot W401
Little Rock, AR 72203-1437
(501) 682-5448
ronald.gillert@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-014** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Claims Payments** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Criteria:**
In accordance with Arkansas Medicaid Provider Manual Section II – Rehabilitative Services for Persons with Mental Illness (RSPMI) §§ 216.000, 218.000, and 218.100, for each beneficiary entering the RSPMI Program, the treatment team must develop an individualized master treatment plan. The master treatment plan must be completed by a mental health professional and approved by a psychiatrist or physician. The treatment plan must be reviewed by the treatment team at least every 90 calendar days.

RSPMI § 226.200 indicates that the provider must develop and maintain sufficient written documentation to support each medical or remedial therapy, service, activity, or session for which Medicaid reimbursement is sought. At minimum, this includes the following:

- The specific services rendered (must be individualized; duplicated notes are not allowed).
- The relationship of the services provided to the treatment regimen described in the master treatment plan.
- The date and actual time the services were rendered.
- The name and credentials of the individual who provided the services.
- The setting in which the services were provided.
- Updates describing the beneficiary's progress or lack thereof.
- Both daily notes and a weekly summary if receiving Rehabilitative Day Services (Weekly summary was not required for services dates prior to 12/1/12).

**Condition and Context:**
We selected 60 beneficiary files for review to determine if the provider maintained sufficient, appropriate evidence as required by the specific sections of the RSPMI manual stated above. Our review revealed the following:

- 11 beneficiary files did not contain adequate supporting documentation to determine that an individualized Master Treatment Plan was completed and reviewed at least every 90 calendar days.
- 22 beneficiary files lacked some form of documentation to support services billed.

**Questioned Costs:**
$16,098

**Cause:**
The Agency failed to ensure all required RSPMI documentation was maintained.

**Effect:**
A lack of sufficient, appropriate evidence supporting services provided could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We **again** recommend the Agency review its policies and procedures and take necessary corrective action to ensure all required RSPMI documentation is maintained in the beneficiary files.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-014 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Claims Payments** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action:**
The Agency concurs with the finding. In response to a similar finding in the prior year, the Agency strengthened controls via activities designed to insure compliance with program rules and regulations and medical necessity. These controls included inspection of care, desk reviews, and retrospective reviews for services provided through the RSPMI program. It should be noted that as a result of the implementation of these additional controls in January of 2014, the current-year finding has been reduced by 62%. The Division of Medical Services (DMS) will continue those initiatives and, if irregularities are discovered, will implement additional corrective action provider requirements, including mandatory training in areas of deficiency. DMS has also implemented a quality assurance project focused specifically upon periodic treatment plan reviews and documentation of beneficiary progress. DMS will continue to analyze and review outlier providers via desk review and refer such provider sites, as warranted, to the Office of Medicaid Inspector General for investigation of suspected waste and abuse of RSPMI funding.

**Anticipated Completion Date:** Complete

**Contact Person:**
Mark Story
Assistant Director - Division of Medical Services
Arkansas Department of Human Services
P.O. Box 1437, Slot S416
Little Rock, AR 72203-1437
(501) 320-8955
mark.story@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-015** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Criteria:**
Follow-up procedures for prior-year audit finding 13-710-10 revealed continued noncompliance and inadequate internal controls regarding the Living Choices Assisted Living program.

Arkansas Provider Manuals for Living Choices Assisted Living dictate the information that must be documented and maintained in provider files to support services billed.

**Condition and Context:**
We selected 30 provider files for review from the Living Choices Assisted Living program to determine if required documentation was being maintained in accordance with Provider Manual §§ 202.100 and 202.110. The manual states that the provider must maintain sufficient written documentation in the beneficiary's case file supporting billing for services rendered. At minimum, this includes the following:

- The beneficiary's attending or primary care physician's name, office address, telephone number, and after-hours contact information.
- A copy of the beneficiary's plan of care.
- Written instructions to the facility's attendant care staff.
- Documentation of limited nursing services performed by the provider's nursing staff in accordance with the beneficiary's plan of care. Records must include:
    - Nursing service(s) performed.
    - Date and time of day nursing services are performed.
    - Progress or other notes regarding the resident's health status.
    - The signature or initials and the title of the person performing the services.
- Documentation of periodic nursing evaluations performed by the assisted living facility nursing staff in accordance with the beneficiary's plan of care.
- Quarterly Monitoring Forms (AAS-9506) completed every 90 days (effective 1/1/13).
- Records of attendant care services.
    - Documentation of attendant care services performed.
    - The signature or initials of the person performing the services as well as the date services were performed.

Our review of the Living Choices Assisted Living program revealed that 26 case files lacked some form of documentation to support the services billed. Questioned costs totaled $264,381.

**Questioned Costs:**
$264,381

**Cause:**
The Agency failed to ensure that providers maintain all required documentation.

**Effect:**
Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We **again** recommend the Agency establish and implement procedures to ensure providers maintain all required documentation in beneficiary case files.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-015 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action:**

The Division of Aging and Adult Services (DAAS) agrees with the finding and has implemented several initiatives aimed at further reducing errors. As a result of the prior-year finding, DAAS began direct communications with providers aimed at reducing instances of non-compliance. These efforts appear to have been productive, as questioned costs in the current period have dropped by 69.3%. DAAS issued a Provider Information Memorandum April 30, 2014, clarifying documentation requirements, and also reviewed documentation requirements in provider workshops in July, 2014 and on October 15, 2014. In addition, DAAS revised the Medicaid Policy on documentation requirements to clarify differences between documentation required for CNAs providing medical services versus CNAs providing attendant care services. DAAS will continue to conduct provider workshops with continued emphasis on documentation requirements.

DAAS will ensure providers consistently meet documentation and participation requirements. Appropriate corrective action in accordance with the Medicaid Provider Manual will be initiated.

DAAS is continuing these initiatives and remains committed to looking for additional means to improve and enhance the control environment surrounding Living Choices Assisted Living Services.

**Anticipated Completion Date**: Complete

**Contact Person:**


Craig Cloud
Director - Division of Aging and Adult Services
Arkansas Department of Human Services
P.O. Box 1437, Slot S530
Little Rock, AR 72203-1437
(501) 682-8520
craig.cloud@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-016** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Criteria:**
Follow-up procedures for prior-year audit findings 13-710-11 and 12-710-05 revealed continued noncompliance and inadequate internal controls for the ElderChoices and Personal Care Home and Community-Based Services programs.

**Condition and Context:**
Our purpose in reviewing these programs was to determine if adequate supporting documentation was being maintained in beneficiary case files as required by Arkansas Provider Manuals. The manuals dictate the information that must be documented and maintained in these files to support the services billed.

The manuals dictate the following information be maintained in the files:

*ElderChoices (§ 214.000)*

- A copy of the participant's plan of care.
- A brief description of the specific service(s) provided.
- The signature and title of the individual rendering the service(s).
- The date and actual time the service(s) was rendered.

*Personal Care Services (§ 220.110(D))*

- The date of service.
- The routines performed on that date of service.
- The time of day the aide begins the beneficiary's services.
- The time of day the aide ends the beneficiary's services.
- Notes regarding the beneficiary's condition as instructed by the service supervisor.
- Task performance difficulties.
- The justification for any emergency unscheduled tasks and documentation of the prior-approval or post-approval of the unscheduled tasks.
- The justification for not performing any scheduled service plan required tasks.
- Any other observations the aide believes are of note or should be reported to the supervisor.

Our follow-up procedures included reviewing 12 beneficiary files from each program to determine if required documentation was being maintained to support services billed.

Our review revealed the following:

*ElderChoices*

- Four case files lacked some form of documentation to support the services billed. Questioned costs totaled $624.

*Personal Care Services*

- Six case files lacked some form of documentation to support the services billed. Questioned costs totaled $7,834.

**Questioned Costs:**
$8,458

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-016 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Cause:**
The Agency failed to ensure that providers are maintaining all required documentation.

**Effect:**
Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We **again** recommend the Agency establish and implement procedures to ensure providers maintain all required documentation for services billed in beneficiary case files.

**Views of Responsible Officials and Planned Corrective Action:**
The Division of Aging and Adult Services (DAAS) agrees with the finding and has implemented several initiatives aimed at further reducing errors. As a result of the prior-year finding, DAAS began direct communications with providers aimed at reducing instances of non-compliance. Since May 2013, DAAS Quality Assurance (QA) has been conducting desk audits of providers. If desk audits identify documentation problems, DAAS QA advises providers of the problems and advises providers of documentation requirements per Medicaid Policy. These efforts appear to have been productive, as questioned costs in the current period have dropped by 92%. DAAS also issued a Provider Information Memorandum April 30, 2014, as well as clarifying and reviewing documentation requirements in provider workshops in July 2014 and on October 15, 2014.

DAAS will ensure providers consistently meet documentation and participation requirements. Appropriate corrective action in accordance with the Medicaid Provider Manual will be initiated. DAAS is continuing these initiatives and remains committed to looking for additional means to improve and enhance the control environment surrounding ElderChoices Services.

While personal care services are a state plan service outside of the DDS or Aging Waivers, reviewers from both divisions will ensure that adequate documentation is maintained in the beneficiaries' file.

**Anticipated Completion Date**: Complete

**Contact Person:**
Craig Cloud
Director - Division of Aging and Adult Services
Arkansas Department of Human Services
P.O. Box 1437, Slot S530
Little Rock, AR 72203-1437
(501) 682-8520
craig.cloud@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-017** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 05-1305ARBIPP; 05-0405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Criteria:**
A state may obtain a waiver of statutory requirements to provide an array of home and community-based services that may permit an individual to avoid institutionalization (42 CFR §§ 441.300 — 441.310). The U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) issued a special fraud alert concerning home health care. Problems noted include cost report frauds, billing for excessive services or services not rendered, and use of unlicensed staff. The full alert was published in the Federal Register on August 10, 1995 (page 40,847), and is available online on the HHS OIG home page in the Special Fraud Alerts section.

Currently, Arkansas has five Section 1915(c) Home and Community-Based Services waivers for Medicaid:

1. Division of Developmental Disabilities Alternative Community Services (ACS) Waiver
2. ElderChoices
3. Alternatives for Adults with Physical Disabilities (APD) Waiver. (The manual for APD Attendant Care providers imposes one significant restriction on who can enroll and receive payment as an APD Attendant Care provider: The provider shall not be an individual who is considered legally responsible for the participant, e.g., spouse, guardian, or anyone acting as a guardian.)
4. Autism Waiver
5. Living Choices Assisted Living

We reviewed the Division of Developmental Disabilities ACS Waiver.

We also considered qualitative factors such as management oversight and the Medicaid Program's high profile and public interest, which could have a significant impact on the integrity of the program.

**Condition and Context:**
We selected 60 provider files for review to determine if the provider maintained documentation as required by Provider Manual § 202.100, which states that the provider must maintain sufficient written documentation in the beneficiary's case file supporting billing for services rendered. At minimum, this includes the following:

- A copy of the beneficiary's person-centered service plan.
- The specific services rendered.
- The date and actual time the services were rendered.
- The name and title of the individual who provided the service.
- Updates describing the beneficiary's progress or lack thereof. Updates should be maintained daily or at each contact with or on behalf of the beneficiary. Progress notes must be signed and dated by the provider of the service.

Our review of this program revealed that 41 of the 60 case files lacked some form of documentation to support the services billed.

**Questioned Costs:**
$699,545

**Cause:**
The Agency failed to ensure that all required documentation was maintained.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-017 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 05-1305ARBIPP; 05-0405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Effect:**
Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We **again** recommend the Agency establish and implement procedures to ensure all required documentation is maintained in beneficiary case files.

**Views of Responsible Officials and Planned Corrective Action:**
The Agency agrees with the finding. To remedy the issues revealed in the audit report, the Division of Developmental Disabilities (DDS) has identified and intends to dedicate a program administrator staff to implement training procedures to ensure all required documentation is maintained in the beneficiary files. Initially, the staff person will target those organizations from which the findings were made and then branch out to other provider organizations. This position will also conduct site visits and inspections to determine compliance with program standards and requirements as well as prepare, present, and train both provider organizations and DDS staff. Furthermore, this position will monitor and evaluate the effectiveness of the DDS programs and services. DDS feels confident that the repurposing of this position will aid in lessening the deficiencies identified in the report.

**Anticipated Completion Date**: June 2015

**Contact Person:**
James Brader
Interim Director - Division of Developmental Disabilities Services
Arkansas Department of Human Services
P.O. Box 1437, Slot N501
Little Rock, AR 72203-1437
(501) 682-8662
james.brader@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-018** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 05-1305ARBIPP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Material Weakness** |

**Criteria:**
The U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) issued a special fraud alert concerning home health care. Problems noted include cost report frauds, billing for excessive services or services not rendered, and use of unlicensed staff. The full alert was published in the Federal Register on August 10, 1995, and is available on the HHS OIG home page in the Special Fraud Alerts section.

As these programs are especially risky, the Agency asserted that internal controls relating specifically to Home and Community-Based (HCB) Waiver programs were in place during fiscal year 2014. One of the controls is a review performed by the Agency's Division of Medical Services Quality Assurance (DMS QA) staff to determine if services billed were in agreement with services allowed in accordance with the recipient's plan of care.

**Condition and Context:**
To determine if the control was in place and operating effectively, we obtained a listing of reviews conducted by DMS QA. We selected 60 items to determine if there was sufficient, appropriate evidence supporting a review by DMS QA. Our review revealed that the Agency lacked documentation to support reviews performed. DMS QA indicated that unless an issue was noted as a result of its review, no documentation of the review would be available.

**Questioned Costs:**
None

**Cause:**
Although the Agency has designed internal control procedures to specifically address risks associated with HCB Programs, deficiencies exist that render controls ineffective.

**Effect:**
Inadequate controls could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We **again** recommend the Agency strengthen controls to ensure adequate documentation is maintained to provide evidence of reviews performed.

**Views of Responsible Officials and Planned Corrective Action:**
The Agency agrees with the finding. The review was consistently performed by DMS staff; however, it was not properly documented, and DMS agrees that such documentation is necessary. DMS has instituted internal controls requiring the documentation of such reviews on an ongoing basis.

**Anticipated Completion Date**: Complete

**Contact Person:**
Mark Story
Assistant Director - Division of Medical Services
Arkansas Department of Human Services
P.O. Box 1437, Slot S416
Little Rock, AR 72203-1437
(501) 320-8955
mark.story@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-019** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Targeted Case Management** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Criteria:**
Follow-up procedures for prior-year audit findings 13-710-13 and 12-710-09 revealed continued noncompliance and inadequate internal controls regarding case management services for the Alternative Community Services (ACS) Waiver program.

In accordance with the Arkansas Medicaid Provider Manual Section II – DDS ACS Waiver § 202.100, the provider must maintain sufficient written documentation in the beneficiary's case file supporting billing for services rendered. At minimum, this includes the following:

- A copy of the beneficiary's person-centered service plan.
- The specific services rendered.
- The date and actual time the services were rendered.
- The name and title of the individual who provided the services.
- Updates describing the beneficiary's progress or lack thereof. Updates should be maintained daily or at each contact with or on behalf of the beneficiary. Progress notes must be signed and dated by the provider of the service.

In addition, case management services are available at three levels of support as defined by ACS Waiver §§ 230.211 — 230.213:

- Pervasive – Minimum of one face-to-face visit AND one other contact with the beneficiary or legal representative each month. At least one visit must be made annually at the beneficiary's place of residence.
- Extensive – Minimum of one face-to-face visit with the beneficiary or legal representative each month. At least one visit must be made annually at the beneficiary's place of residence.
- Limited – Minimum of one face-to-face visit with the beneficiary or legal representative each quarter and a minimum of one contact monthly for the months when a face-to-face visit is not made. At least one visit must be made annually at the beneficiary's place of residence.

**Condition and Context:**
Our follow-up procedures included reviewing 15 beneficiary files to determine if required documentation was being maintained by the provider (case manager) to support services billed. Our review revealed the following:

- Eight beneficiary files did not contain adequate supporting documentation for services billed.
- Two beneficiary files did not contain adequate supporting documentation to determine if the level of support had been met by case managers.

**Questioned Costs:**
$5,687

**Cause:**
The Agency failed to ensure all required documentation was maintained.

**Effect:**
Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-019 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Targeted Case Management** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Recommendation:**
We **again** recommend the Agency establish and implement procedures to ensure all required documentation is maintained in the beneficiary files.

**Views of Responsible Officials and Planned Corrective Action:**
The Agency agrees with the finding. To remedy the issues revealed in the audit report, the Division of Developmental Disabilities (DDS) has identified and intends to dedicate a program administrator staff to implement training procedures to ensure all required documentation is maintained in the beneficiary files. Initially, the staff person will target those organizations from which the findings were made and then branch out to other provider organizations. This position will also conduct site visits and inspections to determine compliance with program standards and requirements as well as prepare, present, and train both provider organizations and DDS staff. Furthermore, this position will monitor and evaluate the effectiveness of the DDS programs and services. DDS feels confident that the repurposing of this position will aid in lessening the deficiencies identified in the report.

**Anticipated Completion Date**: June 2015

**Contact Person:**
James Brader
Interim Director - Division of Developmental Disabilities Services
Arkansas Department of Human Services
P.O. Box 1437, Slot N501
Little Rock, AR 72203-1437
(501) 682-8662
james.brader@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-020** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1305ARBIPP; 05-1405AR5MAP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Criteria:**
It is the State's responsibility to determine that Medicaid applicants meet the eligibility criteria as specified in the approved State Plan. Eligibility requirements for the Medicaid program are outlined in the Arkansas Medical Services (MS) manual. For certain categories of Medicaid eligibility (i.e., Transitional Employment Assistance [TEA] Medicaid), the MS manual refers to policies outlined in the TEA Cash Assistance and Financial Assistance manuals that apply to the specific Medicaid category. However, these manuals are considered reference manuals for the MS manual, not Medicaid manuals. The MS manual is specific to Medicaid eligibility policies and procedures and is in addition to the approved State Plan required in 42 CFR § 430.10.

42 CFR § 435.913 Case Documentation states, "The Agency must include in each application record facts to support the Agency's decision on his application."

**Condition and Context:**
We reviewed 120 Medicaid recipient files to ensure sufficient, appropriate evidence was provided to support the Agency's determination of eligibility. Sixty files were for aid categories determined to be spend downs. The other 60 represented all other aid categories. Our review revealed the following:

- In two recipient files, one representing paid claims for State Aid category 11 (Aid to the Aged) and the other representing paid claims for State Aid category 41 (Aid to the Disabled), the Agency did not have adequate documentation to support medical necessity. In addition, the approved resource limits were exceeded for one recipient. The Agency's failure to follow program requirements regarding medical necessity and resource limits resulted in known questioned costs of $16,890.
- In two recipient files representing paid claims for State Aid category 49 (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child), one file did not have adequate documentation to support recipient disability, and the other file lacked documentation to support medical necessity. The Agency's failure to follow program requirements regarding disability determination resulted in known questioned costs of $14,443.
- In two recipient files representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed medical bills were inadequate to spend the recipients' income down to the point of eligibility. In addition, the Agency did not have adequate documentation to support resource eligibility for one recipient. The Agency's failure to follow program requirements regarding the use of medical bills to spend down income and resource verification resulted in known questioned costs totaling $1,788.
- In one recipient file representing paid claims for State Aid category 27 (Aid to Families with Dependent Children [AFDC] Spend Down), documentation revealed that the recipient did not adequately assign rights to the Agency. However, the Agency's failure to follow program requirements regarding assignment of rights resulted in no known questioned costs.
- In one recipient file representing paid claims for State Aid category 17 (Aged Spend Down), review of documentation revealed that the Agency did not adequately address resources for the first month of the spend down period. However, the Agency's failure to follow program requirements regarding resource determination did not result in known questioned costs.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-020 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1305ARBIPP; 05-1405AR5MAP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Condition and Context (Continued):**
In addition to the eight compliance and internal control deficiencies summarized above, an additional 52 internal control deficiencies were noted. Deficiencies included missing signed applications; untimely evaluations; eligibility determined under the wrong state aid category; and various eligibility attributes, including those related to social security enumeration, citizenship, assignment of rights, cooperation with the Office of Child Support Enforcement, categorical relatedness, medical necessity, appropriateness of care, income, and resources, that were either not initially considered or not adequately documented when eligibility was determined. Additionally, there were cases of missing spend down computations documenting a recipient's unmet liability as well as the medical bills that were used to spend down the recipient's income, improper spend down computations, and several instances of inadequate documentation supporting the medical bills used to spend down the income. However, the Agency was able to address these specific deficiencies, and the recipient's eligibility was not affected.

**Questioned Costs:**
$33,121

**Cause:**
Although the Agency has designed internal control procedures to review recipient files to ensure sufficient, appropriate evidence is provided to support the Agency's determination of eligibility, certain areas still require continued communication to and training of the appropriate Agency personnel.

**Effect:**
Payments to providers were made on behalf of ineligible recipients.

**Recommendation:**
We recommend the Agency continue providing adequate communication and training to appropriate personnel to ensure compliance with all program requirements as defined in the MS manual.

**Views of Responsible Officials and Planned Corrective Action:**
The Agency concurs with the findings and notes continued improvement from previous audits. We will continue to ensure that appropriate personnel who handle these complex cases receive adequate training and communication of procedures to ensure compliance with all program requirements.

**Anticipated Completion Date:** Completed

**Contact Person:**
Delia Anderson
Director - Division of County Operations
Arkansas Department of Human Services
P. O. Box 1437, Mail Slot S301
Little Rock, AR 72203-1437
(501) 682-8375
delia.anderson@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-021** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 05-1305AR5ADM; 05-1405AR5ADM; 05-1305ARBIPP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Criteria**:
In accordance with Centers for Medicare and Medicaid Services (CMS) regulations, states are required to report quarterly expenditures using the CMS-64, *Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (MAP)*. The amounts reported on the CMS-64, and its attachments, must represent actual expenditures for which all supporting documentation, in readily-reviewable form, has been compiled and is available immediately. In addition, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This includes ensuring the necessary controls and processes are in place to ensure accurate and complete financial data are reported to the federal awarding agency.

The Agency uses a Microsoft Excel workbook as its tool to compile information from multiple sources in order to prepare the CMS-64 report. Within the workbook, numerous calculations are performed that utilize formulas in determining total program expenditures to be reported. A portion of the expenditures are associated with waivers or other specific criteria that are subject to specific Federal Financial Participation (FFP) rates. In addition, the Agency maintains policies and procedures specific to CMS-64 reporting that state the Agency will prepare quarterly reconciliations, review and investigate identified variances, and provide explanations for identified variances. Reconciliations, along with the variance explanations, should be included as supporting documentation for the CMS-64.

**Condition and Context**:
Our review of the Agency's internal control processes regarding reporting for the quarters ended March 31, 2014, and June 30, 2014, revealed the following:

- The Agency did not adequately review the CMS-64 report information during its certification process to determine accuracy and completeness. Several variances were noted, but the Agency failed to review, investigate, or adequately explain them.
- The Agency failed to perform quarterly reconciliations between the reported expenditures and the expenditures recorded in its financial systems for the two quarters included in our review. Further inquiry revealed the Agency failed to perform reconciliations during the entire 2014 fiscal year.

Our compliance review included testing administrative expenditure line items greater than $1,000,000 and MAP expenditure line items greater than $10,000,000 from the March 31, 2014, and June 30, 2014, CMS-64 reports. We then traced the amounts reported to the Agency's workbook to determine accuracy and completeness. As previously stated, the workbook is the Agency's tool used to compile information for CMS-64 report preparation. Our review revealed the following:

- The workbook contained numerous calculation errors because incorrect expenditure amounts were entered. Errors noted caused both understatements and overstatements of expenditures on the CMS-64.
- Data had been "hard-keyed" in a formula-designated cell.
- Formulas were inaccurate and had been incorrectly altered.
- Eligible expenditures were reported, but an incorrect form was used, which resulted in the data being reported on an incorrect line of the report.
- Expenditures were understated due to formula errors created when adding Eligibility Waiver (Private Option) data into the workbook.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-021 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 05-1305AR5ADM; 05-1405AR5ADM; 05-1305ARBIPP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Condition and Context (Continued)**:
In addition to the errors noted above, our review disclosed a cumulative unreconciled variance totaling $43,946,550 for the year ended June 30, 2014. The federal portion of the variance is estimated to be approximately $30,806,530 based on the regular Federal Medical Assistance Percentage (FMAP) rate. The variance is the difference between expenditures recorded in the Agency's financial records using its cost allocation system and the expenditures reported to the federal awarding agency on the CMS-64.

A portion of this variance is the result of a calculation error regarding the drug rebate allocation for the Medical Assistance Program (MAP) for the quarter ended December 31, 2013. The Agency failed to include all applicable expenditures regarding Primary Care Case Management (PCCM) and the Tax Equity and Fiscal Responsibility Act (TEFRA) because of a formula error in the workbook. As a result, the allocation for MAP was understated by $10,199,414. The federal share of this understatement is $6,500,208. (Note: The Children's Health Insurance Program [CHIP] portion of this error is noted at finding **2014-012** located on page **32**.)

**Questioned Costs:**
Unknown

**Cause**:
Management failed to review, investigate, and explain identified variances included in the support documentation for the CMS-64 reports. There is also a lack of adequate communication between staff and management of the Division of Medical Services (DMS) and the Office of Financial Administration (OFA), which hinders the Agency's ability to provide accurate and complete reporting regarding the CMS-64.

**Effect:**
Expenditures reported on the CMS-64 cannot be relied upon to be accurate and complete. In addition, a complete analysis of the workbook is necessary to ensure the accuracy of future reports.

**Recommendation**:
We recommend the Agency immediately review and revise its workbook and related control procedures for staff preparing the CMS-64. In addition, the Agency should strengthen supervisory controls and procedures to ensure the CMS-64 is accurate and complete. The Agency should also establish procedures for communicating necessary information between those responsible for administering the program (DMS) and those responsible for preparing the CMS-64.

**Views of Responsible Officials and Planned Corrective Action:**
OFA agrees with the finding. Lack of staff familiarity combined with staff turnover in both OFA and DMS led to these issues. DMS is also working on a system that will automate the gathering of much of the information needed to file the grant report and should help ensure the accuracy of the information.

**Anticipated Completion Date:** September 30, 2015

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-021 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP; 05-1305AR5ADM; 05-1405AR5ADM; 05-1305ARBIPP; 05-1405ARBIPP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action (Continued):**

**Contact Person:**
Ronald Gillert
Director - Division of Administrative Services
Arkansas Department of Human Services
P.O. Box 1437, Slot W401
Little Rock, AR 72203-1437
(501) 682-5448
ronald.gillert@dhs.arkansas.gov

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)**

| | |
|---|---|
| **Finding Number:** | **2014-022** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1305AR5MAP; 05-1405AR5MAP** |
| **Federal Award Year(s):** | **2013 and 2014** |
| **Compliance Requirement(s) Affected:** | **Special Tests and Provisions – Inpatient Hospitals and Long-Term Care Facility Audits** |
| **Type of Finding:** | **Significant Deficiency** |

**Criteria:**
In accordance with 42 CFR § 447.253, the state Medicaid agency must provide for the filing of uniform cost reports for each participating provider. In addition, it must provide for the periodic audits of financial and statistical records of participating providers. These cost reports are used to establish payment rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers.

The Agency asserted that it logs all cost reports received and periodically compares the log to a listing of all participating hospitals to ensure providers have submitted cost reports as required.

**Condition and Context:**
We obtained the cost report log but were unable to confirm that the Agency performed comparisons as asserted because the Agency was unable to provide sufficient, appropriate evidence of the comparison.

**Questioned Costs:**
None

**Cause:**
The Agency failed to maintain documentation of comparisons between the hospital cost report log and the listing of all participating hospitals.

**Effect:**
Failure to perform comparisons could result in payments to hospitals using unreasonable or inadequate rates.

**Recommendation:**
We recommend the Agency strengthen procedures to ensure documentation of comparisons between cost reports received and participating providers is maintained to ascertain that all costs reports are received and reasonable rates are calculated as required.

**Views of Responsible Officials and Planned Corrective Action:**
The Agency agrees with the finding. The log in question was consistently updated and reviewed by Division of Medical Services (DMS) staff; however, it was not properly documented, and DMS agrees that such documentation is necessary. DMS has instituted internal controls requiring the documentation of such reviews on an ongoing basis.

**Anticipated Completion Date:** Complete

**Contact Person:**
Mark Story
Assistant Director - Division of Medical Services
Arkansas Department of Human Services
P.O. Box 1437, Slot W401
Little Rock, AR 72203-1437
(501) 320-8955
mark.story@dhs.arkansas.gov

# Schedule of Expenditures of Federal Awards

## For The Year Ended June 30, 2014

# State of Arkansas
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2014

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **SNAP CLUSTER** * | | | |
| **United States Department of Agriculture** | | | |
| Supplemental Nutrition Assistance Program | 10.551 | $ 682,830,709 | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 33,670,240 | |
| **Total United States Department of Agriculture** | | 716,500,949 | |
| **Total SNAP CLUSTER** | | 716,500,949 | |
| | | | |
| **CHILD NUTRITION CLUSTER** * | | | |
| **United States Department of Agriculture** | | | |
| School Breakfast Program | 10.553 | 44,142,016 | $ 43,157,471 |
| National School Lunch Program | 10.555 | 140,099,625 | 119,639,403 |
| Summer Food Service Program for Children | 10.559 | 10,117,280 | |
| **Total United States Department of Agriculture** | | 194,358,921 | 162,796,874 |
| **Total CHILD NUTRITION CLUSTER** | | 194,358,921 | 162,796,874 |
| | | | |
| **FOOD DISTRIBUTION CLUSTER** | | | |
| **United States Department of Agriculture** | | | |
| Commodity Supplemental Food Program | 10.565 | 973,051 | 208,185 |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | 610,939 | 530,154 |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | 5,178,942 | |
| **Total United States Department of Agriculture** | | 6,762,932 | 738,339 |
| **Total FOOD DISTRIBUTION CLUSTER** | | 6,762,932 | 738,339 |
| | | | |
| **FOREST SERVICE SCHOOLS AND ROADS CLUSTER** | | | |
| **United States Department of Agriculture** | | | |
| Schools and Roads - Grants to States | 10.665 | 7,046,738 | 7,046,738 |
| **Total United States Department of Agriculture** | | 7,046,738 | 7,046,738 |
| **Total FOREST SERVICE SCHOOLS AND ROADS CLUSTER** | | 7,046,738 | 7,046,738 |
| | | | |
| **ECONOMIC DEVELOPMENT CLUSTER** | | | |
| **United States Department of Commerce** | | | |
| Economic Adjustment Assistance | 11.307 | 100,748 | |
| Pass-Through from Winrock International | 11.307 | 129,523 | |
| **Total United States Department of Commerce** | | 230,271 | |
| **Total ECONOMIC DEVELOPMENT CLUSTER** | | 230,271 | |
| | | | |
| **CDBG - ENTITLEMENT GRANTS CLUSTER** | | | |
| **United States Department of Housing and Urban Development** | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | 19,012,566 | 18,678,896 |
| **Total United States Department of Housing and Urban Development** | | 19,012,566 | 18,678,896 |
| **Total CDBG - ENTITLEMENT GRANTS CLUSTER** | | 19,012,566 | 18,678,896 |

*Denotes Major Program

# State of Arkansas
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2014

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **CDBG - STATE-ADMINISTERED CDBG CLUSTER** | | | |
| **United States Department of Housing and Urban Development** | | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | $ 18,625,534 | $ 18,304,376 |
| **Total United States Department of Housing and Urban Development** | | 18,625,534 | 18,304,376 |
| **Total CDBG - STATE-ADMINISTERED CDBG CLUSTER** | | 18,625,534 | 18,304,376 |
| | | | |
| **FISH AND WILDLIFE CLUSTER** | | | |
| **United States Department of the Interior** | | | |
| Sport Fish Restoration Program | 15.605 | 5,497,608 | |
| Wildlife Restoration and Basic Hunter Education | 15.611 | 6,257,352 | |
| **Total United States Department of the Interior** | | 11,754,960 | |
| **Total FISH AND WILDLIFE CLUSTER** | | 11,754,960 | |
| | | | |
| **JAG PROGRAM CLUSTER** | | | |
| **United States Department of Justice** | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 3,831,500 | 3,537,021 |
| **Total United States Department of Justice** | | 3,831,500 | 3,537,021 |
| **Total JAG PROGRAM CLUSTER** | | 3,831,500 | 3,537,021 |
| | | | |
| **EMPLOYMENT SERVICE CLUSTER** * | | | |
| **United States Department of Labor** | | | |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | 6,168,521 | |
| Disabled Veterans' Outreach Program (DVOP) | 17.801 | 294,577 | |
| Local Veterans' Employment Representative Program | 17.804 | 1,074,665 | |
| **Total United States Department of Labor** | | 7,537,763 | |
| **Total EMPLOYMENT SERVICE CLUSTER** | | 7,537,763 | |
| | | | |
| **WIA CLUSTER** * | | | |
| **United States Department of Labor** | | | |
| WIA Adult Program | 17.258 | 6,231,066 | 5,716,969 |
| WIA Youth Activities | 17.259 | 6,211,079 | 5,923,499 |
| WIA Dislocated Worker Formula Grants | 17.278 | 5,962,350 | 4,208,691 |
| **Total United States Department of Labor** | | 18,404,495 | 15,849,159 |
| **Total WIA CLUSTER** | | 18,404,495 | 15,849,159 |
| | | | |
| **HIGHWAY PLANNING AND CONSTRUCTION CLUSTER** * | | | |
| **United States Department of Transportation** | | | |
| Highway Planning and Construction | 20.205 | 553,428,072 | 19,057,896 |
| ARRA - Highway Planning and Construction | 20.205 | 12,061 | |
| Recreational Trails Program | 20.219 | 993,020 | 801,280 |
| **Total United States Department of Transportation** | | 554,433,153 | 19,859,176 |
| **Total HIGHWAY PLANNING AND CONSTRUCTION CLUSTER** | | 554,433,153 | 19,859,176 |

*Denotes Major Program

# State of Arkansas
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2014

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **FEDERAL TRANSIT CLUSTER** | | | |
| **United States Department of Transportation** | | | |
| Federal Transit_Capital Investment Grants | 20.500 | $ 519,332 | $ 79,968 |
| Federal Transit_Formula Grants | 20.507 | 704,743 | |
| Bus and Bus Facilities Formula Program | 20.526 | 567,824 | |
| **Total United States Department of Transportation** | | 1,791,899 | 79,968 |
| **Total FEDERAL TRANSIT CLUSTER** | | 1,791,899 | 79,968 |
| | | | |
| **TRANSIT SERVICES PROGRAMS CLUSTER** | | | |
| **United States Department of Transportation** | | | |
| Enhanced Mobility for Seniors and Individuals with Disabilities | 20.513 | 1,504,960 | |
| Job Access and Reverse Commute Program | 20.516 | 1,651,532 | 1,527,224 |
| New Freedom Program | 20.521 | 485,863 | 485,866 |
| **Total United States Department of Transportation** | | 3,642,355 | 2,013,090 |
| **Total TRANSIT SERVICES PROGRAMS CLUSTER** | | 3,642,355 | 2,013,090 |
| | | | |
| **HIGHWAY SAFETY CLUSTER** | | | |
| **United States Department of Transportation** | | | |
| State and Community Highway Safety | 20.600 | 2,871,479 | 659,868 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | 1,554,872 | 483,486 |
| Occupant Protection Incentive Grants | 20.602 | 385,258 | 45,148 |
| Safety Belt Performance Grants | 20.609 | 1,221,988 | 8,000 |
| State Traffic Safety Information System Improvement Grants | 20.610 | 380,474 | |
| Incentive Grant Program to Increase Motorcyclist Safety | 20.612 | 95,079 | |
| **Total United States Department of Transportation** | | 6,509,150 | 1,196,502 |
| **Total HIGHWAY SAFETY CLUSTER** | | 6,509,150 | 1,196,502 |
| | | | |
| **CLEAN WATER STATE REVOLVING FUND CLUSTER** * | | | |
| **Environmental Protection Agency** | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | 7,692,906 | 7,344,026 |
| **Total Environmental Protection Agency** | | 7,692,906 | 7,344,026 |
| **Total CLEAN WATER STATE REVOLVING FUND CLUSTER** | | 7,692,906 | 7,344,026 |
| | | | |
| **DRINKING WATER STATE REVOLVING FUND CLUSTER** * | | | |
| **Environmental Protection Agency** | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 20,116,088 | 15,398,152 |
| **Total Environmental Protection Agency** | | 20,116,088 | 15,398,152 |
| **Total DRINKING WATER STATE REVOLVING FUND CLUSTER** | | 20,116,088 | 15,398,152 |
| | | | |
| **SPECIAL EDUCATION CLUSTER (IDEA)** * | | | |
| **United States Department of Education** | | | |
| Special Education_Grants to States | 84.027 | 108,726,893 | 104,740,291 |
| Special Education_Preschool Grants | 84.173 | 5,001,148 | 4,740,129 |
| **Total United States Department of Education** | | 113,728,041 | 109,480,420 |
| **Total SPECIAL EDUCATION CLUSTER (IDEA)** | | 113,728,041 | 109,480,420 |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **TRIO CLUSTER** | | | |
| **United States Department of Education** | | | |
| TRIO_Student Support Services | 84.042 | $ 6,844,803 | |
| TRIO_Talent Search | 84.044 | 3,182,032 | |
| TRIO_Upward Bound | 84.047 | 6,359,607 | |
| TRIO_Educational Opportunity Centers | 84.066 | 1,645,594 | |
| TRIO_McNair Post-Baccalaureate Achievement | 84.217 | 572,767 | |
| **Total United States Department of Education** | | 18,604,803 | |
| **Total TRIO CLUSTER** | | 18,604,803 | |
| | | | |
| **STATEWIDE DATA SYSTEMS CLUSTER** | | | |
| **United States Department of Education** | | | |
| ARRA - Statewide Data Systems | 84.384 | 250 | |
| **Total United States Department of Education** | | 250 | |
| **Total STATEWIDE DATA SYSTEMS CLUSTER** | | 250 | |
| | | | |
| **SCHOOL IMPROVEMENT GRANTS CLUSTER** | | | |
| **United States Department of Education** | | | |
| School Improvement Grants | 84.377 | 5,319,032 | $ 5,302,764 |
| ARRA - School Improvement Grants | 84.388 | 6,654,589 | 6,207,849 |
| **Total United States Department of Education** | | 11,973,621 | 11,510,613 |
| **Total SCHOOL IMPROVEMENT GRANTS CLUSTER** | | 11,973,621 | 11,510,613 |
| | | | |
| **AGING CLUSTER** | | | |
| **United States Department of Health and Human Services** | | | |
| Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers | 93.044 | 3,628,970 | 3,337,950 |
| Special Programs for the Aging_Title III, Part C_Nutrition Services | 93.045 | 5,609,336 | 5,458,632 |
| Nutrition Services Incentive Program | 93.053 | 2,394,408 | 2,394,409 |
| **Total United States Department of Health and Human Services** | | 11,632,714 | 11,190,991 |
| **Total AGING CLUSTER** | | 11,632,714 | 11,190,991 |
| | | | |
| **TANF CLUSTER** * | | | |
| **United States Department of Health and Human Services** | | | |
| Temporary Assistance for Needy Families | 93.558 | 66,245,270 | 7,883,700 |
| **Total United States Department of Health and Human Services** | | 66,245,270 | 7,883,700 |
| **Total TANF CLUSTER** | | 66,245,270 | 7,883,700 |
| | | | |
| **CCDF CLUSTER** * | | | |
| **United States Department of Health and Human Services** | | | |
| Child Care and Development Block Grant | 93.575 | 32,413,399 | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 22,759,746 | |
| **Total United States Department of Health and Human Services** | | 55,173,145 | |
| **Total CCDF CLUSTER** | | 55,173,145 | |

*Denotes Major Program

# State of Arkansas
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2014

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **MEDICAID CLUSTER** * | | | |
| **United States Department of Health and Human Services** | | | |
| State Medicaid Fraud Control Units | 93.775 | $ 1,770,183 | |
| State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | 93.777 | 10,177,893 | |
| Medical Assistance Program | 93.778 | 3,551,864,209 | |
| **Total United States Department of Health and Human Services** | | 3,563,812,285 | |
| **Total MEDICAID CLUSTER** | | 3,563,812,285 | |
| | | | |
| **FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER** | | | |
| **Corporation for National and Community Service** | | | |
| Foster Grandparent Program | 94.011 | 362,564 | |
| **Total Corporation for National and Community Service** | | 362,564 | |
| **Total FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER** | | 362,564 | |
| | | | |
| **DISABILITY INSURANCE/SSI CLUSTER** * | | | |
| **Social Security Administration** | | | |
| Social Security_Disability Insurance | 96.001 | 42,706,453 | |
| Supplemental Security Income | 96.006 | 131,553 | |
| **Total Social Security Administration** | | 42,838,006 | |
| **Total DISABILITY INSURANCE/SSI CLUSTER** | | 42,838,006 | |
| | | | |
| **RESEARCH AND DEVELOPMENT CLUSTER** * | | | |
| **United States Department of Agriculture** | | | |
| Agricultural Research_Basic and Applied Research | 10.001 | 1,583,478 | |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | 74,322 | |
| Specialty Crop Block Grant Program - Farm Bill | 10.170 | 106,309 | |
| Grants for Agricultural Research, Special Research Grants | 10.200 | 256,404 | |
| Pass-Through from University of Florida | 10.200 | 94,250 | |
| Pass-Through from University of Georgia | 10.200 | 42,711 | |
| Cooperative Forestry Research | 10.202 | 917,732 | |
| Payments to Agricultural Experiment Stations Under the Hatch Act | 10.203 | 2,840,752 | |
| Payments to 1890 Land-Grant Colleges and Tuskegee University | 10.205 | 1,961,499 | |
| Grants for Agricultural Research_Competitive Research Grants | 10.206 | 307,738 | $ 64,621 |
| Animal Health and Disease Research | 10.207 | 65,185 | |
| Small Business Innovation Research | 10.212 | 16,970 | |
| Pass-Through from Applied Food Technologies, Inc. | 10.212 | 9,617 | |
| Pass-Through from BioStrategies, LLC | 10.212 | 4,378 | |
| Pass-Through from Sea Star International | 10.212 | 67,520 | |
| Sustainable Agriculture Research and Education | 10.215 | 6,626 | |
| Pass-Through from University of Georgia | 10.215 | 22,543 | 7,558 |
| 1890 Institution Capacity Building Grants | 10.216 | 855,398 | 82,503 |
| Pass-Through from Fort Valley State University | 10.216 | 18,037 | |
| Higher Education - Institution Challenge Grants Program | 10.217 | 3,509 | |
| Pass-Through from Texas A & M | 10.217 | 22,426 | |

*Denotes Major Program

| **CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity** | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **RESEARCH AND DEVELOPMENT CLUSTER * (Continued)** | | | |
| **United States Department of Agriculture (Continued)** | | | |
| Biotechnology Risk Assessment Research | 10.219 | $ 82,984 | |
| Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants | 10.226 | 35,922 | |
| Agricultural Market and Economic Research | 10.290 | 27,636 | |
| Pass-Through from University of Missouri | 10.290 | 49,740 | |
| Integrated Programs | 10.303 | 128,073 | $ 61,940 |
| Pass-Through from Oklahoma State University | 10.303 | 21,741 | |
| Organic Agriculture Research and Extension Initiative | 10.307 | 21,117 | |
| Specialty Crop Research Initiative | 10.309 | 554,134 | 184,977 |
| Pass-Through from Brigham Young University | 10.309 | 4,319 | |
| Pass-Through from Michigan State University | 10.309 | 43,005 | |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | 2,305,077 | 725,650 |
| Pass-Through from Kansas State University | 10.310 | 29,624 | |
| Pass-Through from Louisiana State University | 10.310 | 123,484 | |
| Pass-Through from Oregon State University | 10.310 | 8,215 | |
| Pass-Through from Purdue University | 10.310 | 139,519 | |
| Pass-Through from University of Connecticut | 10.310 | 92,254 | |
| Pass-Through from University of Wisconsin | 10.310 | 20,634 | |
| Beginning Farmer and Rancher Development Program | 10.311 | 67,580 | 30,971 |
| Sun Grant Program | | | |
| Pass-Through from Oklahoma State University | 10.320 | 14,970 | |
| Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | 10.326 | 72,727 | 12,720 |
| Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers | 10.443 | 238,312 | |
| Community Outreach and Assistance Partnership Program | 10.455 | 12,413 | |
| Cooperative Extension Service | 10.500 | 3,053,683 | |
| Pass-Through from University of California at Davis | 10.500 | 12,544 | |
| Pass-Through from University of Mississippi | 10.500 | 7,649 | |
| Child and Adult Care Food Program | 10.558 | 22,524 | |
| Forestry Research | 10.652 | 336,755 | |
| Forest Health Protection | 10.680 | 67,524 | |
| Soil and Water Conservation | 10.902 | 64,297 | |
| Soil Survey | 10.903 | 20,163 | |
| Environmental Quality Incentives Program | 10.912 | 328,129 | |
| Pass-Through from Texas A & M | 10.912 | 9,998 | |
| Cochran Fellowship Program-International Training-Foreign Participant | 10.962 | 21,850 | |
| Other Department of Agriculture Assistance | 10.UNKNOWN | 302,124 | |
| Pass-Through from Fayetteville Public Schools | 10.UNKNOWN | 7,267 | |
| Pass-Through from Hmong National Development | 10.UNKNOWN | 3,552 | |
| Pass-Through from University of Georgia | 10.UNKNOWN | 549 | |
| **Total United States Department of Agriculture** | | 17,629,492 | 1,170,940 |

*Denotes Major Program

# State of Arkansas
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2014

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **RESEARCH AND DEVELOPMENT CLUSTER * (Continued)** | | | |
| **United States Department of Commerce** | | | |
| Economic Development_Technical Assistance | 11.303 | $ 76,584 | |
| Measurement and Engineering Research and Standards | 11.609 | 115,792 | |
| **Total United States Department of Commerce** | | 192,376 | |
| | | | |
| **United States Department of Defense** | | | |
| Electronic Absentee Systems for Elections | 12.217 | 93,560 | |
| Basic and Applied Scientific Research | 12.300 | 210,470 | |
| Military Medical Research and Development | 12.420 | 1,561,225 | $ 168,618 |
| Pass-Through from Laureate Institute for Brain Research | 12.420 | 39,122 | |
| Pass-Through from University of Tennessee | 12.420 | 84,342 | |
| Basic Scientific Research | 12.431 | 839,167 | 32,313 |
| DOD, NDEP, DOTC-STEM Education Outreach Implementation | 12.560 | 9,226 | |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | 64,166 | |
| Air Force Defense Research Sciences Program | 12.800 | 42,892 | |
| Pass-Through from Embry Riddle Aeronautical University | 12.800 | 7,149 | |
| Pass-Through from Purdue University | 12.800 | 19,336 | |
| Information Security Grant Program | 12.902 | 2,355 | |
| Research and Technology Development | 12.910 | 23,160 | |
| Other Department of Defense Assistance | 12.UNKNOWN | 929,669 | 63,456 |
| Pass-Through from APEI | 12.UNKNOWN | 10,573 | |
| Pass-Through from Auburn University | 12.UNKNOWN | 111,281 | |
| Pass-Through from Hypres, Inc. | 12.UNKNOWN | 23,132 | |
| Pass-Through from Oregon State University | 12.UNKNOWN | 22,865 | |
| **Total United States Department of Defense** | | 4,093,690 | 264,387 |
| | | | |
| **United States Department of the Interior** | | | |
| Fish and Wildlife Management Assistance | 15.608 | 70,991 | |
| Cooperative Endangered Species Conservation Fund | 15.615 | 30,347 | |
| Asian Elephant Conservation Fund | 15.621 | 9,399 | |
| State Wildlife Grants | 15.634 | 178,295 | |
| Migratory Bird Joint Ventures | 15.637 | 9,063 | 1,692 |
| Challenge Cost Share | 15.642 | 3,343 | |
| Research Grants (Generic) | 15.650 | 81,860 | |
| Assistance to State Water Resources Research Institutes | 15.805 | 51,161 | |
| Pass-Through from Oklahoma State University | 15.805 | 720 | |
| Earthquake Hazards Reduction Program | 15.807 | 620 | |
| U.S. Geological Survey_Research and Data Collection | 15.808 | 70,922 | |
| Pass-Through from America View, Inc. | 15.808 | 22,641 | |
| Pass-Through from Montana State University | 15.808 | 8,227 | |
| Cooperative Research Units Program | 15.812 | 41,664 | |
| Other Department of the Interior Assistance | 15.UNKNOWN | 182,840 | |
| **Total United States Department of the Interior** | | 762,093 | 1,692 |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **RESEARCH AND DEVELOPMENT CLUSTER * (Continued)** | | | |
| **United States Department of Justice** | | | |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | $ 199,990 | $ 44,296 |
| Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | | | |
| Pass-Through from University of Maryland | 16.580 | 3,373 | |
| Other Department of Justice Assistance | 16.UNKNOWN | 40,249 | |
| **Total United States Department of Justice** | | 243,612 | 44,296 |
| **United States Department of Labor** | | | |
| H-1B Job Training Grants | 17.268 | 624,632 | |
| **Total United States Department of Labor** | | 624,632 | |
| **United States Department of Transportation** | | | |
| Highway Planning and Construction | 20.205 | 870,523 | |
| Pass-Through from University of Oregon | 20.205 | 6,730 | |
| University Transportation Centers Program | 20.701 | 51,929 | 17,181 |
| Pass-Through from University of Oklahoma | 20.701 | 16,857 | |
| Biobased Transportation Research | | | |
| Pass-Through from Oklahoma State University | 20.761 | 27,075 | 20,739 |
| Pass-Through from University of Missouri | 20.761 | 5,278 | |
| **Total United States Department of Transportation** | | 978,392 | 37,920 |
| **National Aeronautics and Space Administration** | | | |
| Science | 43.001 | 1,113,081 | 116,516 |
| Education | 43.008 | 8,517 | |
| Pass-Through from United Negro College Fund Special Programs Corporation | 43.008 | 1,513 | |
| Pass-Through from University of Alabama at Huntsville | 43.008 | 16,218 | |
| Cross Agency Support | 43.009 | 93,067 | 31,591 |
| Other National Aeronautics and Space Administration Assistance | 43.UNKNOWN | 149,910 | |
| Pass-Through from Loma Linda University Medical Center | 43.UNKNOWN | 110,317 | |
| **Total National Aeronautics and Space Administration** | | 1,492,623 | 148,107 |
| **National Endowment for the Arts and the Humanities** | | | |
| Promotion of the Humanities_Federal/State Partnership | | | |
| Pass-Through from Arkansas Humanities Council | 45.129 | 1,575 | |
| Promotion of the Humanities_Division of Preservation and Access | 45.149 | 146,631 | |
| Promotion of the Humanities_Professional Development | 45.163 | 22,610 | |
| Promotion of the Humanities_Office of Digital Humanities | 45.169 | 70,150 | |
| **Total National Endowment for the Arts and the Humanities** | | 240,966 | |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **RESEARCH AND DEVELOPMENT CLUSTER * (Continued)** | | | |
| **National Science Foundation** | | | |
| Engineering Grants | 47.041 | $ 2,267,730 | $ 68,647 |
| Pass-Through from Fauxsee Innovations | 47.041 | 35,775 | |
| Mathematical and Physical Sciences | 47.049 | 1,350,106 | |
| Geosciences | 47.050 | 352,611 | 37,811 |
| Computer and Information Science and Engineering | 47.070 | 580,133 | |
| Pass-Through from University of Maryland | 47.070 | 1,356 | |
| Pass-Through from University of Texas Pan American | 47.070 | 27,022 | |
| Biological Sciences | 47.074 | 1,910,802 | 187,273 |
| Pass-Through from University of Nebraska, Lincoln | 47.074 | 36,235 | |
| Pass-Through from Cornell University | 47.074 | 301,770 | |
| Pass-Through from University of Delaware | 47.074 | 1,006 | |
| Pass-Through from University of Massachusetts | 47.074 | 159,049 | |
| Social, Behavioral, and Economic Sciences | 47.075 | 329,275 | 41,348 |
| Pass-Through from University of North Dakota | 47.075 | 4,714 | |
| Education and Human Resources | 47.076 | 1,201,636 | 24,700 |
| Pass-Through from Tennessee Technological University | 47.076 | 5,446 | |
| Pass-Through from Mathematical Association of America | 47.076 | 28,892 | |
| Office of International and Integrative Activities | 47.079 | 80,045 | |
| Office of Cyberinfrastructure | 47.080 | 103,130 | |
| Pass-Through from University of Illinois Urbana-Champaign | 47.080 | 39,628 | |
| Office of Experimental Program to Stimulate Competitive Research | 47.081 | 3,444,499 | 74,011 |
| ARRA - Trans-NSF Recovery Act Research Support | 47.082 | 252,678 | |
| Other National Science Foundation Assistance | 47.UNKNOWN | 285,912 | |
| Pass-Through from Clemson University | 47.UNKNOWN | 20,424 | |
| Pass-Through from University of Memphis | 47.UNKNOWN | 680 | |
| **Total National Science Foundation** | | 12,820,554 | 433,790 |
| | | | |
| **Environmental Protection Agency** | | | |
| Region 3 Environmental Priority Projects | | | |
| Pass-Through from Tetra Tech | 66.113 | 14,308 | |
| Water Pollution Control State, Interstate, and Tribal Program Support | | | |
| Pass-Through from Texas Commission/Environmental Quality | 66.419 | 116,320 | |
| Nonpoint Source Implementation Grants | 66.460 | 550,351 | |
| Regional Wetland Program Development Grants | 66.461 | 33,916 | 32,052 |
| Gulf of Mexico Program | 66.475 | 1,804 | |
| P3 Award: National Student Design Competition for Sustainability | 66.516 | 12,532 | |
| Other Environmental Protection Agency Assistance | 66.UNKNOWN | 28,189 | |
| **Total Environmental Protection Agency** | | 757,420 | 32,052 |
| | | | |
| **United States Department of Energy** | | | |
| Office of Science Financial Assistance Program | 81.049 | 280,908 | |
| Conservation Research and Development | | | |
| Pass-Through from APEI | 81.086 | 17,226 | |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **RESEARCH AND DEVELOPMENT CLUSTER * (Continued)** | | | |
| **United States Department of Energy (Continued)** | | | |
| Renewable Energy Research and Development | 81.087 | $ 112,336 | |
| Pass-Through from University of Central Florida | 81.087 | 18,679 | |
| Fossil Energy Research and Development | 81.089 | 17,072 | $ 10,333 |
| ARRA - Advanced Research and Projects Agency - Energy | | | |
| Pass-Through from APEI | 81.135 | 77,121 | |
| Other Department of Energy Assistance | | | |
| Pass-Through from Argonne National Laboratory | 81.UNKNOWN | 6,903 | |
| Pass-Through from Houston Advanced Research Center | 81.UNKNOWN | 92,998 | |
| Pass-Through from Lawrence Livermore National Laboratory | 81.UNKNOWN | 97,272 | |
| Pass-Through from Oak Ridge Associated Universities | 81.UNKNOWN | 346 | |
| **Total United States Department of Energy** | | 720,861 | 10,333 |
| | | | |
| **United States Department of Education** | | | |
| Special Education_Grants to States | 84.027 | 473,152 | |
| Mathematics and Science Partnerships | 84.366 | (3,650) | |
| Strengthening Minority-Serving Institutions | 84.382 | 315,532 | |
| ARRA - Statewide Data Systems | 84.384 | 59,127 | |
| Promoting Readiness of Minors in Supplemental Security Income | 84.418 | 284,882 | |
| **Total United States Department of Education** | | 1,129,043 | |
| | | | |
| **United States Department of Health and Human Services** | | | |
| Birth Defects and Developmental Disabilities - Prevention and Surveillance | | | |
| Pass-Through from Saint Louis University | 93.073 | 8,538 | |
| Environmental Health | 93.113 | 207,400 | |
| Centers for Research and Demonstration for Health Promotion and Disease Prevention | 93.135 | 330,809 | |
| Human Genome Research | 93.172 | 31,042 | |
| Research Related to Deafness and Communication Disorders | 93.173 | 145,358 | |
| Research and Training in Complementary and Alternative Medicine | | | |
| Pass-Through from BotaniPharm, LLC | 93.213 | 41,184 | |
| Mental Health Research Grants | 93.242 | 952,563 | 223,893 |
| Pass-Through from Emory University | 93.242 | 63,250 | |
| Pass-Through from University of Massachusetts | 93.242 | 44,473 | |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | 379,412 | |
| Pass-Through from Benton County Drug Court | 93.243 | 27,219 | |
| Occupational Safety and Health Program | 93.262 | 928,269 | |
| Pass-Through from University of Washington | 93.262 | 13,060 | |
| Alcohol Research Programs | 93.273 | 400,992 | |
| Drug Abuse and Addiction Research Programs | 93.279 | 2,047,861 | 709,480 |
| Pass-Through from Baylor College of Medicine | 93.279 | 199,432 | |
| Pass-Through from Dartmouth College | 93.279 | 9,386 | |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **RESEARCH AND DEVELOPMENT CLUSTER * (Continued)** | | | |
| **United States Department of Health and Human Services (Continued)** | | | |
| Drug Abuse and Addiction Research Programs (Continued) | | | |
| Pass-Through from University of Kentucky Research Foundation | 93.279 | $ 180,073 | |
| Pass-Through from Virginia Tech | 93.279 | 2,424 | |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | 861,781 | $ 114,002 |
| National Health Service Corps Scholarship Program | 93.288 | 29,779 | |
| Minority Health and Health Disparities Research | 93.307 | 1,418,921 | 252,746 |
| Trans-NIH Research Support | 93.310 | 40,193 | 35,719 |
| National Center for Advancing Translational Sciences | 93.350 | 3,293,747 | 86,138 |
| Nursing Research | 93.361 | 231,410 | 41,382 |
| National Center for Research Resources | 93.389 | 1,038,569 | |
| Cancer Cause and Prevention Research | 93.393 | 440,377 | |
| Cancer Detection and Diagnosis Research | 93.394 | 1,114,836 | 104,007 |
| Pass-Through from American College of Radiology Imaging Network | 93.394 | (4,496) | |
| Pass-Through from Radiation Monitoring Devices, Inc. | 93.394 | 43,581 | |
| Cancer Treatment Research | 93.395 | 4,347,566 | 100,068 |
| Pass-Through from CTSU-CALGB | 93.395 | (954) | |
| Pass-Through from Southwest Oncology Group | 93.395 | (235) | |
| Pass-Through from UCLA | 93.395 | 307,201 | |
| Pass-Through from University of Alabama - Birmingham | 93.395 | 26,445 | |
| Pass-Through from University of Kentucky Research Foundation | 93.395 | 2,909 | |
| Pass-Through from University of Michigan | 93.395 | (139) | |
| Pass-Through from University of Oklahoma | 93.395 | 7,143 | |
| Pass-Through from Vanderbilt University | 93.395 | 32,666 | |
| Cancer Biology Research | 93.396 | 294,755 | |
| Cancer Research Manpower | 93.398 | 33,382 | |
| Pass-Through from Cancer Trials Support Unit | 93.398 | 13,446 | |
| Cancer Control | | | |
| Pass-Through from University of Maryland | 93.399 | (2,308) | |
| Temporary Assistance for Needy Families | 93.558 | 28,151 | |
| Health Care Innovation Awards (HCIA) | 93.610 | 1,026,710 | 445,319 |
| Strong Start for Mothers and Newborns | | | |
| Pass-Through from AABC Foundation/Amer. Assn. of Birth Control | 93.611 | 25,014 | |
| Adoption Opportunities | 93.652 | 14,296 | |
| ARRA - Trans-NIH Recovery Act Research Support | 93.701 | 89,073 | 61,117 |
| ARRA - National Center for Research Resources Construction Support | 93.702 | 2,296,585 | |
| Cardiovascular Diseases Research | 93.837 | 951,527 | |
| Lung Diseases Research | 93.838 | (141) | |
| Blood Diseases and Resources Research | 93.839 | 602,494 | 2,777 |
| Pass-Through from University of Iowa | 93.839 | 191,683 | |
| Arthritis, Musculoskeletal, and Skin Diseases Research | 93.846 | 1,194,709 | |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 1,361,784 | 36,204 |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **RESEARCH AND DEVELOPMENT CLUSTER * (Continued)** | | | |
| **United States Department of Health and Human Services (Continued)** | | | |
| Diabetes, Digestive, and Kidney Diseases Extramural Research (Continued) | | | |
| Pass-Through from Biomedical Research Foundation | 93.847 | $ 139,031 | |
| Pass-Through from Georgia Regents University | 93.847 | 40,916 | |
| Pass-Through from Jaeb Center for Health Research | 93.847 | 1,514 | |
| Pass-Through from Louisiana State University | 93.847 | 6,551 | |
| Pass-Through from University of Vermont | 93.847 | 167,537 | |
| Pass-Through from Wake Forest University | 93.847 | 2,547 | |
| Pass-Through from Yale University | 93.847 | 45,013 | |
| Digestive Diseases and Nutrition Research | 93.848 | 109,416 | |
| Kidney Diseases, Urology, and Hematology Research | 93.849 | 140,722 | |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | 118,636 | |
| Pass-Through from Emory University | 93.853 | 84,693 | |
| Pass-Through from University of Medicine/Dental, New Jersey | 93.853 | 674 | |
| Pass-Through from University of Alabama - Birmingham | 93.853 | 48,118 | |
| Pass-Through from Yale University | 93.853 | 415 | |
| Allergy, Immunology and Transplantation Research | 93.855 | 2,392,196 | |
| Pass-Through from Boston University | 93.855 | 28,134 | |
| Pass-Through from Duke Clinical Research | 93.855 | 224,052 | |
| Pass-Through from HIV Prevention Trials Network | 93.855 | 33,016 | |
| Pass-Through from Indiana University | 93.855 | 102,896 | |
| Pass-Through from University of Alabama - Birmingham | 93.855 | 15,114 | |
| Pass-Through from University of California at San Diego | 93.855 | 24,471 | |
| Pass-Through from University of Mississippi | 93.855 | 15,329 | |
| Microbiology and Infectious Diseases Research | | | |
| Pass-Through from University of Alabama - Birmingham | 93.856 | 79,057 | |
| Biomedical Research and Research Training | 93.859 | 8,168,299 | $ 909,165 |
| Pass-Through from Johns Hopkins University | 93.859 | 125,775 | |
| Pass-Through from University of Pittsburgh | 93.859 | 164,122 | |
| Child Health and Human Development Extramural Research | 93.865 | 351,302 | |
| Pass-Through from Duke Clinical Research | 93.865 | (500) | |
| Aging Research | 93.866 | 4,018,134 | 117,567 |
| Pass-Through from University of Alabama - Birmingham | 93.866 | 19,512 | |
| Vision Research | 93.867 | 615,205 | 45,986 |
| Medical Library Assistance | | | |
| Pass-Through from University of Pittsburgh | 93.879 | 18,137 | |
| International Research and Research Training | 93.989 | 23,252 | |
| Other Department of Health and Human Services Assistance | 93.UNKNOWN | 3,056,233 | 1,359,148 |
| Pass-Through from Arkansas Research Alliance | 93.UNKNOWN | 191,535 | |
| Pass-Through from Arkansas Children's Hospital | 93.UNKNOWN | 11,917 | |
| Pass-Through from Case Western Reserve University | 93.UNKNOWN | 44,000 | |
| Pass-Through from CTSU-CALGB | 93.UNKNOWN | 1,224 | |
| Pass-Through from Emmes Corporation | 93.UNKNOWN | (2,183) | |

*Denotes Major Program

# State of Arkansas
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2014

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **RESEARCH AND DEVELOPMENT CLUSTER * (Continued)** | | | |
| **United States Department of Health and Human Services (Continued)** | | | |
| Other Department of Health and Human Services Assistance (Continued) | | | |
| Pass-Through from NIOSH | 93.UNKNOWN | $ 2,808 | |
| Pass-Through from Oregon Health and Science University | 93.UNKNOWN | 5,284 | |
| Pass-Through from Southwest Oncology Group | 93.UNKNOWN | 3,350 | |
| Pass-Through from University of Alabama - Birmingham | 93.UNKNOWN | 20,574 | |
| Pass-Through from University of California at San Diego | 93.UNKNOWN | 28,129 | |
| Pass-Through from Washington/Madison County Adult Drug Court | 93.UNKNOWN | 73,966 | |
| **Total United States Department of Health and Human Services** | | 48,125,328 | $ 4,644,718 |
| | | | |
| **United States Department of Homeland Security** | | | |
| Centers for Homeland Security | 97.061 | 90,814 | |
| Pass-Through from University of Maryland | 97.061 | 288,110 | |
| Scientific Leadership Awards | 97.062 | 168,192 | |
| Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies | | | |
| Pass-Through from University of Maryland | 97.108 | 72,669 | |
| Other Department of Homeland Security Assistance | 97.UNKNOWN | 46,420 | |
| **Total United States Department of Homeland Security** | | 666,205 | |
| | | | |
| **United States Agency for International Development** | | | |
| USAID Foreign Assistance for Programs Overseas | 98.001 | 19,335 | 9,993 |
| **Total United States Agency for International Development** | | 19,335 | 9,993 |
| **TOTAL RESEARCH AND DEVELOPMENT CLUSTER** | | 90,496,622 | 6,798,228 |
| | | | |
| **STUDENT FINANCIAL ASSISTANCE CLUSTER *** | | | |
| **United States Department of Education** | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | 4,044,937 | |
| Federal Work-Study Program | 84.033 | 5,780,648 | |
| Federal Perkins Loan Program_Federal Capital Contributions | 84.038 | 35,034,070 | |
| Federal Pell Grant Program | 84.063 | 266,314,651 | |
| Federal Direct Student Loans | 84.268 | 546,514,074 | |
| Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | 1,075,643 | |
| Postsecondary Education Scholarships for Veteran's Dependents | 84.408 | 5,239 | |
| **Total United States Department of Education** | | 858,769,262 | |
| | | | |
| **United States Department of Health and Human Services** | | | |
| Nurse Faculty Loan Program (NFLP) | 93.264 | 2,971 | |
| Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students | 93.342 | 5,044,165 | |
| Nursing Student Loans | 93.364 | 313,501 | |
| **Total United States Department of Health and Human Services** | | 5,360,637 | |
| **Total STUDENT FINANCIAL ASSISTANCE CLUSTER** | | 864,129,899 | |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Agriculture** | | | |
| Agricultural Research_Basic and Applied Research | 10.001 | $ 40,189 | |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | 1,090,301 | |
| Conservation Reserve Program | | | |
| Pass-Through from National Resources Conservation Service | 10.069 | 505,139 | |
| Wetlands Reserve Program | 10.072 | 42,471 | |
| Market Protection and Promotion | 10.163 | 24,800 | |
| Specialty Crop Block Grant Program - Farm Bill | 10.170 | 128,888 | $ 71,377 |
| Sustainable Agriculture Research and Education | 10.215 | 15 | |
| Pass-Through from University of Georgia | 10.215 | 19,946 | |
| Higher Education - Institution Challenge Grants Program | | | |
| Pass-Through from Auburn University | 10.217 | 8,891 | |
| Integrated Programs | | | |
| Pass-Through from Texas AgriLife Extension | 10.303 | 8,776 | |
| Homeland Security_Agricultural | | | |
| Pass-Through from University of Florida | 10.304 | 21,804 | |
| Organic Agriculture Research and Extension Initiative | | | |
| Pass-Through from University of Vermont | 10.307 | 2,705 | |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | 10,274 | |
| ARRA - Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF) | | | |
| Pass-Through from University of Minnesota | 10.315 | 114,682 | |
| Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | 10.326 | 1,782 | |
| Rural Rental Housing Loans * | 10.415 | 246,444 | 246,444 |
| State Mediation Grants | 10.435 | 57,441 | |
| Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers | 10.443 | 130,195 | 74,677 |
| Pass-Through from Audubon Arkansas | 10.443 | 887 | |
| Risk Management Education Partnerships | 10.460 | 46,982 | |
| Cooperative Extension Service | 10.500 | 9,486,873 | 813,925 |
| Pass-Through from University of Nebraska | 10.500 | 6,938 | |
| Pass-Through from University of Georgia | 10.500 | 5,871 | |
| Pass-Through from Kansas State University | 10.500 | 52,116 | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 62,295,957 | |
| Child and Adult Care Food Program | 10.558 | 66,845,631 | |
| State Administrative Expenses for Child Nutrition | 10.560 | 3,730,743 | |
| WIC Farmers' Market Nutrition Program (FMNP) | 10.572 | 123,009 | |
| Senior Farmers Market Nutrition Program | 10.576 | 41,121 | 41,121 |
| Child Nutrition Discretionary Grants Limited Availability | 10.579 | 332,595 | 90,000 |
| Pass-Through from Washington State University | 10.579 | 43,360 | |
| Fresh Fruit and Vegetable Program | 10.582 | 2,204,971 | 2,141,126 |
| Forestry Research | 10.652 | 22,034 | |
| Cooperative Forestry Assistance | 10.664 | 2,498,634 | 232,557 |
| Pass-Through from The Nature Conservancy | 10.664 | 79,758 | |

*Denotes Major Program

# State of Arkansas
# Schedule of Expenditures of Federal Awards
# For the Year Ended June 30, 2014

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Agriculture (Continued)** | | | |
| Forest Legacy Program | 10.676 | $ 43,684 | |
| Forest Stewardship Program | 10.678 | 2,800 | |
| Forest Health Protection | 10.680 | 391,258 | $ 301,828 |
| Rural Business Enterprise Grants | 10.769 | 11,438 | |
| Rural Business Opportunity Grants | 10.773 | 120,200 | |
| Distance Learning and Telemedicine Loans and Grants | 10.855 | 456,852 | |
| 1890 Land Grant Institutions Rural Entrepreneurial Outreach Program | 10.856 | 3,982 | |
| Rural Energy for America Program | 10.868 | (2,046) | |
| Delta Health Care Services Grant Program | 10.874 | 2,087 | |
| Soil and Water Conservation | 10.902 | 343,007 | 342,928 |
| Environmental Quality Incentives Program | 10.912 | 403,772 | 158,315 |
| Other Department of Agriculture Assistance | 10.UNKNOWN | 19,018 | |
| **Total United States Department of Agriculture** | | 152,068,275 | 4,514,298 |
| | | | |
| **United States Department of Commerce** | | | |
| Economic Development_Support for Planning Organizations | 11.302 | 156,265 | 25,000 |
| Economic Development_Technical Assistance | 11.303 | 131,467 | |
| State and Local Implementation Grant Program | 11.549 | 207,751 | |
| Special Projects | 11.553 | 266,941 | |
| ARRA - Broadband Technology Opportunities Program (BTOP) * | 11.557 | 15,537,763 | |
| Pass-Through from Connect Arkansas | 11.557 | 427,445 | 35,600 |
| Manufacturing Extension Partnership | 11.611 | 517,396 | 26,682 |
| **Total United States Department of Commerce** | | 17,245,028 | 87,282 |
| | | | |
| **United States Department of Defense** | | | |
| Procurement Technical Assistance For Business Firms | 12.002 | 234,097 | |
| Law Enforcement Support Office - 1033 Program | 12.005 | 15,845,761 | |
| Flood Control Projects | 12.106 | 10,966 | |
| Payments to States in Lieu of Real Estate Taxes | 12.112 | 153,114 | 153,114 |
| Military Construction, National Guard | 12.400 | 4,866,254 | |
| National Guard Military Operations and Maintenance (O&M) Projects | 12.401 | 48,931,416 | |
| National Guard ChalleNGe Program | 12.404 | 1,900,000 | |
| Basic, Applied, and Advanced Research in Science and Engineering | | | |
| Pass-Through from The Academy of Applied Science | 12.630 | 14,671 | |
| Other Department of Defense Assistance | 12.UNKNOWN | 94,773 | |
| **Total United States Department of Defense** | | 72,051,052 | 153,114 |
| | | | |
| **United States Department of Housing and Urban Development** | | | |
| Community Development Block Grants/Technical Assistance Program | 14.227 | 885 | |
| Emergency Solutions Grant Program | 14.231 | 2,479,107 | 2,400,301 |
| Shelter Plus Care | 14.238 | 1,486,268 | |
| Home Investment Partnerships Program * | 14.239 | 9,807,495 | 8,891,578 |
| Housing Opportunities for Persons with AIDS | 14.241 | 512,009 | 495,570 |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Housing and Urban Development (Continued)** | | | |
| Rural Innovation Fund | | | |
| Pass-Through from Southern Bancorp Community Partners | 14.263 | $ 7,000 | |
| Fair Housing Assistance Program_State and Local | 14.401 | 453,739 | |
| Historically Black Colleges and Universities Program | 14.520 | 166,121 | |
| Capacity Building for Sustainable Communities | 14.705 | 37,948 | |
| **Total United States Department of Housing and Urban Development** | | 14,950,572 | $ 11,787,449 |
| | | | |
| **United States Department of the Interior** | | | |
| Indian Education_Higher Education Grant Program | 15.114 | 183,651 | |
| Distribution of Receipts to State and Local Governments | 15.227 | 1,282,737 | 532,737 |
| Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining | 15.250 | 113,987 | |
| Abandoned Mine Land Reclamation (AMLR) Program | 15.252 | 1,754,833 | |
| Fish and Wildlife Management Assistance | 15.608 | 17,268 | |
| Cooperative Endangered Species Conservation Fund | 15.615 | 1,381,757 | 7,182 |
| Clean Vessel Act | 15.616 | 1,605,623 | 1,493,167 |
| Sportfishing and Boating Safety Act | 15.622 | 611,653 | 611,653 |
| North American Wetlands Conservation Fund | 15.623 | 4,950 | |
| Partners for Fish and Wildlife | 15.631 | 28,997 | |
| State Wildlife Grants | 15.634 | 152,296 | 70,271 |
| Federal Junior Duck Stamp Conservation and Design | 15.644 | 2,157 | |
| U.S. Geological Survey_Research and Data Collection | 15.808 | 17,350 | |
| National Cooperative Geologic Mapping Program | 15.810 | 59,270 | |
| Historic Preservation Fund Grants-In-Aid | 15.904 | 950,948 | 140,082 |
| Outdoor Recreation_Acquisition, Development, and Planning | 15.916 | 726,038 | 200,245 |
| Preservation of Japanese American Confinement Sites | 15.933 | 225,319 | |
| **Total United States Department of the Interior** | | 9,118,834 | 3,055,337 |
| | | | |
| **United States Department of Justice** | | | |
| Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis | 16.001 | 580,255 | |
| Violence Against Women Act Court Training and Improvement Grants | 16.013 | 2,126 | |
| Sexual Assault Services Formula Program | 16.017 | 242,527 | 242,527 |
| Juvenile Accountability Block Grants | 16.523 | 124,934 | 88,286 |
| Enhanced Training and Services to End Violence and Abuse of Women Later in Life | 16.528 | 47,768 | 12,921 |
| Juvenile Justice and Delinquency Prevention_Allocation to States | 16.540 | 308,637 | 185,117 |
| Missing Children's Assistance | 16.543 | 459,997 | 77,252 |
| Title V_Delinquency Prevention Program | 16.548 | 9,507 | |
| National Criminal History Improvement Program (NCHIP) | 16.554 | 8,433 | |
| Crime Victim Assistance | 16.575 | 4,073,648 | 3,834,351 |
| Crime Victim Compensation | 16.576 | 1,095,154 | |
| Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 16.580 | 22,316 | |

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Justice (Continued)** | | | |
| Drug Court Discretionary Grant Program | 16.585 | $ 209,950 | |
| Violence Against Women Formula Grants | 16.588 | 1,775,452 | $ 1,404,100 |
| Residential Substance Abuse Treatment for State Prisoners | 16.593 | 118,818 | |
| State Criminal Alien Assistance Program | 16.606 | 339,440 | |
| Bulletproof Vest Partnership Program | 16.607 | 58,251 | |
| Project Safe Neighborhoods | 16.609 | 38,213 | 38,214 |
| Public Safety Partnership and Community Policing Grants | 16.710 | 173,836 | |
| Juvenile Mentoring Program | 16.726 | 69,726 | |
| Pass-Through from National 4-H Council | 16.726 | 63,370 | |
| Enforcing Underage Drinking Laws Program | 16.727 | 111,635 | 53,245 |
| Statewide Automated Victim Information Notification (SAVIN) Program | 16.740 | 253,906 | |
| DNA Backlog Reduction Program | 16.741 | 1,168,383 | |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | 69,220 | |
| Edward Byrne Memorial Competitive Grant Program | 16.751 | 90,903 | |
| Harold Rogers Prescription Drug Monitoring Program | 16.754 | 190,747 | |
| Second Chance Act Prisoner Reentry Initiative | 16.812 | 811,744 | |
| John R. Justice Prosecutors and Defenders Incentive Act | 16.816 | 62,320 | |
| Equitable Sharing Program | 16.922 | 1,020,237 | |
| Other Department of Justice Assistance | 16.UNKNOWN | 782,145 | |
| **Total United States Department of Justice** | | 14,383,598 | 5,936,013 |
| | | | |
| **United States Department of Labor** | | | |
| Labor Force Statistics | 17.002 | 998,791 | |
| Compensation and Working Conditions | 17.005 | 102,305 | |
| Unemployment Insurance * | 17.225 | 357,568,526 | |
| ARRA - Unemployment Insurance * | 17.225 | 24,470,006 | |
| Senior Community Service Employment Program | 17.235 | 1,470,662 | 1,445,905 |
| Trade Adjustment Assistance | 17.245 | 15,028,628 | |
| WIA Dislocated Workers | 17.260 | 108,277 | |
| WIA Pilots, Demonstrations, and Research Projects | 17.261 | 279,542 | |
| National Farmworker Jobs Program | 17.264 | 147,247 | |
| Work Incentive Grants | 17.266 | 913,765 | 675,569 |
| Incentive Grants - WIA Section 503 | 17.267 | 1,035,003 | 317,897 |
| H-1B Job Training Grants | 17.268 | 883,980 | 309,888 |
| Pass-Through from Arkansas Association of Two-Year Colleges | 17.268 | 73,547 | |
| Work Opportunity Tax Credit Program (WOTC) | 17.271 | 173,130 | |
| Temporary Labor Certification for Foreign Workers | 17.273 | 86,545 | |
| ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors | 17.275 | 150,559 | 1,623 |
| Workforce Investment Act (WIA) National Emergency Grants | 17.277 | 2,581,114 | 2,530,128 |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 | 4,818,489 | |
| Pass-Through from Anne Arundel Community College | 17.282 | 412,794 | |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Labor (Continued)** | | | |
| Consultation Agreements | 17.504 | $ 1,117,323 | |
| Mine Health and Safety Grants | 17.600 | 33,462 | |
| Veterans' Employment Program | 17.802 | 436,293 | $ 345,582 |
| **Total United States Department of Labor** | | 412,889,988 | 5,626,592 |
| | | | |
| **United States Department of State** | | | |
| Investing in People in the Middle East and North Africa | 19.021 | 61,915 | |
| **Total United States Department of State** | | 61,915 | |
| | | | |
| **United States Department of Transportation** | | | |
| Airport Improvement Program | 20.106 | 152,323 | 152,323 |
| National Motor Carrier Safety | 20.218 | 2,874,431 | |
| Commercial Driver's License Program Improvement Grant | 20.232 | 356,483 | |
| Commercial Vehicle Information Systems and Networks | 20.237 | 124,934 | |
| Metropolitan Transportation Planning | 20.505 | 2,079,422 | 1,869,084 |
| Formula Grants for Rural Areas | 20.509 | 9,552,939 | 8,379,778 |
| ARRA - Formula Grants for Rural Areas | 20.509 | 550,624 | |
| Alcohol Open Container Requirements | 20.607 | 11,502,656 | |
| National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants | 20.614 | 124,012 | |
| National Priority Safety Programs | 20.616 | 394,930 | 10,385 |
| Pipeline Safety Program State Base Grant | 20.700 | 421,372 | |
| Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | 243,859 | 45,000 |
| National Infrastructure Investments | 20.933 | 1,555,106 | 1,555,106 |
| Other Department of Transportation Assistance | 20.UNKNOWN | 99,360 | |
| **Total United States Department of Transportation** | | 30,032,451 | 12,011,676 |
| | | | |
| **United States Department of Treasury** | | | |
| Low-Income Taxpayer Clinics | 21.008 | 94,771 | |
| **Total United States Department of Treasury** | | 94,771 | |
| | | | |
| **General Services Administration** | | | |
| Donation of Federal Surplus Personal Property | 39.003 | 7,682,505 | |
| **Total General Services Administration** | | 7,682,505 | |
| | | | |
| **Library of Congress** | | | |
| Other Library of Congress Assistance | 42.UNKNOWN | 16,796 | |
| Pass-Through from Illinois State University | 42.UNKNOWN | 5,499 | |
| **Total Library of Congress** | | 22,295 | |

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **National Aeronautics and Space Administration** | | | |
| Science | 43.001 | $ 27,016 | |
| Education | 43.008 | 25,160 | |
| Pass-Through from Rust College | 43.008 | 47,533 | |
| Other National Aeronautics and Space Administration Assistance | 43.UNKNOWN | 13,693 | |
| **Total National Aeronautics and Space Administration** | | 113,402 | |
| **National Endowment for the Arts and the Humanities** | | | |
| Promotion of the Arts_Grants to Organizations and Individuals | 45.024 | 60,000 | |
| Pass-Through from City of Fayetteville | 45.024 | 41,937 | |
| Promotion of the Arts_Partnership Agreements | 45.025 | 471,012 | $ 303,873 |
| Promotion of the Humanities_Federal/State Partnership | 45.129 | 21,384 | |
| Pass-Through from Arkansas Humanities Council | 45.129 | 37,457 | |
| Promotion of the Humanities_Challenge Grants | 45.130 | 337,974 | |
| Promotion of the Humanities_Division of Preservation and Access | 45.149 | 366 | |
| Promotion of the Humanities_Teaching and Learning Resources and Curriculum Development | 45.162 | 78,246 | |
| Promotion of the Humanities_Professional Development | | | |
| Pass-Through from Arkansas Humanities Council | 45.163 | 1,418 | |
| Promotion of the Humanities_Public Programs | 45.164 | 2,495 | |
| Pass-Through from American Library Association | 45.164 | 3,499 | |
| Pass-Through from The Gilder Lehrman Institute of American History | 45.164 | 1,705 | |
| Pass-Through from The Library of America | 45.164 | 1,000 | |
| Promotion of the Humanities_Office of Digital Humanities | 45.169 | 34,577 | |
| Other National Endowment for the Arts and the Humanities Assistance | 45.UNKNOWN | 616 | |
| Pass-Through from Arkansas Humanities Council | 45.UNKNOWN | 3,455 | |
| **Total National Endowment for the Arts and the Humanities** | | 1,097,141 | 303,873 |
| **Institute of Museum and Library Services** | | | |
| Museums for America | 45.301 | 30,675 | |
| Museum Grants for African American History and Culture | 45.309 | 77,910 | |
| Grants to States | 45.310 | 1,740,190 | |
| **Total Institute of Museum and Library Services** | | 1,848,775 | |
| **National Science Foundation** | | | |
| Engineering Grants | 47.041 | 24,219 | |
| Mathematical and Physical Sciences | 47.049 | 21,477 | |
| Geosciences | 47.050 | 8,556 | |
| Biological Sciences | 47.074 | 1,488 | |
| Education and Human Resources | 47.076 | 2,207,748 | |
| Pass-Through from Missouri State University | 47.076 | 46,251 | |
| Office of Cyberinfrastructure | 47.080 | 22,182 | |
| Pass-Through from Purdue University | 47.080 | 35,871 | |
| Office of Experimental Program to Stimulate Competitive Research | 47.081 | 18,417 | |

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **National Science Foundation (Continued)** | | | |
| ARRA - Trans-NSF Recovery Act Research Support | 47.082 | $ 224,324 | |
| Other National Science Foundation Assistance | 47.UNKNOWN | 232,362 | |
| **Total National Science Foundation** | | 2,842,895 | |
| | | | |
| **Small Business Administration** | | | |
| Small Business Development Centers | 59.037 | 1,194,961 | |
| Federal and State Technology Partnership Program | 59.058 | 131,055 | |
| State Trade and Export Promotion Pilot Grant Program | 59.061 | 107,412 | |
| Other Small Business Administration Assistance | 59.UNKNOWN | 6,537 | |
| **Total Small Business Administration** | | 1,439,965 | |
| | | | |
| **United States Department of Veterans Affairs** | | | |
| Veterans State Nursing Home Care | 64.015 | 3,073,352 | |
| Post-9/11 Veterans Educational Assistance | 64.027 | 172,782 | |
| ARRA - Post-9/11 Veterans Educational Assistance | 64.027 | 1,320 | |
| Vocational Rehabilitation for Disabled Veterans | 64.116 | 6,280 | |
| Post-Vietnam Era Veterans' Educational Assistance | 64.120 | 21,783 | |
| All-Volunteer Force Educational Assistance | 64.124 | 306,807 | |
| State Cemetery Grants | 64.203 | 2,689,458 | |
| Other Department of Veterans Affairs Assistance | 64.UNKNOWN | 46,403 | |
| **Total United States Department of Veterans Affairs** | | 6,318,185 | |
| | | | |
| **Environmental Protection Agency** | | | |
| Air Pollution Control Program Support | 66.001 | 1,022,439 | |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | 479,174 | |
| State Clean Diesel Grant Program | 66.040 | 138,929 | $ 196,406 |
| Water Pollution Control State, Interstate, and Tribal Program Support | 66.419 | 2,642,336 | |
| State Public Water System Supervision | 66.432 | 891,971 | |
| State Underground Water Source Protection | 66.433 | 52,618 | |
| Water Quality Management Planning | 66.454 | 100,000 | |
| Nonpoint Source Implementation Grants | 66.460 | 2,512,743 | 1,458,988 |
| Regional Wetland Program Development Grants | 66.461 | 64,252 | |
| Greater Research Opportunities (GRO) Fellowships For Undergraduate Environmental Study | 66.513 | 5,089 | |
| Science To Achieve Results (STAR) Fellowship Program | 66.514 | 14,788 | |
| Environmental Information Exchange Network Grant Program and Related Assistance | 66.608 | 1,613 | |
| Consolidated Pesticide Enforcement Cooperative Agreements | 66.700 | 522,082 | |
| TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | 66.707 | 187,032 | |
| Pollution Prevention Grants Program | 66.708 | 30,455 | |
| Hazardous Waste Management State Program Support | 66.801 | 863,106 | |

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **Environmental Protection Agency (Continued)** | | | |
| Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | 66.802 | $ 371,828 | |
| Underground Storage Tank Prevention, Detection, and Compliance Program | 66.804 | 385,508 | |
| Leaking Underground Storage Tank Trust Fund Corrective Action Program | 66.805 | 707,231 | |
| State and Tribal Response Program Grants | 66.817 | 251,348 | |
| Pass-Through from Santee Sioux Nation | 66.817 | 17,835 | |
| Environmental Education Grants | 66.951 | 85,370 | |
| **Total Environmental Protection Agency** | | 11,347,747 | $ 1,655,394 |
| | | | |
| **United States Department of Energy** | | | |
| State Energy Program | 81.041 | 357,901 | 58,000 |
| ARRA - State Energy Program | 81.041 | 673,397 | |
| Weatherization Assistance for Low-Income Persons | 81.042 | 1,691,626 | 1,630,105 |
| ARRA - Weatherization Assistance for Low-Income Persons | 81.042 | 143,537 | |
| Renewable Energy Research and Development | | | |
| Pass-Through from University of Memphis | 81.087 | 7,002 | |
| ARRA - Renewable Energy Research and Development | | | |
| Pass-Through from Arizona Geological Survey | 81.087 | 56,780 | |
| Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance | 81.117 | 9,449 | |
| State Energy Program Special Projects | 81.119 | 1,176 | |
| ARRA - Electricity Delivery and Energy Reliability, Research, Development, and Analysis | 81.122 | 89,449 | |
| Other Department of Energy Assistance | | | |
| Pass-Through from Keylogic Systems | 81.UNKNOWN | 2,030 | |
| **Total United States Department of Energy** | | 3,032,347 | 1,688,105 |
| | | | |
| **United States Department of Education** | | | |
| Adult Education - Basic Grants to States | 84.002 | 5,204,288 | 2,852,684 |
| Title I Grants to Local Educational Agencies * | 84.010 | 165,253,229 | 164,042,235 |
| Migrant Education_State Grant Program | 84.011 | 5,362,873 | 5,074,921 |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | 369,701 | 83,172 |
| Higher Education_Institutional Aid | 84.031 | 10,350,729 | |
| Federal Family Education Loans * | 84.032 | 356,123,482 | |
| Career and Technical Education - Basic Grants to States | 84.048 | 10,830,502 | 6,445,790 |
| Fund for the Improvement of Postsecondary Education | 84.116 | 65,654 | 10,109 |
| Rehabilitation Services_Vocational Rehabilitation Grants to States * | 84.126 | 48,100,778 | |
| Rehabilitation Long-Term Training | 84.129 | 504,555 | |
| National Institute on Disability and Rehabilitation Research | 84.133 | 82,004 | |
| Migrant Education_Coordination Program | 84.144 | 66,666 | 66,666 |
| Migrant Education_College Assistance Migrant Program | 84.149 | 12,287 | |

*Denotes Major Program

## State of Arkansas
## Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2014

| **CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity** | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Education (Continued)** | | | |
| Independent Living_State Grants | 84.169 | $ 434,731 | |
| Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind | 84.177 | 207,512 | $ 195,653 |
| Special Education-Grants for Infants and Families | 84.181 | 5,394,434 | |
| Supported Employment Services for Individuals with the Most Significant Disabilities | 84.187 | 324,293 | |
| Education for Homeless Children and Youth | 84.196 | 1,085,936 | 985,946 |
| Graduate Assistance in Areas of National Need | 84.200 | 385 | |
| Even Start_State Educational Agencies | 84.213 | 234 | |
| Fund for the Improvement of Education | 84.215 | (484) | (484) |
| Assistive Technology | 84.224 | 602,397 | |
| Rehabilitation Training_Continuing Education | 84.264 | 862,268 | |
| Pass-Through from George Washington University | 84.264 | 30,817 | |
| Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training | 84.265 | 465,357 | |
| Charter Schools | 84.282 | 2,804,263 | 2,732,629 |
| Twenty-First Century Community Learning Centers | 84.287 | 11,135,881 | 10,661,459 |
| State Grants for Innovative Programs | 84.298 | (46) | (46) |
| Special Education - State Personnel Development | 84.323 | 908,939 | 908,939 |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | 84.325 | 85,085 | |
| Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 84.326 | 111,355 | |
| Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) | 84.330 | (152) | (152) |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | 1,050,757 | |
| Child Care Access Means Parents in School | 84.335 | 18,609 | |
| Transition to Teaching | 84.350 | 314,411 | |
| Reading First State Grants | 84.357 | (3,560) | (3,560) |
| Rural Education | 84.358 | 3,255,963 | 3,255,974 |
| English Language Acquisition State Grants | 84.365 | 3,443,004 | 3,288,037 |
| Mathematics and Science Partnerships | 84.366 | 2,073,739 | 585,388 |
| Improving Teacher Quality State Grants | 84.367 | 22,815,911 | 21,856,218 |
| Pass-Through from Pathway Book Services | 84.367 | 23,452 | |
| Pass-Through from National Writing Project | 84.367 | 2,422 | |
| Grants for State Assessments and Related Activities | 84.369 | 4,906,701 | |
| College Access Challenge Grant Program | 84.378 | 1,097,561 | 69,185 |
| Strengthening Minority-Serving Institutions | 84.382 | 1,797,159 | |
| ARRA - Title I Grants to Local Educational Agencies | 84.389 | (2,161) | (2,161) |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants | 84.394 | (34,774) | (17,387) |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants | | | |
| Pass-Through from State of Florida and State of Maryland | 84.395 | 69,973 | |

| **CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity** | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Education (Continued)** | | | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund | | | |
| Pass-Through from Ohio State University | 84.396 | $ 276,913 | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services | 84.397 | (120) | |
| Investing in Innovation (i3) Fund | | | |
| Pass-Through from National Writing Project | 84.411 | 95,108 | |
| American Printing House for the Blind | 84.906 | 23,765 | |
| National Writing Project | 84.928 | 14,231 | |
| Other Department of Education Assistance | 84.UNKNOWN | 180,585 | |
| **Total United States Department of Education** | | 668,199,602 | $ 223,091,215 |
| | | | |
| **Delta Regional Authority** | | | |
| Delta Regional Development | 90.200 | 308,655 | |
| Pass-Through from University of Mississippi | 90.200 | 74,184 | |
| Delta Area Economic Development | 90.201 | 107,822 | |
| **Total Delta Regional Authority** | | 490,661 | |
| | | | |
| **United States Election Assistance Commission** | | | |
| Help America Vote Act Requirements Payments | 90.401 | 779,626 | |
| **Total United States Election Assistance Commission** | | 779,626 | |
| | | | |
| **United States Department of Health and Human Services** | | | |
| Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | 3,881 | |
| Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals | 93.042 | 169,818 | 156,461 |
| Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services | 93.043 | 177,152 | 177,152 |
| Special Programs for the Aging_Title IV_and Title II_Discretionary Projects | 93.048 | 521,029 | 40,585 |
| National Family Caregiver Support, Title III, Part E | 93.052 | 1,338,569 | 1,305,103 |
| Public Health Emergency Preparedness | 93.069 | 295,519 | |
| Medicare Enrollment Assistance Program | 93.071 | 249,790 | 99,672 |
| Birth Defects and Developmental Disabilities - Prevention and Surveillance | | | |
| Pass-Through from University of Missouri | 93.073 | 10,246 | |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | 93.074 | 9,794,670 | 2,370,483 |
| TANF Program Integrity Innovation Grants | 93.076 | 10,121 | |
| Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | 93.079 | 128,226 | |
| Affordable Care Act (ACA) Personal Responsibility Education Program | 93.092 | 414,500 | 299,919 |
| Well-Integrated Screening and Evaluation for Women Across the Nation | 93.094 | 105,400 | |
| Food and Drug Administration_Research | 93.103 | 196,190 | |

*Denotes Major Program

| **CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity** | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Health and Human Services (Continued)** | | | |
| Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 93.104 | $ 333,198 | |
| Pass-Through from Mid South Health Systems, Inc. | 93.104 | 120,989 | |
| Area Health Education Centers Point of Service Maintenance and Enhancement Awards | 93.107 | 598,647 | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | 924,395 | $ 195,872 |
| Pass-Through from Arizona State University | 93.110 | 18,276 | |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | 496,454 | |
| Nurse Anesthetist Traineeships | 93.124 | 42,488 | |
| Emergency Medical Services for Children | 93.127 | 129,518 | |
| Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | 93.130 | 194,329 | |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 231,433 | |
| AIDS Education and Training Centers | 93.145 | 239,751 | |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | 286,599 | 286,598 |
| Disabilities Prevention | 93.184 | 260,903 | |
| Graduate Psychology Education Program and Patient Navigator and Chronic Disease Prevention Program | 93.191 | 22,954 | |
| Telehealth Programs | 93.211 | 589,086 | |
| Family Planning_Services | 93.217 | 3,299,052 | |
| Affordable Care Act (ACA) Abstinence Education Program | 93.235 | 561,565 | 528,275 |
| Grants to States to Support Oral Health Workforce Activities | 93.236 | (1,955) | |
| State Capacity Building | 93.240 | 261,153 | |
| State Rural Hospital Flexibility Program | 93.241 | 532,644 | 67,000 |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | 401,212 | 199,192 |
| Geriatric Academic Career Awards | 93.250 | 69,423 | |
| Universal Newborn Hearing Screening | 93.251 | 206,060 | |
| Poison Center Support and Enhancement Grant Program | 93.253 | 168,611 | |
| Immunization Cooperative Agreements | 93.268 | 43,748,339 | |
| Alcohol Research Programs | 93.273 | 13,064 | |
| Substance Abuse and Mental Health Services-Access to Recovery | 93.275 | 2,996,144 | 1,929,799 |
| Drug Abuse and Addiction Research Programs | 93.279 | 378,128 | |
| Centers for Disease Control and Prevention_Investigations and Technical Assistance | 93.283 | 5,626,454 | 139,141 |
| Small Rural Hospital Improvement Grant Program | 93.301 | 290,891 | 268,802 |
| State Health Insurance Assistance Program | 93.324 | 55,234 | |
| Cancer Research Manpower | 93.398 | 34,757 | |
| ARRA - State Primary Care Offices | 93.414 | 39,864 | |
| Food Safety and Security Monitoring Project | 93.448 | 332,112 | |
| Pregnancy Assistance Fund Program | 93.500 | 197,693 | 168,095 |

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Health and Human Services (Continued)** | | | |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 | $ 5,749,753 | |
| Pass-Through from Arkansas Children's Hospital | 93.505 | 634,651 | $ 231,577 |
| PPHF National Public Health Improvement Initiative | 93.507 | 264,373 | |
| Affordable Care Act (ACA) Primary Care Residency Expansion Program | 93.510 | 1,191,629 | |
| Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review | 93.511 | 539,333 | |
| Affordable Care Act (ACA) - Consumer Assistance Program Grants | 93.519 | 149,764 | |
| The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements | 93.521 | 949,547 | |
| State Planning and Establishment Grants for the Affordable Care Act (ACA) Exchanges * | 93.525 | 25,812,396 | |
| Affordable Care Act - Teaching Health Center Graduate Medical Education Payments Program * | 93.530 | 597,449 | |
| PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds | 93.539 | 1,182,698 | 315,889 |
| The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program | 93.544 | 131,606 | |
| PPHF 2012: Nutrition, Physical Activity, and Obesity Program - Financed in Part by 2012 Prevention and Public Health Funds (PPHF-2012) | 93.548 | 90,147 | |
| Promoting Safe and Stable Families | 93.556 | 3,004,685 | |
| Child Support Enforcement | 93.563 | 32,910,017 | |
| Refugee and Entrant Assistance_State Administered Programs | 93.566 | 15,539 | |
| Low-Income Home Energy Assistance | 93.568 | 23,754,003 | 22,949,352 |
| Community Services Block Grant | 93.569 | 8,692,791 | 8,381,733 |
| State Court Improvement Program | 93.586 | 379,799 | |
| Community-Based Child Abuse Prevention Grants | 93.590 | 196,914 | 179,851 |
| Grants to States for Access and Visitation Programs | 93.597 | 80,924 | |
| Chafee Education and Training Vouchers Program (ETV) | 93.599 | 264,247 | |
| Head Start | 93.600 | 7,194,030 | 118,413 |
| Adoption Incentive Payments | 93.603 | 191,622 | |
| The Affordable Care Act Medicaid Adult Quality Grants | 93.609 | 434,829 | |
| ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance | 93.624 | 9,933,343 | |
| Developmental Disabilities Basic Support and Advocacy Grants | 93.630 | 650,419 | 189,234 |
| University Centers for Excellence in Developmental Disabilities Education, Research, and Service | 93.632 | 480,117 | |
| Children's Justice Grants to States | 93.643 | 168,754 | |

*Denotes Major Program

| **CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity** | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Health and Human Services (Continued)** | | | |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | $ 2,505,953 | |
| Child Welfare Research Training or Demonstration | | | |
| Pass-Through from University of Missouri | 93.648 | 1,805 | |
| Adoption Opportunities | 93.652 | 44,636 | |
| Foster Care_Title IV-E * | 93.658 | 40,411,337 | |
| Adoption Assistance | 93.659 | 17,281,525 | |
| Social Services Block Grant | 93.667 | 13,896,415 | $ 8,948,378 |
| Child Abuse and Neglect State Grants | 93.669 | 547,350 | |
| Family Violence Prevention and Services/Battered Women's Shelters_Grants to States and Indian Tribes | 93.671 | 871,497 | 829,107 |
| Chafee Foster Care Independence Program | 93.674 | 569,706 | |
| ARRA - State Grants to Promote Health Information Technology | 93.719 | 2,928,275 | |
| State Public Health Approaches for Ensuring Quitline Capacity Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012) | 93.735 | 188,440 | |
| PPHF2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes, and Territories solely financed by 2012 Prevention and Public Health Funds | 93.744 | 42,650 | |
| PPHF 2013 - Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Exchanges | 93.750 | 419,916 | 43,228 |
| Children's Health Insurance Program * | 93.767 | 99,047,722 | |
| Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations | 93.779 | 480,803 | |
| Money Follows the Person Rebalancing Demonstration | 93.791 | 6,285,078 | |
| Health Careers Opportunity Program | 93.822 | 33,749 | |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 155,254 | |
| Pass-Through from Case Western Reserve University | 93.847 | 16,536 | |
| Biomedical Research and Research Training | 93.859 | 287,505 | |
| Grants for Primary Care Training and Enhancement | 93.884 | 652,830 | |
| Rural Health Care Services Outreach, Rural Health Network Development, and Small Health Care Provider Quality Improvement Program | | | |
| Pass-Through from Mid Delta Community Consortium | 93.912 | 19,313 | |
| Grants to States for Operation of Offices of Rural Health | 93.913 | 121,541 | |
| HIV Care Formula Grants | 93.917 | 7,829,497 | 1,770,730 |
| Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 93.938 | 86,442 | |
| HIV Prevention Activities_Health Department Based | 93.940 | 1,503,038 | 221,295 |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 93.944 | 288,097 | |
| Assistance Programs for Chronic Disease Prevention and Control | 93.945 | 1,027,360 | 34,134 |
| Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 93.946 | 113,186 | |
| Block Grants for Community Mental Health Services | 93.958 | 3,612,262 | 3,610,386 |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|
| **United States Department of Health and Human Services (Continued)** | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | $ 11,553,419 | $ 9,984,437 |
| Pass-Through from Arkansas Collegiate Drug Education Committee | 93.959 | 600 | |
| PHHF-2012 Geriatric Education Centers | 93.969 | 316,819 | 3,535 |
| Preventive Health Services_Sexually Transmitted Diseases Control Grants | 93.977 | 1,386,258 | 59,243 |
| Preventive Health and Health Services Block Grant | 93.991 | 506,129 | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 7,061,942 | 218,903 |
| Children's Study Information Management System Hubs * | 93.000 | 1,772,249 | |
| Other Department of Health and Human Services Assistance | 93.UNKNOWN | 4,705,064 | |
| Pass-Through from Arkansas Centers for Youth and Families | 93.UNKNOWN | (9) | |
| Pass-Through from Houston Academy of Medicine - Texas Medical Center | 93.UNKNOWN | 7,762 | |
| Pass-Through from Oregon Health and Science University | 93.UNKNOWN | 5,503 | |
| Pass-Through from University of Oklahoma Health Science Center | 93.UNKNOWN | 45,382 | |
| **Total United States Department of Health and Human Services** | | 431,390,791 | 66,321,574 |
| | | | |
| **Corporation for National and Community Service** | | | |
| State Commissions | 94.003 | 203,180 | |
| Learn and Serve America_School and Community Based Programs | 94.004 | (721) | (721) |
| AmeriCorps | 94.006 | 2,435,090 | 2,246,005 |
| Program Development and Innovation Grants | 94.007 | 17,643 | |
| Training and Technical Assistance | 94.009 | 17,174 | |
| **Total Corporation for National and Community Service** | | 2,672,366 | 2,245,284 |
| | | | |
| **United States Department of Homeland Security** | | | |
| State and Local Homeland Security National Training Program | | | |
| Pass-Through from Eastern Kentucky University | 97.005 | 126,440 | |
| Pass-Through from Center for Rural Development | 97.005 | 1,001 | |
| Homeland Security Preparedness Technical Assistance Program | 97.007 | 13,050 | |
| Boating Safety Financial Assistance | 97.012 | 1,421,896 | |
| Community Assistance Program State Support Services Element (CAP-SSSE) | 97.023 | 161,223 | |
| Flood Mitigation Assistance | 97.029 | 343,976 | 343,058 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 27,872,659 | 27,061,960 |
| Hazard Mitigation Grant | 97.039 | 8,083,954 | 7,963,519 |
| National Dam Safety Program | 97.041 | 125,817 | |
| Emergency Management Performance Grants | 97.042 | 3,304,215 | 1,177,620 |
| State Fire Training Systems Grants | 97.043 | 25,301 | |
| Cooperating Technical Partners | 97.045 | 234,807 | |
| Pre-Disaster Mitigation | 97.047 | 976,860 | 520,018 |
| Interoperable Emergency Communications | 97.055 | 407 | 407 |
| Homeland Security Grant Program | 97.067 | 5,597,024 | 4,874,839 |
| Earthquake Consortium | 97.082 | 10,928 | |

*Denotes Major Program

| CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity | CFDA or Other Identifying # | | Expenditures | | Amount Provided to Subrecipients |
|---|---|---|---|---|---|
| **United States Department of Homeland Security (Continued)** | | | | | |
| Repetitive Flood Claims | 97.092 | $ | 173,432 | $ | 173,214 |
| National Incident Management System (NIMS) | 97.107 | | 48,927 | | |
| Other Department of Homeland Security Assistance | 97.UNKNOWN | | 24,267 | | |
| Pass-Through from University of Texas at San Antonio | 97.UNKNOWN | | 13,583 | | |
| **Total United States Department of Homeland Security** | | | 48,559,767 | | 42,114,635 |
| | | | | | |
| **United States Agency for International Development** | | | | | |
| Other Agency for International Development Assistance | 98.UNKNOWN | | 1,721,497 | | |
| **Total United States Agency for International Development** | | | 1,721,497 | | |
| | | | | | |
| **Total Expenditures of Federal Awards** | | **$** | **8,349,705,451** | **$** | **800,298,110** |

# Notes to Schedule of Expenditures of Federal Awards

## For the Year Ended June 30, 2014

## (1) Summary of Significant Accounting Policies

### *(a) Reporting Entity*

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of all federal award programs administered by the State of Arkansas. We did not audit the entities, their federal financial assistance, or the major federal programs listed below. This report, insofar as it relates to these entities, is based solely on the report of other auditors.

| State/Educational Agency and Program Name | CFDA Number(s) | Expenditures |
|---|---|---|
| **Arkansas Development Finance Authority:** | | |
| Rural Rental Housing Loans | 10.415 | $246,444 |
| HOME Investment Partnership Program | 14.239 | $9,807,495 |
| **Arkansas Department of Workforce Services:** | | |
| Employment Services Cluster | 17.207; 17.801; 17.804 | $7,537,763 |
| WIA Cluster | 17.258; 17.259; 17.278 | $18,404,495 |
| Unemployment Insurance | 17.225 | $357,568,526 |
| ARRA - Unemployment Insurance | 17.225 | $24,470,006 |
| Temporary Assistance for Needy Families | 93.558 | $66,094,276 |
| **State of Arkansas Construction Assistance Revolving Loan Fund:** | | |
| Clean Water State Revolving Fund Cluster | 66.458 | $7,692,906 |
| **State of Arkansas Drinking Water Revolving Loan Fund:** | | |
| Drinking Water State Revolving Fund Cluster | 66.468 | $20,172,043 |
| **Arkansas Student Loan Authority:** | | |
| Federal Family Education Loans | 84.032-L | $356,119,809 |
| **University of Arkansas for Medical Sciences:** | | |
| ARRA - Broadband Technology Opportunities Program (BTOP) | 11.557 | $16,763,379 |
| National Children's Study Information Management System Hubs | 93.000 | $1,772,249 |
| Affordable Care Act – Teaching Health Center Graduate Medical Education Payments Program | 93.530 | $597,449 |
| Research and Development Cluster | various | $47,840,256 |
| **Social Security Determination:** | | |
| Disability Insurance/SSI Cluster | 96.001 | $42,373,983 |

Federal award programs include expenditures, pass-throughs to non-state agencies (i.e., payments to subrecipients), non-monetary assistance, and loan programs.

**(1) Summary of Significant Accounting Policies (Continued)**

***(b) Basis of Presentation***

The Schedule presents total federal awards expended for each individual federal program in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA).

The Schedule presents both Type A and Type B federal assistance programs administered by the State of Arkansas. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and Type B federal financial assistance programs. For the State of Arkansas, Type A programs are those that exceed $25,049,116 in disbursements, expenditures, or distributions. Major and non-major programs are determined using the risk-based approach outlined in OMB Circular A-133.

***(c) Basis of Accounting***

The expenditures for each of the federal financial assistance programs are presented in the Schedule on a modified accrual basis. The modified accrual basis recognizes expenditures of federal awards when the related liability is incurred. Those federal programs presenting negative amounts on the Schedule are the result of prior-year expenditures being overstated and/or reimbursements due back to the grantor.

**(2) Relationship to Federal Financial Reports**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the basis explained in Note 1(c).

**(3) Federally Funded Loan Programs**

The balances of loans as of June 30, 2014, for which the federal government imposes continuing compliance requirements, are as follows. The expenditures reported in the Schedule include outstanding loan balances and current-year disbursements.

| CFDA Number | Program Name | Amount |
|---|---|---|
| 84.038 | Federal Perkins Loan Program_Federal Capital Contributions | $35,034,070 |
| 93.264 | Nurse Faculty Loan Program (NFLP) | 2,971 |
| 93.342 | Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students | 5,044,165 |
| 93.364 | Nursing Student Loans | 313,501 |
| | Total | $40,394,707 |

**(3) Federally Funded Loan Programs (Continued)**

The State also participates in the Federal Direct Student Loans (Direct Loan) program, CFDA 84.268, and the Federal Family Education Loans (FFEL) program, CFDA 84.032, which includes the Federal Stafford Loan Program and the Federal Parents' Loans for Undergraduate Students Program. The programs do not require the universities to disburse the funds. The proceeds are disbursed by the federal government for direct loans and by lending institutions for FFEL. Loan guarantees are issued by the Arkansas Guaranteed Student Loan Corporation and other for-profit and not-for-profit guarantee agencies. The federal government reinsures these guarantee agencies. During the year ended June 30, 2014, Direct Loans totaling $546,514,074 and FFEL loans totaling $3,673 were made to students enrolled at higher educational agencies in the State. These loans are included in the Schedule.

Education loans made or purchased by the Arkansas Student Loan Authority (the Authority) are guaranteed by the Student Loan Guarantee Foundation of Arkansas (SLGFA), United Student Aid Fund (USAF), or the U.S. Department of Education (USDE). Loans outstanding and guaranteed by the USDE are considered non-cash awards and totaled $353,647,098 at July 1, 2013. The SLGFA, USAF, and USDE guarantees are contingent upon loans being serviced within the due diligence requirements of the guarantors.

Expenditures reflected in CFDA 66.458, Capitalization Grants for State Revolving Funds, include loans to local governments for developing or constructing water treatment facilities. The funding sources for these loans include federal grant funds, state match funds, and revolving Program funds. The funds are disbursed to subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan balance for the year ended June 30, 2014, was $260,703,787. Disbursements for new loans for the year ended June 30, 2014, totaled $41,006,842. Administrative costs associated with the program for the year ended June 30, 2014, totaled $348,880.

Expenditures reflected in CFDA 66.468, Capitalization Grants for Drinking Water State Revolving Fund, include loans to counties, municipalities, and other tax-exempt water systems organizations for construction of new water systems, expansion or repair of existing water systems, and/or the consolidation of new or existing water systems. The funding source for these loans includes federal grant funds, state match funds, and revolving Program funds. The funds are disbursed to subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan balance for the year ended June 30, 2014, was $167,793,000. Disbursements for new loans made during fiscal year 2014 totaled $17,946,785. Loans forgiven during fiscal year 2014 totaled $4,774,750. Administrative costs associated with the program for the year ended June 30, 2014, totaled $4,773,891.

**(4) Non-Monetary Assistance**

The State is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Non-cash awards received by the State are included in the Schedule as follows:

| CFDA Number | Program Name | Amount |
|---|---|---|
| 10.555 | National School Lunch Program | $18,379,700 |
| 10.559 | Summer Food Service Program | 37,136 |
| 10.565 | Commodity Supplemental Food Program | 762,387 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) | 5,178,942 |
| 12.005 | Law Enforcement Support Office 1033 Program | 15,845,761 |
| 39.003 | Donation of Federal Surplus Personal Property | 7,682,505 |
| 93.268 | Immunization Grants | 40,496,139 |
| | Total | $88,382,570 |

### (5) Supplemental Nutrition Assistance Program

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP), CFDA 10.551, are supported by both regularly-appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act (ARRA) of 2009. The portion of total expenditures for SNAP benefits that is supported by ARRA funds varies according to fluctuations in the cost of the Thrifty Food Plan and changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular ARRA components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to ARRA. This methodology generates valid results at the national aggregate level but not at the individual state level. Therefore, we cannot validly disaggregate the regular and ARRA components of our reported expenditures for SNAP benefits. At the national aggregate level, however, ARRA funds account for .64% of USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2014.

### (6) Rebates from the Special Supplemental Food Program for Women, Infants, and Children (WIC)

During fiscal year 2014, the State received cash rebates totaling $26,645,428 from infant formula manufacturers on sales of formula to participants in the WIC program, CFDA 10.557. These rebates are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFR § 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received to such costs enabled the State to extend program benefits to 383,664 more persons than could be served this fiscal year in the absence of the rebate contract.

### (7) Disability Determination for Social Security

Reported expenditures for benefits under the Social Security Disability Insurance program are not audited by the Arkansas Division of Legislative Audit but by a private firm. The audit is based on the federal fiscal year, which ends September 30. For the period ended September 30, 2013, the audit firm was S&P Company, which issued an audit report for the period October 1, 2012 through September 30, 2013.

### (8) Unemployment Insurance

The unemployment compensation system is a unique federal-state partnership, founded upon federal law but implemented through state law. Expenditures reported for the Unemployment Insurance Program, CFDA 17.225, include unemployment benefits from the State Unemployment Compensation Fund totaling $275,756,515.

### (9) Rural Rental Housing Loans

Expenditures reflected in CFDA 10.415, Rural Rental Housing Loans (Preservation Revolving Loan Fund), include loans to contractors for development of multifamily housing. The funding source for these loans is a $2,125,000 promissory note executed between Arkansas Development Finance Authority and United States Department of Agriculture (USDA) Rural Development during fiscal year 2013. When received, these funds will be used to make new loans for program activities. The outstanding loan balance to subrecipients for the year ended June 30, 2014, was $1,432,987. Disbursements for new loans made to subrecipients during fiscal year 2014 totaled $246,444.

# Schedule of Prior Audit Findings

## For the Year Ended June 30, 2014

# State of Arkansas
# Schedule of Prior Audit Findings
# For The Year Ended June 30, 2014

| State/Educational Agency Name(s) / Program Title | CFDA Number(s) Affected | Page Number(s) |
|---|---|---|
| University of Arkansas at Fort Smith | | |
| *Student Financial Assistance Cluster* | 84.032; 84.063; 84.268 | 84 - 85 |
| Arkansas Department of Education | | |
| *Child Nutrition Cluster* | 10.553; 10.555; 10.559 | 86 - 89 |
| *Special Education Cluster* | All | 90 - 98 |
| *ARRA - Special Education, Grants to States* | 84.391 | 90 - 91 |
| *Improving Teacher Quality State Grants* | 84.367 | 99 - 100 |
| Arkansas Department of Career Education - Arkansas Rehabilitation Services | | |
| *Rehabilitation Services_Vocational Rehabilitation Grants to States* | 84.126 | 101 - 120 |
| *Vocational Rehabilitation Cluster* | 84.126 | 121 - 122; 125; 128 - 131 |
| *Vocational Rehabilitation Cluster* | All | 123 - 124; 126 - 127 |
| Arkansas Department of Career Education - Arkansas Rehabilitation Services; Arkansas Department of Human Services | | |
| *Vocational Rehabilitation Cluster* | All | 132 - 133 |
| Pulaski Technical College | | |
| *Student Financial Assistance Cluster* | 84.063; 84.268 | 134 - 136 |
| Arkansas Department of Human Services | | |
| *Child Nutrition Cluster* | 10.553; 10.555; 10.559 | 137 - 140 |
| *Child Nutrition Cluster* | All | 141 - 142 |
| *TANF Cluster* | 93.558 | 143 - 144 |
| *CCDF Cluster* | All | 145 - 146 |
| *Foster Care_Title IV-E* | 93.658 | 147 - 158 |
| *ARRA - Foster Care_Title IV-E* | 93.658 | 153 - 158 |
| *Adoption Assistance* | 93.659 | 159 - 162 |
| *ARRA - Adoption Assistance* | 93.659 | 161 - 162 |
| *Children's Health Insurance Program* | 93.767 | 163 - 164 |
| *Medicaid Cluster* | 93.778 | 165 - 229 |
| *ARRA - Medicaid Cluster* | 93.778 | 195 - 229 |
| Arkansas Economic Development Commission | | |
| *CDBG - Entitlement Grants Cluster* | 14.218 | 230 - 231 |
| *CDBG - State-Administered CDBG Cluster* | All | 232 - 235 |
| **Findings Covering Programs Audited by Other External Auditors** | | |
| University of Arkansas for Medical Sciences | | |
| *Research and Development Cluster* | Various | 236 - 237 |
| Arkansas Development Finance Authority | | |
| *Rural Rental Housing Loans* | 10.415 | 238 - 239 |

**University of Arkansas at Fort Smith**

| | |
|---|---|
| ***2013 Prior Year Finding Number:*** | **13-195-01** |
| **State/Educational Agency(s):** | **University of Arkansas at Fort Smith** |
| **CFDA Number(s) and Program Title(s):** | **84.032 – Federal Family Education Loans**<br>**84.063 – Federal Pell Grant Program**<br>**84.268 – Federal Direct Student Loans**<br>**(Student Financial Assistance Cluster)** |
| **Federal Award Number(s):** | **P063P081090; P063P091090; P063P101090; P268K091090; P268K101090; P268K111090** |
| **Federal Award Year(s):** | **2009, 2010, and 2011** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 34 CFR § 668.34 of the Student Assistance General Provisions, an institution must establish a reasonable, satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, HEA programs. Generally, the policy should provide that, at the time of each evaluation, a student who has not achieved the required GPA, or who is not successfully completing his or her educational program at the required pace, is no longer eligible to receive assistance under the Title IV, HEA programs.

**Condition and Context:**
The University of Arkansas at Fort Smith reported, and we verified, that a Financial Aid Office employee altered the Satisfactory Academic Progress (SAP) code from ineligible to eligible in the University's financial aid software to allow his spouse to receive Federal Family Education Loans, Federal Direct Student Loans, and Federal PELL Grants when she was academically ineligible to receive them, as follows:

| Term | Federal Family Education Loans | Federal Pell Grant Program | Federal Direct Student Loans | Total |
|---|---|---|---|---|
| Spring 2009 | $4,750 | $2,366 | | $7,116 |
| Spring 2010 | | 875 | $9,454 | 10,329 |
| Totals | $4,750 | $3,241 | $9,454 | $17,445 |

Additionally, our review revealed that SAP codes for two additional students were modified without adequate supporting documentation being maintained. These students received federal financial aid for Spring 2010 and Summer 2010. We were unable to verify the validity of these modifications due to the lack of documentation.

**Questioned Costs:**
$ 17,445

**Cause:**
The University did not follow the established policy on appeals of financial aid suspensions and did not maintain supporting documentation to justify financial aid eligibility for students who failed to achieve SAP.

**Effect:**
The University disbursed federal financial aid to a student who was academically ineligible.

**University of Arkansas at Fort Smith (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number:*** | **13-195-01 (Continued)** |
| **State/Educational Agency(s):** | **University of Arkansas at Fort Smith** |
| **CFDA Number(s) and Program Title(s):** | **84.032 – Federal Family Education Loans**<br>**84.063 – Federal Pell Grant Program**<br>**84.268 – Federal Direct Student Loans**<br>**(Student Financial Assistance Cluster)** |
| **Federal Award Number(s):** | **P063P081090; P063P091090; P063P101090; P268K091090; P268K101090; P268K111090** |
| **Federal Award Year(s):** | **2009, 2010, and 2011** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Recommendation:**
The University should establish effective internal controls to ensure that modifications to SAP codes are valid and adequately documented.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
Upon review of the State of Arkansas Single Audit Schedule of Findings and Questioned Costs for the Year Ended June 30, 2013, the University of Arkansas – Fort Smith reports on actions taken and procedures implemented as listed below:

The following corrective actions and internal control procedures have been implemented concerning the adjustment of a student's satisfactory academic progress status:

1. If a student's satisfactory academic progress status has been adjusted, the Director of Financial Aid will receive an automated email which states the adjustment and who performed the adjustment. These emails are reviewed and placed in an electronic folder.
2. All supporting documentation in regards to satisfactory academic progress, such as the appeal, the decision, etc., is scanned and indexed to the student.
3. Advisors are not allowed to work on relative's files.

**Anticipated Completion Date:** Complete

**Contact Person:**
Bronwyn Sneed
Director of Financial Aid
University of Arkansas – Fort Smith (0195)
PO Box 3649
Fort Smith, AR 72913-3649
(479) 788-7093
Bronwyn.Sneed@uafs.edu

**Arkansas Department of Education**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-500-01** |
| **State/Educational Agency(s):** | **Arkansas Department of Education** |
| **CFDA Number(s) and Program Title(s):** | **10.553 – School Breakfast Program**<br>**10.555 – National School Lunch Program**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **2013IN109946** |
| **Federal Award Year(s):** | **2013** |
| **Compliance Requirement(s) Affected:** | **Period of Availability of Federal Funds** |
| **Type of Finding:** | **Noncompliance** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with Title 34 § 80.23 and the A-102 Common Rule, federal awards may specify a time period during which the non-federal entity may use the federal funds. When a funding period is specified, a non-federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the federal awarding agency. Also, if authorized by the federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. "Obligation" means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-federal entity during the same or a future period.

**Condition and Context:**
We reviewed manual and adjusting entries related to program reimbursement claims. Our review revealed that expenditures from August and September 2012 totaling $36,470 had been improperly drawn from the 2013 grant award for lunch meals. Funding for the 2013 grant begins on October 1, 2012. Therefore, these expenditures were obligated prior to the funding date and drawn outside the period of availability.

**Questioned Costs:**
$36,470

**Cause:**
Agency grants and aid expenditures are identified by program and grant year through accounting funds, cost centers, and WBS elements in the Arkansas Administrative Statewide Information System (AASIS). The Agency utilizes a conversion program for electronically uploading the majority of reimbursement claims data from its TeraTerm Claims System into AASIS for payment. The TeraTerm System codes the claims data based on a two-digit numeric code that changes every year. Occasionally, a manual warrant is requested by program management for claims from a prior grant year and subsequently entered in AASIS in the Finance Office. The improper draw from the 2013 Child Nutrition grant award appears to have resulted from a coding error in the Agency Finance Office.

**Effect:**
The funds were drawn outside the period of availability.

**Recommendation:**
We recommend the Agency strengthen controls to ensure proper review and approval of manual transactions. We also recommend the Agency adjust the 2012 and 2013 grant awards to properly reflect expenditures from each award. It may be necessary for the Agency to contact the federal awarding agency to assist with the adjustments.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
As mentioned above, this error involved a manual payment outside of our usual automated process. The manual process in this instance was performed by the same person who both drew down the Federal funds and processed the payment document. We have since split those duties so that the person drawing down the funds is a different person from the one processing the payment documents. The correcting adjustments have been made both in AASIS, and with the federal awarding agency.

## Arkansas Department of Education (Continued)

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-500-01 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Education** |
| **CFDA Number(s) and Program Title(s):** | **10.553 – School Breakfast Program**<br>**10.555 – National School Lunch Program**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **2013IN109946** |
| **Federal Award Year(s):** | **2013** |
| **Compliance Requirement(s) Affected:** | **Period of Availability of Federal Funds** |
| **Type of Finding:** | **Noncompliance** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Anticipated Completion Date:** Complete

**Contact Person:**

Ron Byrns
Controller
Department of Education
4 Capitol Mall, Room 204A
Little Rock, AR 72201
(501) 683-4740
Ron.Byrns@Arkansas.gov

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-500-02** |
| **State/Educational Agency(s):** | **Arkansas Department of Education** |
| **CFDA Number(s) and Program Title(s):** | **10.553 – School Breakfast Program**<br>**10.555 – National School Lunch Program**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **2013IN109946** |
| **Federal Award Year(s):** | **2013** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 7 CFR §§ 210.5(d)(1), 210.8(4), the FNS-10 Report of School Program Operations captures meals served under the National School Lunch Program (NSLP) and School Breakfast Program (SBP), as well as half-pints of milk served under the Special Milk Program for Children (SMP). The agency administering the NSLP, SBP, and SMP compiles the data gathered on its subrecipients' claims for reimbursement into monthly reports to its FNS regional office. A final report containing only actual participation data is due 90 days after the close of the report data. Revisions to the data presented in a 90-day report must be submitted by the last day of the quarter in which they are identified. However, the agency must immediately submit an amended report if, at any time following the submission of the 90-day report, identified changes to the data cause the agency's level of funding to change by more than (plus or minus) 0.5%.

**Condition and Context:**
The Agency failed to report revisions in its FNS-10 90-day reports during fiscal year 2013. The Agency's NSLP additional 6 cents performance-based reimbursement data were not reported in the 90-day reports until October 29, 2013, when control testing revealed the omission. The additional 6 cents expenditures during fiscal year 2013 for lunch meals served were $1,432,516.98 or 0.89% of total program expenditures. This data change should have been reported immediately after the level of funding varied by more than 0.5%. Revisions to the October 2012 90-day report were also reported on October 29, 2013, which was after the last day of the quarter in which they were identified. ADE payments to School Food Authorities (SFA) for October - December 2012 NSLP claims of additional 6 cents were disbursed in February 2013.

**Questioned Costs:**
None

**Cause:**
The Agency has historically reported meals served in FNS-10 Reports of School Program Operations, which capture meals served under the NSLP and SBP and half-pints of milk served under the SMP from data obtained through the TeraTerm Claims System. However, the additional 6 cents performance-based reimbursement data only began in October 2012 and were not built into the TeraTerm Claims System for payment. Therefore, it appears that, during fiscal year 2013, controls were not implemented by the Agency to ensure inclusion of the additional 6 cents performance-based reimbursement data with the regular NSLP, SBP, and SMP data reported in the TeraTerm Claims System.

**Effect:**
The Agency's fiscal year 2013 NSLP additional 6 cents performance-based reimbursement data were not reported in its FNS-10 90-day reports until October 29, 2013, when control testing revealed the omission. ADE's additional 6 cents expenditures during fiscal year 2013 for lunch meals served were $1,432,517 or 0.89% of total program expenditures. This information should have been reported immediately after the level of funding changed by more than 0.5% or submitted by the last day of the quarter in which they were identified.

**Recommendation:**
We recommend the Agency strengthen controls to ensure required reports are properly reviewed, accurate, and submitted timely.

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-500-02 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Education** |
| **CFDA Number(s) and Program Title(s):** | **10.553 – School Breakfast Program**<br>**10.555 – National School Lunch Program**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **2013IN109946** |
| **Federal Award Year(s):** | **2013** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
There were three or more revisions by the USDA in their lengthy guidance regarding the new 6 cents performance-based reimbursement reporting process. This significant change in the program, communications issues connected with the government shutdown, the retirement of our long-time Child Nutrition Program Director in August of 2013, and health problems by key personnel in the Child Nutrition Unit all contributed to our reporting delays. The problems that resulted in these reporting delays have been rectified, and controls are in place to ensure timely and accurate reporting in the future.

**Anticipated Completion Date:** Complete

**Contact Person:**
Ron Byrns
Controller
Department of Education
4 Capitol Mall, Room 204A
Little Rock, AR 72201
(501) 683-4740
Ron.Byrns@Arkansas.gov

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-500-03** |
| **State/Educational Agency(s):** | **Arkansas Department of Education** |
| **CFDA Number(s) and Program Title(s):** | **84.027 – Special Education_Grants to States**<br>**84.173 – Special Education_Preschool Grants**<br>**(Special Education Cluster)**<br>**84.391 – ARRA – Special Education, Grants to States** |
| **Federal Award Number(s):** | **H027A090018; H027A100018; H027A120018;**<br>**H173A100021; H173A110021; H173A1200021;**<br>**H391A090018** |
| **Federal Award Year(s):** | **2010, 2011, 2012, and 2013** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
As noted in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. Also, 34 CFR § 300.705 requires the agency to allocate any funds under the Special Education program that the State Education Agency (SEA) does not retain for administration and other state-level activities to eligible Local Education Agencies (LEAs) in accordance with program guidelines.

**Condition and Context:**
The methodologies and formulas to be implemented for the allocation and distribution of Special Education funds to the LEAs are very complex. One employee at the Agency is responsible for the allocation of these funds, but there is no review of the allocations by another knowledgeable individual. Additionally, information and documentation to support the allocations and distributions were not readily available for audit purposes.

**Questioned Costs:**
Unknown

**Cause:**
The Agency did not establish internal controls to adequately review and ensure that Special Education calculations and allocations were in accordance with program requirements or that supporting documentation was retained and readily available.

**Effect:**
Inappropriate allocations could result in an improper payment to an LEA.

**Recommendation:**
We again recommend that knowledgeable Agency personnel adequately review, test, and approve allocation worksheets used to distribute federal funding to LEAs and that documentation supporting the allocation of grant awards be retained and readily available for audit purposes.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
Following the previous audit finding in this regard, we assigned clear responsibility to an appropriate supervisor to review the allocation figures that are prepared by their employee. The supervisor was also instructed to acknowledge in writing that the review had been performed, that any errors identified had been corrected, and to ensure all information and documentation regarding the allocations and distributions of Special Education funds were readily available for audit purposes.

This supervisor failed to perform these assignments, and we failed to follow-up to ensure we received the written acknowledgements of their completion. We are taking appropriate personnel actions to rectify this breakdown in controls and apologize for our oversight.

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-500-03 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Education** |
| **CFDA Number(s) and Program Title(s):** | **84.027 – Special Education_Grants to States**<br>**84.173 – Special Education_Preschool Grants**<br>**(Special Education Cluster)**<br>**84.391 – ARRA – Special Education, Grants to States** |
| **Federal Award Number(s):** | **H027A090018; H027A100018; H027A120018;**<br>**H173A100021; H173A110021; H173A1200021;**<br>**H391A090018** |
| **Federal Award Year(s):** | **2010, 2011, 2012, and 2013** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Anticipated Completion Date:** Complete

**Contact Person:**
Ron Byrns
Controller
Department of Education
4 Capitol Mall, Room 204A
Little Rock, AR 72201
(501) 683-4740
Ron.Byrns@Arkansas.gov

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-500-02** |
| **CFDA Number(s) and Program Title(s):** | **84.027 – Special Education_Grants to States**<br>**84.173 – Special Education_Preschool Grants**<br>**84.391 – ARRA – Special Education Grants to States**<br>**84.392 – ARRA – Special Education_Preschool Grants**<br>**(Special Education Cluster)** |
| **Federal Award Number(s):** | **H027A090018; H027A100018A; H027A110018; H173A090021; H173A200021; H173A110021; H391A090018A; H392A090021A** |
| **Federal Award Year(s):** | **2010, 2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
As noted in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Also, 34 CFR § 300.705 requires the Agency to allocate any funds under this program that the State Education Agency (SEA) does not retain for administration and other state-level activities to eligible Local Education Agencies (LEAs) in the State.

**Condition and Context:**
One employee at the Agency is responsible for the allocation of Special Education funds, but there is no review of the allocations by another knowledgeable individual. Additionally, information and documentation to support the allocations and distributions were not readily available for audit purposes.

**Questioned Costs:**
Unknown

**Cause:**
The Agency did not establish internal controls to adequately review allocation of Special Education funds and to ensure that Special Education calculations and allocations were in accordance with program requirements or that supporting documentation was retained and readily available.

**Effect:**
Inappropriate allocations could result in an improper payment to an LEA.

**Recommendation:**
We recommend the Agency establish and implement procedures to ensure that knowledgeable Agency personnel adequately review, test, and approve allocation worksheets used to distribute federal funding to LEAs and that documentation supporting the allocation of grant awards be retained and readily available for audit purposes.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
The ADE has assigned a knowledgeable supervisor to review the allocation figures that are prepared by his employee. We are requiring that supervisor to acknowledge in writing that the review has been performed and that any errors identified have been corrected. We have also assigned responsibility for appropriate staff to ensure all information and documentation regarding the allocations and distributions of Special Education funds are readily available for audit purposes.

**Anticipated Completion Date**: Complete

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-500-02 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **84.027 – Special Education_Grants to States**<br>**84.173 – Special Education_Preschool Grants**<br>**84.391 – ARRA – Special Education Grants to States**<br>**84.392 – ARRA – Special Education_Preschool Grants**<br>**(Special Education Cluster)** |
| **Federal Award Number(s):** | **H027A090018; H027A100018A; H027A110018; H173A090021; H173A200021; H173A110021; H391A090018A; H392A090021A** |
| **Federal Award Year(s):** | **2010, 2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012 (Continued):**

**Contact Person:**

Ron Byrns
Controller
Department of Education
4 Capitol Mall, Room 204A
Little Rock, AR 72201-1019
Phone: (501) 683-4740
Email: Ron.Byrns@Arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-500-03**.

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-500-01** |
| **CFDA Number(s) and Program Title(s):** | **84.027 – Special Education_Grants to States**<br>**84.173 – Special Education_Preschool Grants**<br>**84.391 – ARRA – Special Education Grants to States**<br>**84.392 – ARRA – Special Education_Preschool Grants**<br>**(Special Education Cluster (IDEA))** |
| **Federal Award Number(s):** | **H027A080018A; H027A090018; H027A100018A; H173A080021; H173A090021; H173A100021; H391A090018A; H392A090021A** |
| **Federal Award Year(s):** | **2009, 2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 34 CFR § 300.705, the State Education Agency (SEA) is required to allocate Special Education_Grants to States monies that remain after the SEA has retained the portion needed for administration and other State-level activities to Local Education Agencies (LEAs) in the State. The SEA must distribute to each eligible LEA the amount the LEA would have received from the fiscal year 1999 appropriation. The SEA must then distribute (a) 85% of any remaining funds to the LEAs on the basis of the relative numbers of children enrolled in public and private elementary and secondary schools within the Agency's jurisdiction and (b) 15% of any remaining funds to those agencies in accordance with their relative numbers of children living in poverty, as determined by the SEA. Also, as noted in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

**Condition and Context:**
The Agency was unable to provide supporting documentation of the free and reduced lunch child counts used in the calculation of the poverty (15%) distribution to LEAs for the Special Education_Grants to States grant award. Additionally, as mentioned in the prior audit, a Special Education supervisor or other knowledgeable personnel did not review, test, or approve allocation worksheets used to distribute federal funds for all grant awards within the Special Education Cluster.

**Questioned Costs:**
Unknown

**Cause:**
The Agency did not retain the source documentation used in the determination of poverty distribution amounts for audit purposes. Also, review of the calculations related to Special Education funds was inadequate.

**Effect:**
Inappropriate allocation could result in an improper payment to an LEA.

**Recommendation:**
We recommend the Agency maintain documentation supporting the allocation of grant awards to LEAs. Additionally, we again recommend that knowledgeable Agency personnel adequately review, test, and approve allocation worksheets used to distribute federal funding to LEAs.

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-500-01 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **84.027 – Special Education_Grants to States**<br>**84.173 – Special Education_Preschool Grants**<br>**84.391 – ARRA – Special Education Grants to States**<br>**84.392 – ARRA – Special Education_Preschool Grants**<br>**(Special Education Cluster (IDEA))** |
| **Federal Award Number(s):** | **H027A080018A; H027A090018; H027A100018A; H173A080021; H173A090021; H173A100021; H391A090018A; H392A090021A** |
| **Federal Award Year(s):** | **2009, 2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011:**

Corrective Actions Taken by the State:

1. The ADE-SEU has developed specific procedures and internal controls to ensure that the State Education Agency (SEA) maintains the documentation necessary to support the calculation and allocation of Title VI-B funds distributed to the LEAs.
   a. The ADE-SEU will review the IDEA-Part B grant awards from OSEP that identify the total award for Arkansas each fiscal year.
   b. Allocations for "flow-through" funds to the LEAs will continue to be calculated according to the IDEA formula for base, population and poverty indices.
   c. The State will determine the amount of funding on a yearly basis using the amount the LEA would have received from the fiscal year 1999 appropriation and distributed as follows:
      i. 85% of the funds will be passed through to the LEAs based on population. The population calculation will be based on the LEA's December 1 enrollment for the previous year.
      ii. 15% of the funds will be passed through to the LEAs based on poverty. The poverty calculation will be based on the LEA's October 1 school age free and reduced count from the previous year.
      iii. Data for determining the poverty index will be obtained from the ADE Data Center, Cycle 2 Statewide Information Systems Report.
   d. Documentation used to support the allocation of IDEA-Part B fund will be maintained and available for audit purposes.

2. The ADE-SEU has developed a protocol to strengthen the process to review, test, and approve the calculations used in determining the allocation and distribution of IDEA Title VI-B funds to the LEAs.
   a. The Administrator for the Grants and Data Management (G&DM) Section of the ADE-SEU will oversee the allocation calculations for IDEA Title VI-B funds.
   b. The Administrator will review funding information provided by OSEP and gather state data needed to apply the funding allocation formula to LEAs.
   c. Allocations to LEAs will be calculated based on the established procedures outlined in #1.
   d. The Grants and Data Management Section will implement a two-step review process to verify application of the formula and the accuracy of the calculations.
      i. One person from G&DM will complete the initial calculations according to the distribution formula.
      ii. A second person in G&DM will review and test the initial calculations.
   e. The Administrator will notify LEAs of funds allocated, and approved for use, by electronic posting.

**Anticipated Completion Date**: Complete

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-500-01 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **84.027 – Special Education_Grants to States**<br>**84.173 – Special Education_Preschool Grants**<br>**84.391 – ARRA – Special Education Grants to States**<br>**84.392 – ARRA – Special Education_Preschool Grants**<br>**(Special Education Cluster (IDEA))** |
| **Federal Award Number(s):** | **H027A080018A; H027A090018; H027A100018A; H173A080021; H173A090021; H173A100021; H391A090018A; H392A090021A** |
| **Federal Award Year(s):** | **2009, 2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011 (Continued):**

**Contact Person:**

Martha Kay Asti
Associate Director Special Education
Arkansas Department of Education
1401 West Capitol, Suite 450
Little Rock, AR  72201
Phone:  (501) 682-4221
Email:  marthakay.asti@arkansas.gov

**Audit status as of June 30, 2012:**
Corrective action has not been taken.  See current-year finding **12-500-02**.

**Audit status as of June 30, 2013:**
Corrective action has not been taken.  See current-year finding **13-500-03**.

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2010 Prior Year Finding Number:*** | **10-500-01** |
| **CFDA Number(s) and Program Title(s):** | **84.027 - Special Education_Grants to States**<br>**84.173 - Special Education_Preschool Grants**<br>**84.391 - ARRA - Special Education Grants to States**<br>**84.392 - ARRA - Special Education - Preschool Grants**<br>**(Special Education Cluster (IDEA))** |
| **Federal Award Number(s):** | **H027A070018A; H027A080018A; H027A090018; H173A070021; H173A080021; H173A090021; H391A090018A; H392A090021A** |
| **Federal Award Year(s):** | **2008, 2009 and 2010** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 34 CFR 300.705, the Agency is required to allocate any funds under this program that the State Education Agency (SEA) does not retain for administration and other State-level activities to eligible LEAs (Local Education Agencies) in the State. An SEA must distribute to each eligible LEA the amount the LEA would have received from the fiscal year 1997 appropriation if the State had distributed 75 percent of its grant for that year to LEAs. The SEA must then distribute (a) 85 percent of any remaining funds to those agencies on the basis of the relative numbers of children enrolled in public and private elementary and secondary schools within the Agency's jurisdiction and (b) 15 percent of any remaining funds to those agencies in accordance with their relative numbers of children living in poverty, as determined by the SEA. Also, as noted in OMB Circular A-133 section 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

**Condition and Context:**
The Agency complied with all required minimum and maximum allocation amounts. However, based upon the Agency's usage of Special Education_Preschool Grant funds, it was noted that $1,069,094, $1,069,094 and $1,108,172 for grant years 2008, 2009 and 2010, respectively, were not allocated to LEAs in accordance with the census (85%) and poverty (15%) distribution method, as stipulated by the program regulations, but instead were based on another method. Additionally, there was no review, testing or approval by a Special Education supervisor or other knowledgeable personnel of allocation worksheets used to distribute federal funds.

**Questioned Costs:**
Unknown

**Cause:**
The Agency did not adhere to the maximum thresholds that they had established for State-level (discretionary) activities. Appropriate documentation supporting the actual amounts allocated and distributed to LEAs was not readily available to auditors, and there was an inadequate review of the calculations related to Special Education funds.

**Effect:**
Inaccurate data or inappropriate allocation could result in an improper payment to an LEA.

**Recommendation:**
We recommend the Agency strengthen controls to ensure that documentation supporting the components of the allocation formulas be retained and available for audit purposes and that knowledgeable Agency personnel adequately review, test and approve allocation worksheets used to distribute federal funding to LEAs.

## Arkansas Department of Education (Continued)

| | |
|---|---|
| ***2010 Prior Year Finding Number:*** | **10-500-01 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **84.027 - Special Education_Grants to States**<br>**84.173 - Special Education_Preschool Grants**<br>**84.391 - ARRA - Special Education Grants to States**<br>**84.392 - ARRA - Special Education - Preschool Grants**<br>**(Special Education Cluster (IDEA))** |
| **Federal Award Number(s):** | **H027A070018A; H027A080018A; H027A090018; H173A070021; H173A080021; H173A090021; H391A090018A; H392A090021A** |
| **Federal Award Year(s):** | **2008, 2009 and 2010** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2010:**
The State Education Agency (SEA) will strengthen controls to ensure that documentation supporting the components of the allocation formulas will be retained and available for audit purposes and that knowledgeable Agency personnel adequately review, test and approve allocation worksheets used to distribute federal funding to LEAs (Local Education Agencies). If the SEA continues to distribute State-level activities funds as pass-through funds to eligible LEAs in the State, the SEA will distribute to each eligible LEA (a) 85 percent of these funds to those agencies on the basis of the relative numbers of children enrolled in public and private elementary and secondary schools within the Agency's jurisdiction and (b) 15 percent of the funds to those agencies in accordance with their relative numbers of children living in poverty, as determined by the SEA.

**Audit status as of June 30, 2011:**
Corrective action partially taken

Based on review of the U.S. Department of Education's (USDE) program determination letter for fiscal year ending June 30, 2010, the Assistant Secretary sustains this audit finding, in part. Based on the USDE's determination, the portion of the audit finding related to the incorrect allocation of funds to LEAs is considered resolved.

However, auditor noted that there was still no review, testing or approval by a Special Education supervisor or other knowledgeable personnel of allocation worksheets used to distribute federal funds. Auditor also noted that documentation supporting the components of the allocation formula were not available for audit purposes. See current year finding **11-500-01.**

**Audit status as of June 30, 2012:**
Corrective action has not been taken. See current-year finding **12-500-02**.

**Audit status as of June 30, 2013:**
Corrective action has not been taken. Distribution allocations are still not reviewed by another knowledgeable employee, and documentation is still not readily available for audit purposes. See current-year finding **13-500-03**.

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-500-04** |
| **State/Educational Agency(s):** | **Arkansas Department of Education** |
| **CFDA Number(s) and Program Title(s):** | **84.367 – Improving Teacher Quality State Grants** |
| **Federal Award Number(s):** | **S367A100004; S367A110004; S367A120004** |
| **Federal Award Year(s):** | **2011, 2012, and 2013** |
| **Compliance Requirement(s) Affected:** | **Cash Management; Eligibility; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Reporting** |
| **Type of Finding:** | **Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
As noted in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

**Condition and Context:**
The Agency failed to properly design and maintain internal controls related to the administration of the above-noted federal grant awards. There were no known instances of noncompliance. However, the Agency's failure to identify risk, verify distribution calculations, and review program activities during the year under audit decreases the likelihood that errors or instances of noncompliance would have been prevented, detected, or corrected timely.

**Questioned Costs:**
None

**Cause:**
The Agency experienced turnover among management and other key positions over the last few years and did not establish strong controls to assess risk, monitor and document the review of employee activities, or perform independent reviews of calculations.

**Effect:**
Errors in the calculations related to federal awards to subrecipients could result in improper distributions or amounts required to be reported to federal agencies. Additionally, a lack of oversight could cause the Agency to err in the timing of its acquisition or use of federal funds.

**Recommendation:**
We recommend the Agency review program requirements, assess risk, and design controls that would mitigate to a relatively low level the risk of noncompliance with program requirements.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
We recognized this weakness and had been implementing corrective action before the finding was written. We have moved this function directly under our Finance Office and have conducted two rounds of interviews in an attempt to fill the position with a well-qualified candidate. We have also implemented procedures where review and approval of all grant payments are obtained from the responsible program area. Additionally, we are updating calculation processes to enable effective supervisory monitoring and review.

**Anticipated Completion Date:** We hope to have a person hired and in place by June 30, 2014. At that point we plan to implement further controls, including redundant processes that will help to ensure data integrity. We hope to complete all training and development and achieve full implementation by June 30, 2015.

**Arkansas Department of Education (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-500-04 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Education** |
| **CFDA Number(s) and Program Title(s):** | **84.367 – Improving Teacher Quality State Grants** |
| **Federal Award Number(s):** | **S367A100004; S367A110004; S367A120004** |
| **Federal Award Year(s):** | **2011, 2012, and 2013** |
| **Compliance Requirement(s) Affected:** | **Cash Management; Eligibility; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Reporting** |
| **Type of Finding:** | **Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Contact Person:**

Ron Byrns
Controller
Department of Education
4 Capitol Mall, Room 204A
Little Rock, AR 72201
(501) 683-4740
Ron.Byrns@Arkansas.gov

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-01** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed; Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
34 CFR § 80.20(a) requires that the agency's financial management systems be sufficient to permit preparing required reports and tracing funds to a level of expenditures adequate to establish that such funds have not been used in violation of restrictions, prohibitions, and statutes.

**Condition and Context:**
Again, the Agency was unable to reconcile, by grant award, the client payments from System 7, the Agency's client management software. As a result, the Agency reported $797,751 in Vocational Rehabilitation (VR) funds for costs that were related to other federal programs.

**Questioned Costs:**
$797,751

**Cause:**
The Agency did not have adequate internal control procedures in place to ensure that appropriate reconciliations were performed between the Arkansas Administrative Statewide Information System (AASIS) and System 7.

**Effect:**
Failure to reconcile expenditures by grant award in AASIS to client expenditures in System 7 resulted in expenditures of other programs being inappropriately reported as VR grant funds.

**Recommendation:**
We recommend the Agency strengthen controls and procedures to ensure that periodic reconciliations between AASIS and System 7 are performed.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
**ARS Discussion**
The $797,751 in VR funds reported in error was identified and corrected during training and review of all federal grant reports during this audit period. Federal report training for a new supervisor was ongoing during the time of this error. This initial training has been completed, and training updates will continue.

With regards to this “repeat” finding for Libera/AASIS reconciliation, ARS concedes that during the reporting period for this audit, a formal process for reconciliation between AASIS and Libera was not in place. This process is now in place and the agency has 5 months of reconciled reports that account for all expenses between AASIS and Libera. The process changes and controls were put in place after the conclusion of State Fiscal Year 2013, and therefore by definition will produce a “repeat” finding when the entire fiscal year is considered. Only when a complete fiscal year is processed with the proper controls and processes in place will this cease to be a “repeat” finding.

As stated in our previous response to this finding, at no time was there a loss of agency grant funds or an adverse impact on the vocational rehabilitation program.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-01 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed; Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**
**ARS Action Taken**
Libera to AASIS reconciliation procedures are defined and implemented. This agency has reconciled AASIS /Libera reports monthly starting October 1, 2013. Continuous review to identify any future potential conflicts in reporting will be conducted with ARS personnel and Libera software technicians. Additionally, training for the federal reports in question has been provided and will continue on an ongoing basis to help prevent future reporting errors.

**Anticipated Completion Date:** Complete

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
(501) 296-1614
joseph.baxter@arkansas.gov

*Additional Comments From The Auditor:*
*The Agency stated that the issue addressed in this finding had no adverse impact on the grant. However, $444,952 of the $797,751 in questioned costs represents expenditures of non-VR programs drawn against the 2012 VR grant award. In addition, the report for the 2012 grant award has been submitted and closed without correction of this error.*

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-02** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 2 CFR § 225, Appendix E, indirect cost rates shall be reviewed, negotiated, and approved by the cognizant federal agency. The results shall be formalized in a written agreement between the cognizant agency and the governmental unit. The agreement is commonly referred to as an Indirect Cost Rate Agreement (ICRA).

**Condition and Context:**
The Agency claimed $1,480,651 in indirect costs without a current ICRA for fiscal year 2013. The costs were claimed using an ICRA that expired on June 30, 2012.

**Questioned costs:**
Unknown

**Cause:**
The Agency did not have adequate internal control procedures in place to ensure that indirect costs claimed were authorized by a current ICRA.

**Effect:**
Unauthorized claims for indirect costs could be determined unallowable, resulting in a liability and refundable to the federal awarding agency.

**Recommendation:**
We recommend the Agency strengthen controls and procedures to ensure that negotiations of indirect cost rates resume and are supported by the appropriate documentation.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
**ARS Discussion**
ARS respectfully contends that management does have procedures in place to ensure the ICRP and related documentation is prepared and submitted to RSA. In the current instance, a changeover in key staff extended the normal reporting time. A new ICRP has subsequently been submitted along with all proper documentation, and receipt acknowledged by the Department of Education Indirect Cost Group. The method and processes used to calculate these costs were in keeping with indirect cost calculation procedures and those used in prior year calculations submitted to the Cost Group for approval.

**ARS Action Taken**
Procedures and controls are now in place to ensure that Indirect Cost Rate Proposals are submitted in a timely manner. All required ICRPs have been submitted and acknowledged by the Department of Education Indirect Cost Group. Once these proposals are approved, any affected reports will be corrected to the approved rate.

## Arkansas Department of Career Education – Arkansas Rehabilitation Services (Continued)

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-02 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Anticipated Completion Date:** April 2014

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
(501) 296-1614
joseph.baxter@arkansas.gov

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-03** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
2 CFR § 225, Appendix B, 8.h(4) and 8.h(5), requires that the distribution of salaries or wages of employees who work on multiple activities or cost objectives be supported by personnel activity reports or equivalent documentation that reflects an after-the-fact distribution of each employee's actual activity.

**Condition and Context:**
Of the 489 positions paid with Vocational Rehabilitation Grants to States (VR) funds, 18 positions were also paid from other federal grant programs or cost objectives. Again, the Agency could not provide activity reports to support the time charged to the VR grant. For most of these 18 positions, the Agency appeared to charge a flat 80% of the position's salary to the VR grant.

**Questioned Costs:**
Unknown

**Cause:**
The Agency did not have adequate internal control procedures in place to properly record personnel activity after-the-fact for multiple grants or cost objectives.

**Effect:**
Paying positions based on a flat rate instead of actual activity could result in VR grant funds being used to support non-VR activities. Noncompliance with program requirements could jeopardize future awards.

**Recommendation:**
We recommend the Agency establish internal control procedures to accurately distribute the costs of employees who work on multiple activities or cost objectives.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
**ARS Discussion**
ARS respectfully contends that it does have procedures in place to ensure that personnel activity after the fact is properly recorded. Initially, ARS developed a flat rate for personal activity, but that was later deemed imprecise and the agency subsequently developed and implemented a reporting formula that reflected 15 minute increments for personnel activities. ARS put in place the current procedures and forms for Personnel Activity Reports (PARS) tracking in May of 2013, shortly after the SFY2012 Single Audit concluded. These forms have been in continuous use by the affected employees and will be used to properly expense the related salaries to the appropriate grants at the end of the current fiscal year.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-03 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**
**ARS Action Taken**
The PAR forms are in use as May 2013. The completed forms will be used to properly expense grant related activities for SFY2014.

**Anticipated Completion Date:** Complete

**Contact Person:** Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
(501) 296-1614
joseph.baxter@arkansas.gov

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-04** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 2 CFR § 225, Appendix B, 8(d)(3), payments for unused leave when an employee retires or terminates employment are allowable in the year of payment, provided they are allocated as a general administrative expense to all activities of the governmental unit or component. The payments are not allowed to be charged as direct costs of federal programs.

**Condition and Context:**
The Agency made payments to employees for unused leave totaling $235,346 that were not allocated as a general administrative expense. The payments were charged as direct costs, which is unallowable. A portion of these payments would have been incurred in a time period that was not covered by an Indirect Cost Rate Agreement (ICRA); therefore, questioned costs are unknown.

**Questioned costs:**
Unknown

**Cause:**
The Agency did not have adequate internal controls or adequately trained staff in place to ensure payments for unused leave were allocated as required.

**Effect:**
Costs not allocated could be determined unallowable, resulting in a liability and refundable to the federal awarding agency.

**Recommendation:**
We recommend the Agency strengthen internal controls and procedures to ensure payments for unused leave are allocated in accordance with regulations.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
**ARS Discussion**
This error in federal reporting was identified and corrected during training and review of all federal grant reports.

**ARS Action Taken**
Federal report training for a new supervisor was ongoing during the time of this error. This initial training has been completed, and training updates will continue. At no time was there a loss of agency grant funds or an adverse impact on the vocational rehabilitation program.

**Anticipated Completion Date:** Complete

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-04 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
(501) 296-1614
joseph.baxter@arkansas.gov

*Additional Comments From The Auditor:*
*The Agency stated that the issue addressed in this finding had no adverse impact on the grant. However, $137,329 of the $235,346 unused leave payments was charged directly instead of allocated as a general administrative expense and drawn against the 2012 VR grant award. In addition, the report for the 2012 grant award has been submitted and closed without correction for this error.*

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-05** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 2 CFR § 225, Appendix A (C)(1)(d), in order for costs to be allowable under federal awards, they must conform to any limitations or exclusions set forth in these principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items. The October 2010 Arkansas Rehabilitation Services (ARS) Policy and Procedure Manual (Manual) is a set of regulations governing the Agency's use of the federal grant.

Section VI-18 of the ARS Manual establishes a $5,000 threshold per 12-month period for tuition, required textbooks, academic fees, maintenance, and transportation. Exceptions to this threshold may be granted in special instances but must be documented with the counselor's explanation of the extenuating circumstances and approved by the District Manager.

Section VI-51 of the ARS Manual allows for home modifications only to the extent that remodeling to the home will occur inside the structure's footprint. Additions to the home are specifically excluded.

Section VI-3 of the ARS Manual states that the counselor will not approve payment requests until documentation is received that the service has been provided. Documentation may include medical reports, training progress reports, attendance forms, receipts, and/or invoices.

**Condition and Context:**
We reviewed 259 expenditure items totaling $317,108 that represented 84 clients. Our review revealed a lack of adequate supporting documentation resulting in the following deficiencies:

- Training costs for eight clients exceeded the $5,000 threshold and were not accompanied by an explanation of the extenuating circumstances or the approval of the District Manager. Questioned costs totaled $56,075.
- Construction costs for adding living space to an existing home were paid for one client. Such home modifications are specifically prohibited by Section VI-51 of the ARS Manual. Questioned costs totaled $20,000.
- Costs for dental services totaling $4,199 were paid, although the services were never performed. The error was discovered by dentist office staff who returned the warrant to the Agency; therefore, no questioned costs are reported for this internal control deficiency.

**Questioned Costs:**
$76,075

**Cause:**
Agency counselors and administrative staff were not adequately trained, and disbursements were not adequately reviewed to ensure they were made in accordance with the ARS Manual.

**Effect:**
Failure to follow policy could lead to inefficient use of program resources and/or misappropriation of funds.

**Arkansas Department of Career Education – Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-05 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Recommendation:**
We recommend the Agency strengthen internal control procedures to ensure that client expenditures are made in accordance with established policy.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
(1) The agency acknowledges that an exception form to exceed $5,000 was not present in the electronic case file. The agency has already taken preventive steps to ensure this error will not occur in the future; by conducting training on January 15, 2014, on internal controls and procedures for utilizing an exception form. The agency is testing a process that will initiate a requirement for completion of an exception form when applicable.

(2) Section VI-51 of the October 2010 ARS Policy and Procedure Manual allows for home modifications to the extent that remodeling to the home occurs inside the structure's foot print. Accessibility assistance to the client was provided and performed within the domicile's footprint in order to assure the client had accessible and independent living conditions within the family support system. No additions to the domicile foot print or medically unnecessary accommodations were performed. Additionally, any and all additions or modifications not a part of the agency's agreement were paid for by the homeowner. Moreover, the questioned cost was reasonable in relation to the medically necessary accommodation and was separate and apart from additional modifications paid for by the homeowner that totaled over $100,000.

(3) It is the practice of agency vendors providing dental services in rural areas of Arkansas to require prepayment in advance of the service. In this instance, the vendor required prepayment and the agency is obligated to provide the medically necessary assistance under such terms. However, before the client could receive the medical assistance, he was incarcerated. The agency requested and received the return of the prepayment and there was no loss to the agency. Nevertheless, the agency has negotiated alternate terms with such vendors that only require a partial prepayment.

**Anticipated Completion Date:** Complete

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
(501) 296-1614
joseph.baxter@arkansas.gov

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-06** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Cash Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
31 CFR § 205.33 requires that the timing and amount of funds transfers be as close as administratively possible to a state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. In addition, 34 CFR § 76.731 requires states to maintain records showing their compliance with program requirements.

**Condition and Context:**
While the Agency did not appear to have a balance of federal funds on hand at the end of the fiscal year, the following issues were noted with the nine draws tested:

- No documentation was provided to support four draws made on 8/28/2012, 9/20/2012, 11/20/2012, and 1/29/2013. The draws totaled $4.8 million.
- The documentation provided to support five draws made on 2/12/2013, 2/19/2013, 2/26/2013, 4/29/2013, and 6/21/2013 contained incomplete calculations of VR expenditures and an overstated balance of amounts under drawn. The draws totaled $6.8 million.

**Questioned Costs:**
None

**Cause:**
Agency employees responsible for cash management requirements of the federal grant award were not adequately trained. In addition, the Agency does not have adequate internal control procedures in place to ensure that cash draws were adequately supported.

**Effect:**
Inaccurate draw calculations could cause federal draws to exceed allowable federal expenditures.

**Recommendation:**
We recommend the Agency strengthen internal controls procedures to ensure that the amounts drawn against federal grant awards are adequately supported by direct program costs and the proportionate share of allowable indirect costs.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
**ARS Discussion**
The agency acknowledges that supporting documentation for the first four draws tested was not available. Draw calculation procedures were put in place and are reflected in the remaining five draws tested. The agency acknowledges that program income and indirect cost calculations were not accounted for in the new process. This has been corrected in updated procedures.

At no time was there a loss of agency grant funds or an adverse impact on the vocational rehabilitation program. As the audit report states, the agency was never in a position of having overdrawn federal funds.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-06 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Cash Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**
**ARS Action Taken**
Cash draw calculation procedures and training have been updated to account for program income and indirect costs. The CFO will continue to monitor the training and draw calculations process. The CFO will continue to verify and approve the accuracy of the draw prior to submission.

**Anticipated Completion Date:** Complete

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
(501) 296-1614
joseph.baxter@arkansas.gov

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-07** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Procurement and Suspension and Debarment** |
| **Type of Finding:** | **Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
34 CFR § 80.35 prohibits a grantee from making awards or permitting any award (subgrant or contract) at any tier to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, "Debarment and Suspension."

In addition, 2 CFR § 180.300 offers guidance to agencies for covered transactions with entities at the next lower tier. The agency must verify that the entity is not excluded or disqualified by:

(a) Checking the Excluded Parties List System (EPLS); or
(b) Collecting a certification from the entity; or
(c) Adding a clause or condition to the covered transaction with the entity.

Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

**Condition and Context:**
During our test of the internal controls over compliance, we discovered the Agency did not have internal control procedures in place ensuring compliance with the suspension and debarment portion of this compliance area.

**Questioned Costs:**
None

**Cause:**
Agency employees responsible for suspension and debarment requirements were not adequately trained. In addition, the Agency does not have internal control procedures in place to ensure the compliance objective was achieved and documented.

**Effect:**
Suspended or debarred entities could receive payments from federal grant awards that would be unallowable and subject to recovery by the federal awarding agency.

**Recommendation:**
We recommend the Agency strengthen internal controls and procedures to ensure compliance with federal suspension and debarment requirements.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-07 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Procurement and Suspension and Debarment** |
| **Type of Finding:** | **Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
**ARS Discussion**
Historically, the agency has relied on the Arkansas Department of Finance & Administration's records and database in certifying that no debarred or suspended party participates in a Federal Assistance Program. Consequently, there has never been an instance in the agency's history of a debarred or suspended party participating in the program and there has never been a loss attributed to the agency resulting from such a practice. However, the agency agrees to require additional steps in order to mitigate the remote possibility of such an occurrence.

**ARS Action Taken**
Agency Debarment and Suspension procedures have been reviewed, and additional steps have been added to ensure federal and state compliance.

**Anticipated Completion Date:** Complete

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
(501) 296-1614
joseph.baxter@arkansas.gov

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-08** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 2 CFR § 215.21, a federal awarding agency requires an agency financial management system to provide accurate, current, and complete disclosure of the financial results of each federally-sponsored program. Rehabilitation Services Administration (RSA) Policy Directive PD12-06 requires the agency to submit SF-425 reports semi-annually. The reports must be submitted no later than 45 days after the end of the reporting period. The reporting period end dates are March 31 and September 30. Final reports, as applicable, must be submitted no later than 90 days after the end of the grant period or the carryover year. Extensions of reporting due dates may be approved by the federal awarding agency upon request of the agency. The request and approval must be documented.

**Condition and Context**:
Our review of three reports revealed the Agency did not have adequate internal controls in place to ensure accurate, current, and complete financial information was submitted within the criteria established by the federal awarding agency.

An email from the Fiscal Unit Chief of the RSA revealed that as of July 25, 2013, all SF-425 reports for the 2012 grant had not been submitted, including the report for the 2012 grant for the period ended March 31, 2012, which was included in finding **12-520-08** from our 2012 Single Audit report. The semi-annual reports were due as follows:

| Grant Year | Semi-annual Period Ended | Due Date |
|---|---|---|
| 2012 | March 31, 2012 | May 16, 2012 |
| 2012 | September 30, 2012 | November 15, 2012 |
| 2012 | September 30, 2013 (final report) | December 31, 2013 |
| 2013 | March 31, 2013 | May 16, 2013 |

The Agency continued to reopen reports subsequent to the due dates to correct the expenditure information submitted in the original report. It is not uncommon for an agency to reopen a submitted report in order to correct discovered errors, and this practice is acceptable when done timely. Typically, reports are reopened, corrected, and resubmitted within a few days. Two reports were reopened and remained open for a significant period of time as the Agency continued to make adjustments to the original submission as follows:

- The report representing the 2012 grant for the period ended March 31, 2012, was initially submitted on May 16, 2012. The report was reopened for adjustments and resubmitted on November 14, 2012. In addition, subsequent to the resubmission in November 2012, this report was reopened again on June 11, 2013, and remained open for adjustments for 70 days until its final submission on August 20, 2013, 461 days after the due date of May 16, 2012.
- The report representing the 2012 grant for the period ended September 30, 2012, was initially submitted on November 16, 2012, one day past the due date. However, the report was reopened on June 11, 2013, and remained open for adjustments for 44 days until it was resubmitted on July 25, 2013, 252 days after the due date of November 15, 2012.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-08 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Condition and Context (Continued):**
The Agency's lack of adequate internal controls over reporting resulted in a net overstatement of expenditures by $2,364,300 on the SF-425 for the period ended March 31, 2013. The net overstatement is a cumulative effect of the following errors:

- As noted in finding 13-520-01, expenditures totaling $797,751 were expenditures of other federal programs.
- As noted in finding 13-520-02, unallowable indirect costs totaling $1,480,651 were allocated to the grant.
- As noted in finding 13-520-04, expenditures for general administration totaling $235,346 were charged as a direct cost of the program instead of being allocated as required.
- A miscalculation totaling ($149,448), reduced payroll expenditures for employees coding their time to multiple federal programs.

**Questioned Costs:**
None

**Cause:**
Agency employees responsible for preparing the reports were not adequately trained regarding reporting requirements, and the Agency did not have procedures in place to ensure that reports were properly reviewed for accuracy and completeness.

**Effect:**
Failure to submit required reports timely and accurately could jeopardize future awards.

**Recommendation:**
We recommend the Agency strengthen controls and procedures to ensure that SF-425 financial reports are submitted accurately and timely.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
**ARS Discussion**
This finding is largely a restatement of findings already listed in this report. All federal reports related to this finding's overstated amount of $2,364,300 have been addressed as follows:

- $797,751 of expenditures of cost centers related to the expenditures of other Federal programs
- $235,346 of unallowable payments of unused leave for employees
- ($149,448) of a miscalculation made by the agency to reduce payroll expenditures for employees of other programs

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-08 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**
**ARS Discussion (Continued)**
The errors contained in the federal reporting were identified and corrected during training and review of all federal grant reports during this audit period. Federal report training for a new supervisor was ongoing during the time of this error. This initial training has been completed, and training updates will continue. The affected report has been corrected. At no time was there a loss of agency grant funds or an adverse impact on the vocational rehabilitation program.

- $1,480,651 of unallowable indirect costs allocated to the grant

There has been no determination by either the Department of Education Indirect Cost Group or Rehabilitation Services Administration that any of the indirect costs referenced in this report are "unallowable". The method and processes used to calculate these costs were in keeping with current indirect cost calculation procedures and those used in prior year calculations submitted to the Cost Group for approval. The agency acknowledges that the cost rate proposal for the year in question was not submitted on time during a period when there was no CFO in place. Personnel turnover and associated training requirements during the audit period also contributed to the delayed submission. This proposal has been submitted along with all proper documentation, and receipt acknowledged by the Department of Education Indirect Cost Group. Once approved, any affected reports will be corrected to the approved rate.

Lastly, the audit report states that several reports were not in a submitted status when reviewed. This was due to ongoing review and corrections of these reports, including corrections needed to grant amounts figures that are the responsibility of RSA themselves. For the record, all federal reports for the period under review were submitted on time. Consistent with general federal reporting procedures, federal reports that were identified during review and training as requiring correction were requested to be re-opened for submission. Submitting accurate reports was deemed an overriding consideration. The entire federal reporting process allows for these types of requests in instances where incorrect data was used, or as sometimes occurs, the treatment of certain expenditures is changed based on end of year financial reviews. Again accurate reports are always a priority.

**ARS Action Taken**
All affected reports have been corrected. At no time was there a loss of agency grant funds or an adverse impact on the vocational rehabilitation program.

**Anticipated Completion Date:** Complete

**Contact Person:** Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
(501) 296-1614
joseph.baxter@arkansas.gov

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-08 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A120003; H126A130003** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

*Additional Comments From The Auditor:*
*Expenditures representing VR grant activity may span two fiscal years. As a result, corrections to the report representing the 2013 VR grant award may fall outside the time period covered in this audit. However, the report representing the 2012 VR grant award has been submitted and closed without correction of the errors identified in this finding.*

*Clarification should be given to the Agency's assertion that this finding represents a restatement of other findings already included in this report. The errors we identified in findings 13-520-01, 13-520-02, and 13-520-04 affected two other compliance requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles. These errors also affected the Reporting compliance requirement, which is the requirement addressed in this finding.*

*We also disagree with the Agency's assertion that the $1,480,651 charged as indirect costs is allowable. On August 21, 2013, the U.S. Department of Education's (USDOE) Director of Indirect Cost Group confirmed that an ICRP had not been received from the Agency since October 2011. In addition, the Director confirmed that the Agency did not have a rate in place for the 2013 fiscal year and should not have collected and claimed indirect costs on its SF-425 reports. On February 12, 2014, USDOE confirmed that the Agency had submitted an ICRP, but a rate had not been authorized. Until a rate is authorized by USDOE, indirect costs collected and claimed are unallowable.*

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-09** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
RSA Policy Directive RSA-PD-09-04 and 34 CFR § 361.40 require an agency to submit Annual Vocational Rehabilitation Program/Cost Reports (RSA-2 reports) to the U.S. Department of Education - Rehabilitation Services Administration (USDOE - RSA). Requirements for the RSA-2 include submission of yearly reports no later than December 31 for the federal fiscal year ended September 30.

In addition, in accordance with 2 CFR § 215.21, a federal awarding agency requires an agency's financial management system to provide accurate, current, and complete disclosure of the financial results of each federally-sponsored program.

Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

**Condition and Context:**
Our review of the RSA-2 report revealed that although the Agency submitted the RSA-2 timely, the Agency did not maintain adequate supporting documentation for the information reported on the RSA-2. As a result, we were unable to assess the accuracy of the report.

**Questioned Costs:**
Unknown

**Cause:**
The Agency did not have adequate internal control procedures in place to ensure that reports were properly prepared and reviewed and that adequate supporting documentation was maintained.

**Effect:**
Inaccurate reporting and noncompliance with program requirements could jeopardize future awards.

**Recommendation:**
We recommend the Agency strengthen internal controls and procedures to ensure that reports are submitted accurately and that adequate supporting documentation is maintained.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The RSA-2 is a compilation of data contained in both the System 7 case management software database and the AASIS accounting system. In order to accurately complete the report, a methodic and systematic extraction of the information must occur and be transferred to the federal database.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-520-09 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Career Education – Arkansas Rehabilitation Services** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States** |
| **Federal Award Number(s):** | **H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**
Because all data necessary to construct the report resides within System 7 and AASIS, documentation exists, is perpetually maintained therein, and can be reconstructed at anytime. In this instance, the data provided on the RSA-2 was found to be accurate and timely by RSA and thus was verifiable. However, at the time of examination the working papers were not attached to the controlling document.

**ARS Action Taken**
The agency's accounting supervisor has received specific training and instruction concerning the maintenance of all reporting documents.

**Anticipated Completion Date:** Complete

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
(501) 296-1614
joseph.baxter@arkansas.gov

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-01** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking; Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
The U.S. Department of Education - Rehabilitation Services Administration (USDOE - RSA) issued Policy Directive 11-02 with instructions for completing the Quarterly Financial Reports (SF-425), which includes reporting the recipient's share of expenditures (i.e., matching). 34 CFR § 361.60 establishes the federal share of expenditures for the program at 78.7%, and 34 CFR § 361.62 reduces the amount otherwise payable to a state for a fiscal year by the amount by which the total expenditures from non-federal sources for the previous fiscal year were less than the total of those expenditures for the fiscal year two years prior to the previous fiscal year.

In addition, 34 CFR § 80.20(a) requires that the Agency's financial management systems be sufficient to permit preparing required reports and tracing funds to a level of expenditures adequate to establish that such funds have not been used in violation of restrictions, prohibitions, and statutes.

2 CFR § 215.21 requires the Agency to submit accurate and complete financial data to the federal awarding agency. Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

**Condition and Context:**
The Agency incorrectly reported its state match expenditures on its March 2011 SF-425 report. RSA notified the Agency in July 2012 that it was not in compliance with maintenance of effort (MOE) requirements for federal fiscal year 2011; thus, the State's federal fiscal year 2012 allotment would be reduced by that shortfall in accordance with federal law and RSA policy. The Agency was also notified at that time that it had until August 3, 2012, to submit a revised SF-425 that might change the shortfall amount and, if approved, could result in restoration of all or part of the amount reduced from the federal fiscal year 2012 allotment.

The Agency submitted a revised report in November 2012, which showed that it would have met the MOE requirement if the report had been submitted accurately. Per review of communication between the Agency and David Steele, the Fiscal Unit Chief for RSA, the $2,922,884 was restored through a reallotment process for the fiscal year 2012 grant.

**Questioned Costs:**
Unknown

**Cause:**
Agency employees responsible for preparing the reports were not adequately trained on the reporting requirements; the Agency did not have procedures in place to ensure that reports were properly reviewed for accuracy and completeness; and the Agency did not have a financial management system in place that permits tracing funds to state or federal expenditures.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-01 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Matching, Level of Effort, Earmarking; Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Effect:**
The under-reporting of state match expenditures and the Agency's inability to submit accurate SF-425 reports caused the Agency's 2012 grant award to be reduced by the $2,922,884 MOE shortfall.

**Recommendation:**
We recommend the Agency strengthen controls and procedures to ensure that state match expenditures are properly reported in accordance with program requirements.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
**ARS Discussion**
After the retirement of the CFO and other key Finance personnel, a new employee unfamiliar with the RSA/MIS reporting system submitted the agency's SF-425 report which included calculation errors. Extensive training was given in November, 2012, and the affected reports were corrected. The corrected reports confirmed that the Maintenance of Effort requirements for FFY2011 were indeed met during the fiscal year of record.

Although the amount of the grant was initially reduced, $8M in additional funding was received during the re-allotment process on August 21, 2012 in effect restoring the $3M reduction in the FY2012 grant award. This process was discussed and confirmed with David Steele of RSA via a phone conference that included the ARS Commissioner and CFO.

**ARS Action Taken**
The finance employee responsible for the SF-425 report has been relieved of this duty. SF-425 report training is being conducted for the replacement supervisor and will be complete prior to producing the next required report. Additional technical assistance and training is being provided by DHS, Division of the Services for the Blind, senior fiscal staff members trained in RSA reporting requirements. The CFO will continue to monitor the training and data collection requirements throughout the reporting period. The CFO will verify and approve the accuracy of the report prior to submission and ensure timeliness of report submission.

**Anticipated Completion Date**: July 1, 2013

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
Phone: (501) 296-1614
Email: joseph.baxter@arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has been taken regarding Matching, Level of Effort, and Earmarking. However, corrective action has not been taken regarding Reporting, and as a result, the Agency is not considered to be in compliance with the requirement. See current-year finding **13-520-08**.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-02** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States**<br>**84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States**<br>**(Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H390A090003; H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2009, 2011, and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed;**<br>**Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
34 CFR § 80.20(a) requires that the Agency's financial management systems be sufficient to permit preparing required reports and tracing funds to a level of expenditures adequate to establish that such funds have not been used in violation of restrictions, prohibitions, and statutes.

**Condition and Context:**
The Agency was unable to provide a reconciliation to ensure all expenditures were captured for testing. The value of the population of Vocational Rehabilitation (VR) Cluster client payments provided to the auditors from System 7, the Agency's client management software, was $18,286,533. This amount was $1,041,187 less than the $19,327,720 in payments disbursed for assistance, grants, and aid reported as VR Cluster expenditures in the Arkansas Administrative Statewide Information System (AASIS), the State's accounting system. As such, auditors were not able to test this $1,041,187 variance and could not determine whether the expenditures were in compliance with OMB A-133 requirements.

**Questioned Costs:**
Unknown

**Cause:**
The Agency did not have procedures in place to ensure that appropriate reconciliations were performed between AASIS and System 7.

**Effect:**
Failure to reconcile, by grant award, expenditures in AASIS to client expenditures in System 7 could result in costs of other programs using System 7 to be inappropriately expended from VR Cluster funds.

**Recommendation:**
We recommend the Agency strengthen controls and procedures to ensure that monthly reconciliations between AASIS and System 7 are performed.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-02 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States**<br>**84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States**<br>**(Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H390A090003; H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2009, 2011, and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed;**<br>**Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
**ARS Discussion**
The agency purchased the Libera system in the summer of 2010 and began its use in the October of 2010. Because the CFO who designed the account setup had retired, key Finance personnel were unaware of certain setup decisions that were made which resulted in a conflict between the cost center and internal order numbers (CC/IO). This conflict was discovered only when the software company provided a list of all 3500 service types. SF-425's are prepared from AASIS data using the internal order number, therefore VR and other grant expenditures are stated correctly. Libera, however, displays only cost center information in its reports which resulted in the agency being unaware of the CC/IO conflict. Once we identified the service types which were in conflict, we were able to reconcile the two systems to within $30,000 of each other. The remaining difference appears to be due to another software issue that was repaired in 2012 where warrants voided in AASIS continue to show as outstanding in Libera. Documents supporting this reconciliation were provided to audit personnel.

At no time was there a loss of agency grant funds or an adverse impact on the vocational rehabilitation program.

**ARS Action Taken**
Libera to AASIS reconciliation procedures are defined and implemented. Continuous review to identify any future potential conflicts in reporting will be conducted with ARS personnel and Libera software technicians.

**Anticipated Completion Date**: July 1, 2013

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
Phone: (501) 296-1614
Email: joseph.baxter@arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-520-01**.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-04** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
2 CFR § 225, Appendix B, 8.h(4) and 8.h(5) requires that the distribution of salaries or wages of employees who work on multiple activities or cost objectives be supported by personnel activity reports or equivalent documentation that reflects an after-the-fact distribution of each employee's actual activity.

**Condition and Context:**
Of the 496 positions paid with Vocational Rehabilitation (VR) Cluster funds, 13 positions were also paid from other federal grant programs or cost objectives. The Agency could not provide activity reports to support the time charged to the VR Cluster. For most of these 13 positions, the Agency appeared to charge a flat 80% of the position's salary to the VR Cluster.

**Questioned Costs:**
Unknown

**Cause:**
The Agency did not have procedures in place to properly record personnel activity after-the-fact for multiple grants or cost objectives.

**Effect:**
Paying positions based on a flat rate and not actual activity could result in VR Cluster funds being used to support non-VR activities. Noncompliance with program requirements could jeopardize future awards.

**Recommendation:**
We recommend the Agency establish procedures to accurately distribute the costs of employees who work on multiple activities or cost objectives.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
**ARS Discussion**
In November 2012, ARS received technical assistance in training on personal activity reports (PAR) to actual time charged procedures.

**ARS Action Taken**
The PAR form has been adopted. The form will be distributed, and tracking of actual time in AASIS will be completed by June 30, 2013.

**Anticipated Completion Date**: July 1, 2013

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
Phone: (501) 296-1614
Email: joseph.baxter@arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-520-03**.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-05** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States**<br>**84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States**<br>**(Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H390A090003; H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2009, 2011, and 2012** |
| **Compliance Requirement(s) Affected:** | **Cash Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
31 CFR § 205.33 requires that the timing and amount of funds transfers must be as close as administratively possible to a state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. In addition, 34 CFR § 76.731 requires states to keep records to show their compliance with program requirements.

**Condition and Context:**
While the Agency did not appear to have a balance of federal funds on hand at the end of the fiscal year, several inaccuracies existed between individual cash draw amounts tested and the Agency's documentation supporting those cash draws.

**Questioned Costs:**
None

**Cause:**
Agency employees responsible for making cash draws against grants were not adequately trained regarding cash management requirements, and the Agency did not have procedures in place to ensure that cash draws were adequately supported.

**Effect:**
If cash draws are not made based on accurate calculations, the Agency could potentially draw federal funds to which it is not yet entitled.

**Recommendation:**
We recommend the Agency strengthen controls and procedures to ensure that the amounts drawn on its grants are supported by direct program costs and the proportionate share of allowable indirect costs.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
**ARS Discussion**
Cash draws were supported by AASIS reports detailing VR expenditures. Calculations were performed showing FFY expenditures to date, Federal funds drawn to date, and the amount of the prior FFY carryover, confirming that the agency was consistently under-drawn.

Due to the Federal requirement of matching the entire amount of a VR grant in the first year, the agency has elected for several years to use state revenue first, then draw federal funds only when necessary, thus producing the grant receivable. The draws are for expenditures anticipated during the next few days, thus the even amounts of $1,000,000 and $1,200,000, etc., were commonly drawn rather than specific dollar amounts to reimburse past expenses. Quarterly spreadsheets were maintained to ensure that the carryover continued to exist.

At no time was there a loss of agency grant funds or an adverse impact on the vocational rehabilitation program.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-05 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States**<br>**84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States**<br>**(Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H390A090003; H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2009, 2011, and 2012** |
| **Compliance Requirement(s) Affected:** | **Cash Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012 (Continued):**
**ARS Action Taken**
The finance employee responsible for draw calculations has been relieved of this duty. Cash draw calculations and processing training is being conducted for the replacement supervisor and will be completed prior to conducting the next federal draw. The CFO will continue to monitor the training and draw calculations process. The CFO will verify and approve the accuracy of the draw prior to submission.

**Anticipated Completion Date**: July 1, 2013

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
Phone: (501) 296-1614
Email: joseph.baxter@arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-520-06**.

## Arkansas Department of Career Education – Arkansas Rehabilitation Services (Continued)

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-08** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
2 CFR § 215.21 requires the Agency to submit accurate and complete financial data to the awarding federal agency.

**Condition and Context:**
The Agency did not have controls in place to allow for accurate submissions of the required financial reports. SF-425s for the following grants were submitted timely; however, they were later reopened and materially changed in November 2012:

- the 2011 grant for March 31, 2011
- the 2011 grant for September 30, 2011
- the 2011 grant for March 31, 2012
- the 2012 grant for March 31, 2012

**Questioned Costs:**
None

**Cause:**
Agency employees responsible for preparing the reports were not adequately trained regarding reporting requirements, and the Agency did not have procedures in place to ensure that reports were properly reviewed for accuracy and completeness.

**Effect:**
Failure to submit required reports timely and accurately could jeopardize future awards.

**Recommendation:**
We recommend the Agency strengthen controls and procedures to ensure that SF-425 financial reports are submitted accurately.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
**ARS Discussion**
ARS discovered an input reporting error on the March 31, 2012, SF-425 report for the 2011 VR grant and received permission from RSA to correct the reporting error to ensure the accuracy of the report. The other three referenced reports were reopened for corrections identified during training provided in November, 2012.

At no time was there was a loss of funds or an adverse financial impact on the vocational rehabilitation program.

**ARS Action Taken**
The finance employee responsible for this report has been relieved of this duty. SF-425 report training is being conducted for the replacement supervisor and will be complete prior to producing the next required report. Additional technical assistance and training is being provided by DHS, Division of the Services for the Blind, senior fiscal staff members trained in RSA reporting requirements. The CFO will continue to monitor the training and data collection requirements throughout the reporting period. The CFO will verify and approve the accuracy of the report prior to submission and ensure timeliness of report submission.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-08 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H126A110003; H126A120003** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012 (Continued):**

**Anticipated Completion Date**: July 1, 2013

**Contact Person:**
Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
Phone: (501) 296-1614
Email: joseph.baxter@arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-520-08**.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-09** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H126A100003; H126A110003** |
| **Federal Award Year(s):** | **2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
RSA Policy Directive RSA-PD-09-04 and 34 CFR § 361.40 require the Agency to submit Annual Vocational Rehabilitation Program/Cost Reports (RSA-2 reports) to the U.S. Department of Education - Rehabilitation Services Administration (USDOE - RSA). Requirements for the RSA-2 include submission of yearly reports no later than December 31 for the federal fiscal year ended September 30.

2 CFR § 215.21 requires the Agency to submit accurate and complete financial data to the federal awarding agency. Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

**Condition and Context:**
The RSA-2 for the year ended September 30, 2011, due on December 31, 2011, was not submitted by the Agency until May 31, 2012, 152 days late. The Agency did not have controls in place to accurately prepare the report and could not provide adequate documentation to support the report eventually submitted.

**Questioned Costs:**
Unknown

**Cause:**
Agency employees responsible for preparing reports were not adequately trained regarding the Agency's reporting requirements, and the Agency did not have procedures in place to ensure that reports were properly reviewed for accuracy, completeness, and timely submission in accordance with federal requirements.

**Effect:**
Inaccurate reporting and noncompliance with program requirements could jeopardize future awards.

**Recommendation:**
We recommend the Agency strengthen controls and procedures to ensure that reports are submitted timely and accurately.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
**ARS Discussion**
The RSA-2 report is available through the agency's case management software system, Libera. Due to Libera reporting limitations at that time, however, an accurate RSA-2 report was not available after September 30, 2011. After lengthy consultation with DFA Internal Audit, the agency elected to file the report on a cash basis as reported in AASIS. A 24 page document detailing the calculations and amounts in the RSA-2 that was filed May 31, 2012, was provided to Legislative Audit in November, 2012. Eleven Excel spreadsheets that were referenced in this document were available upon request. Controls are now in place to assure that the Libera software data at the end of the federal fiscal year is transferred to an external hard drive and shipped to the agency.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-520-09 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H126A100003; H126A110003** |
| **Federal Award Year(s):** | **2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012 (Continued):**
**ARS Discussion (Continued)**
In addition, the agency has controls which will ensure that a hard copy of the RSA-2 data out of Libera at the end of the federal fiscal year is printed and stored until needed for report preparation.

**ARS Action Taken**
The finance employee responsible for this report has been relieved of this duty. RSA-2 report training is being conducted for the replacement supervisor and will be completed prior to producing the next required report. Additional technical assistance and training is being provided by DHS, Division of the Services for the Blind, senior fiscal staff members trained in RSA reporting requirements. The CFO will continue to monitor the training and data collection requirements throughout the reporting period. The CFO will verify and approve the accuracy of the report prior to submission and ensure timeliness of report submission.

**Anticipated Completion Date**: July 1, 2013

**Contact Person:** Joseph Baxter
Chief Fiscal Officer
Arkansas Rehabilitation Services
525 W. Capital Ave
Little Rock, AR 72201
Phone: (501) 296-1614
Email: joseph.baxter@arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-520-09**.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services;**
**Arkansas Department of Human Services**

| | |
|---|---|
| ***2010 Prior Year Finding Number:*** | **10-520/710-03** |
| **CFDA Number(s) and Program Title(s):** | **84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States**<br>**84.390 - ARRA - Rehabilitation Services_Vocational Rehabilitation Grants to States**<br>**(Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H126A100003; H126A100004; H390A090004A** |
| **Federal Award Year(s):** | **2009 and 2010** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
Federal regulations at 34 CFR 80.41 and 361.40 require the Agency to submit financial and client service data to the U.S. Department of Education – Rehabilitation Services Administration (USDOE – RSA). The Quarterly Cumulative Caseload Reports (RSA-113) and the Quarterly Financial Reports (SF-269 and SF-425) are due 30 days after the end of the quarter for the 1st, 2nd, and 3rd quarters and 60 days after the end of the 4th quarter. The Annual Case Service Report (RSA-911) is due on November 30 after the federal fiscal year end.

**Condition and Context:**
The Arkansas Department of Human Services (DHS) did not submit the September 2009 Quarterly Financial Reports (SF-269 and SF-425) for the FFY2009 Vocational Rehabilitation grant or the September 2009, December 2009, and March 2010 reports for the Vocational Rehabilitation American Recovery and Reinvestment Act grant in accordance with applicable federal due dates.

The RSA-113 report for September 2009 and the RSA-911 report for September 2010 were not submitted timely by Arkansas Rehabilitation Services (ARS).

**Questioned Costs:**
None

**Cause:**
ARS did not have proper internal controls to ensure information entered and retrieved from the case management system, Arkansas Rehabilitation Integrated Management Information System (ARIMIS) was accurate and complete. Manual adjustments necessary to correct information obtained from the system resulted in delays in reporting.

At DHS, the expenditure verification process resulted in processing delays and reporting personnel were not adequately trained on program reporting requirements.

**Effect:**
Failure to submit required reports by applicable due dates could jeopardized future awards.

**Recommendation:**
We recommend the Agency develop procedures to ensure client information maintained in the case management system is accurate and complete. Review processes should be efficient and Agency staff should be adequately trained on reporting requirements. All required reports should be submitted to RSA by applicable due dates.

**Arkansas Department of Career Education –**
**Arkansas Rehabilitation Services;**
**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2010 Prior Year Finding Number:*** | **10-520/710-03 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States**<br>**84.390 - ARRA - Rehabilitation Services_Vocational Rehabilitation Grants to States**<br>**(Vocational Rehabilitation Cluster)** |
| **Federal Award Number(s):** | **H126A100003; H126A100004; H390A090004A** |
| **Federal Award Year(s):** | **2009 and 2010** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2010:**
**ARS Response:** ARS has experienced ongoing problems with the accuracy of data in required case management reports from the Arkansas Rehabilitation Integrated Management Information System (ARIMIS). The problems resulted in delays in certain federal case management reports. The delays were the result of the time necessary to make corrections of errors and anomalies required in order to submit the reports. In order to alleviate these problems, the Rehabilitation Services Administration was informed in advance in both cases when the reports were late. There were no funding or programmatic consequences due to the reports being late.

**DHS Response:** DHS-DSB has reviewed the expenditure verification process with DHS finance staff to eliminate processing delays and participated in mutual training to ensure staff of both entities understand the methodology for timely and accurate reporting.

**Audit status as of June 30, 2011:**
Corrective action not taken. As noted in current-year findings **11-520-01** and **11-710-01**, ARS and DHS once again did not submit required reports within the required time period.

**Audit status as of June 30, 2012:**
Corrective action taken at DHS.

However, as noted in current-year findings **12-520-01** and **12-520-09**, ARS once again did not submit required reports timely.

**Audit status as of June 30, 2013:**
Corrective action has been partially taken. As noted in current-year finding **13-520-08**, ARS once again did not submit reports within the required time period.

Corrective action was taken by the Arkansas Department of Human Services as of June 30, 2012.

**Pulaski Technical College**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-693-01** |
| **State/Educational Agency(s):** | **Pulaski Technical College** |
| **CFDA Number(s) and Program Title(s):** | **84.063 – Federal Pell Grant Program**<br>**84.268 – Federal Direct Student Loans**<br>**(Student Financial Assistance Cluster)** |
| **Federal Award Number(s):** | **P063P123698 and P268K133698** |
| **Federal Award Year(s):** | **2013** |
| **Compliance Requirement(s) Affected:** | **Special Tests and Provisions** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 34 CFR § 668.22 of the Student Assistance General Provisions, when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment or enrollment period in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the amount disbursed to the student is greater than the amount the student earned, the unearned funds must be returned to the Title IV programs. If the amount disbursed to the student is less than the amount the student earned, and for which the student is otherwise eligible, he or she is eligible to receive a post-withdrawal disbursement (PWD) of the earned aid that was not received.

**Condition and Context:**
Initially, five returns were tested for compliance with the above criteria, and five exceptions were detected. Due to the number of exceptions, College personnel recalculated all returns for the year ended June 30, 2013, and provided a listing of the recalculations for testing. Our testing confirmed the cause of the exceptions and the resulting financial effects.

**Questioned Costs:**
None

**Cause:**
The College's calculations of returns to the Title IV programs were performed based on specific criteria input into the database. When inputting the total number of calendar days in a payment period or period of enrollment, the College failed to exclude breaks of at least five consecutive days from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period, as required by 34 CFR § 668.22 (f)(ii)(C)(2)(i).

**Effect:**
The College returned institutional costs of $4,357 to the Federal Pell Grant Program and $20,244 and $334 to Federal Direct Student Unsubsidized and Subsidized Loans, respectively, in excess of the amounts required. Additionally, the amount due to students for aid earned but not received (PWD) increased by a total of $99 related to the Federal Pell Grant Program for the fall 2012 semester. The College did not return institutional costs of $4,918 to the Federal Pell Grant Program and $36,425 and $5,829 to Federal Direct Student Unsubsidized and Subsidized Loans, respectively, as required for the spring 2013 semester.

**Recommendation:**
We recommend the College strengthen procedures to ensure that returns to the Title IV programs are calculated correctly and contact the U.S. Department of Education for resolution of this matter.

**Pulaski Technical College (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-693-01 (Continued)** |
| **State/Educational Agency(s):** | **Pulaski Technical College** |
| **CFDA Number(s) and Program Title(s):** | **84.063 – Federal Pell Grant Program**<br>**84.268 – Federal Direct Student Loans**<br>**(Student Financial Assistance Cluster)** |
| **Federal Award Number(s):** | **P063P123698 and P268K133698** |
| **Federal Award Year(s):** | **2013** |
| **Compliance Requirement(s) Affected:** | **Special Tests and Provisions** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**

As a result of the incorrect calendar input for the Fall and Spring terms of the 2012-2013 award year, Pulaski Technical College's Financial Aid Office recalculated all Return to Title IV Fund calculations for these periods using corrected calendars in ED's R2T4 software. Adjustments were appropriately made to the student accounts and through the U.S. Department of Education's Common Origination and Disbursement system. Students will be notified of the adjustment and receive a new copy of their student account for the appropriate term.

The Financial Aid Office has developed the following process to ensure accuracy from this point forward:

1. The payment periods are established using the Academic Calendar approved and published by Pulaski Technical College.
2. Each payment period calendar is provided to the Associate Director of Financial Aid (Systems) for input into the Financial Aid Administrator Access Return to Title IV module.
3. Input of the calendar into FAA Access is reviewed by the Director of Financial Aid. Confirmation of accuracy is noted by processing a sample R2T4 calculation, which locks the academic calendar in the R2T4 calculation software. The calculation will be completed, initialed, dated by both the Director and Associate Director and retained in the appropriate New Year Set Up folder.
4. Once roster certification has been completed for each payment period, the expectation is for R2T4s to be identified on a weekly basis with calculation and notifications being processed within 7 – 10 business days. A date should be placed in the R2T4 field in STUAID communication completion of an R2T4. At the end of the term, the No Earned Report should be generated upon completion of the Satisfactory Academic Progress process. Calculations should be processed within 7 – 10 business days.
5. Direct Loan adjustments are provided to the Associate Director of Financial Aid (Systems). The award amount is determined based on the net amount provided by the advisor. The advisor will make the adjustment through POISE and the Associate Director of Financial Aid (Systems) makes the adjustment through EdExpress.
6. Adjustments to other Title IV funds are made by the advisor. They are communicated to ED during the automated disbursement process. The disbursement process occurs approximately every 7 – 10 business days to ensure accounts remain in balance.
7. When all adjustments are made, the Student Accounts Office is notified. New statements are generated reflecting any required return. The statements are reviewed for accuracy and sent to the student with the notice of the required R2T4 calculation.
8. The following items should be retained and filed as specified:
    a. Weekly Report of Withdrawals and the No Earned Report should be retained and kept in date order. Completion should be communicated by initial/date on the report.
    b. A copy of the notification letter to the student, R2T4 Calculation, and the withdrawal form (if obtained), should be grouped and placed in the binder in this order and in accurate alphabetical order.
    c. When the academic year has ended, the documents should be placed in the imaging system. Paper copies should be retained through the end of the following academic year.

**Anticipated Completion Date:** Ongoing

**Pulaski Technical College (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-693-01 (Continued)** |
| **State/Educational Agency(s):** | **Pulaski Technical College** |
| **CFDA Number(s) and Program Title(s):** | **84.063 – Federal Pell Grant Program**<br>**84.268 – Federal Direct Student Loans**<br>**(Student Financial Assistance Cluster)** |
| **Federal Award Number(s):** | **P063P123698 and P268K133698** |
| **Federal Award Year(s):** | **2013** |
| **Compliance Requirement(s) Affected:** | **Special Tests and Provisions** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Contact Person:**

Cindy Harkey
Vice President for Student Services
Pulaski Technical College
3000 West Scenic
North Little Rock, AR 72118
(501) 812-2233
charkey@pulaskitech.edu

**Arkansas Department of Human Services**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-01** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **10.553 – School Breakfast Program**<br>**10.555 – National School Lunch Program**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **2012IN109946; 2013IN109946** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 7 CFR §§ 210.5(d)(1), 210.8(4) and 7 CFR §§ 225.8 (b), 225.9(d)(5), the FNS-10 Report of School Program Operations captures meals served under the National School Lunch Program (NSLP) and School Breakfast Program (SBP), as well as half-pints of milk served under the Special Milk Program for Children (SMP). A state agency administering the NSLP, SBP, and SMP compiles the data gathered on its subrecipients' claims for reimbursement into monthly reports to its FNS regional office. A final report containing only actual participation data is due 90 days after the close of the report data. Revisions to the data presented in a 90-day report (FNS-10) must be submitted by the last day of the quarter in which they are identified. However, the agency must immediately submit an amended report if, at any time following the submission of the 90-day report, identified changes to the data cause the agency's level of funding to change by more than (plus or minus) 0.5%. The state agency shall submit to FNS a final report on the Summer Food Service Program for Children (SFSPC) Operations (FNS-418) for each month no more than 90 days following the last day of the month covered by the report. This report documents the number of meals served under the SFSPC by sponsors under the state agency's oversight. States shall not receive Program funds, regardless of when it is determined that such adjustments need to be made, for any month for which the final report is not postmarked and/or submitted within this time limit, unless FNS grants an exception. Upward adjustments to a report shall not be made after 90 days from the month covered by the report unless authorized by FNS. Downward adjustments shall always be made without FNS authorization. Adjustments to a report shall be reported to FNS in accordance with procedures established by FNS.

**Condition and Context:**
The Agency's Special Nutrition Program (SNP) Unit failed to report revisions in its NSLP FNS-10 and SFSPC FNS-418 reports during fiscal year 2013. Of the four FNS 90-day reports tested (two FNS-10 and two FNS-418), three reports listed incorrect meal counts. Total NSLP lunches served on the February 2013 FNS-10 90-day report appear under reported by 2,053 or 2.18%; total SFSPC meals served on the June 2013 FNS-418 90-day report appear over reported by 5,114 or 0.4%; and total SFSPC meals served on the July 2012 FNS-418 90-day report for July 2012 appear under reported by 117 or 0.01%.

**Questioned Costs:**
None

**Cause:**
During fiscal year 2013, the Agency failed to report revisions to the FNS 90-day reports when meal counts were adjusted. The Agency has historically reported meals served in FNS-10 Reports of School Program Operations and FNS-418 SFSPC from meal summary reports obtained through its SNP System. The SNP Fiscal Support Analyst usually maintains a listing or log of adjusted reimbursement claims previously submitted in the Food Programs Reporting System (FPRS) as a reminder to revise FNS 90-day reports. Employment of the Fiscal Support Analyst was terminated in February 2013, and the position was not filled until August 5, 2013. It appears SNP controls for FNS 90-day reporting were not consistently followed, nor were revisions completed.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-01 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **10.553 – School Breakfast Program**<br>**10.555 – National School Lunch Program**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **2012IN109946; 2013IN109946** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Effect:**
Total NSLP lunches served on the February 2013 FNS-10 90-day report appear under reported by 2,053 or 2.18%; total SFSPC meals served on the June 2013 FNS-418 90-day report appear over reported by 5,114 or 0.4%; and total SFSPC meals served on the July 2012 FNS-418 90-day report for July 2012 appear under reported by 117 or 0.01%. This information should have been reported immediately after the level of funding changed by more than 0.5% or submitted by the last day of the quarter in which the changes were identified.

**Recommendation:**
We recommend the Agency strengthen controls to ensure program summary reports are complete, accurate, and timely.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency concurs with the findings for the USDA food programs and will continue to work to improve internal controls and documentation practices. The Agency will strengthen controls via activities designed to ensure compliance with program rules and regulations. The errors generating the current finding appear to have resulted from substantial turnover in the positions responsible for making the reconciliation adjustments. As a result, training for existing and future staff assigned this function has been strengthened and unit management will monitor the performance of these duties as well as review the final reports prior to submission to USDA.

**Anticipated Completion Date:** Complete

**Contact Person:** Tonya Williams
Director
Arkansas Department of Human Services
Division of Child Care and Early Childhood Education
Donaghey Plaza South, Slot S140
Little Rock, AR 72203-1437
(501) 320-8953
tonya.williams@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-02** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **10.553 – School Breakfast Program**<br>**10.555 – National School Lunch Program**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **2012IN109946; 2013IN109946** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Subrecipient Monitoring** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken.

On May 12, 2014, the Agency reported the status of this finding as "complete." However, our current-year testing revealed a lack of documentation regarding one sponsor's corrective action plan. As a result, a current-year finding was issued. See finding **2014-004** on page 19.

In addition, a finding related to sponsor fraud was reported in the current-year. See finding **2014-003** on page 17. The fraud involved collusion between employees of the Agency and the sponsors.

**Criteria:**
In accordance with 7 CFR § 225.6, agencies administering the Child Nutrition Cluster Programs must provide sufficient and qualified consultative, technical, and managerial personnel to administer the Summer Food Service Program (SFSPC), monitor performance, and measure progress in achieving Program goals. In addition, state agencies administering the Child Nutrition Cluster Programs are required to perform specific monitoring procedures for the SFSPC in accordance with 7 CFR § 225.7: review every new sponsor at least once during the first year of operation; annually review a number of sponsors whose program reimbursements, in the aggregate, accounted for at least one-half of the total program meal reimbursements in the state in the prior year; annually review every sponsor that experienced significant operational problems in the prior year; review each sponsor at least once every three years; conduct reviews of at least 10% of each sponsor's sites, or one site, whichever number is greater, as part of each sponsor review; and conduct follow-up reviews of sponsors and sites as necessary. Each agency must develop and implement a monitoring system to ensure that sponsors, including site personnel, and the sponsor's food service management company, if applicable, immediately receive a copy of any review reports that indicate Program violations and could result in a Program disallowance.

**Condition and Context:**
The Division of Child Care and Early Childhood Education (DCCECE), Special Nutrition Program (SNP) Unit administers the Child Nutrition Cluster Programs at the Arkansas Department of Human Service (DHS), which includes monitoring of NSLP School Food Authority (SFA) and SFSPC sponsor activities. Compliance testing for SNP monitoring of five SFSPC sponsor reviews revealed the DHS DCCECE SNP management and personnel failed to properly monitor one SFSPC sponsor. SNP personnel requested the sponsor provide a corrective action plan (CAP) for program deficiencies, including some disallowed meals, during the sponsor's July 25, 2013, review. When the sponsor did not submit a CAP by the requested date of August 19, 2013, SNP personnel failed to contact the sponsor by the prescribed method. When meals are disallowed during a review, SNP policy is to conduct a follow-up review or other measures to verify corrective action has been taken. If the sponsor fails to fully and completely correct all deficiencies, the sponsor should be declared "seriously deficient" and action initiated to terminate SFSP operations.

**Questioned Costs:**
Unknown

**Cause:**
SNP's failure to properly monitor the referenced sponsor's review appears due to inadequate management review. This situation resulted from insufficient training of personnel performing entry of sponsor reviews in the SNP System and a SFSPC staffing shortage. The Agency utilizes the SNP System's coordinator, open review, and violation reports to monitor sponsor review activities. The coordinator report lists the sponsor's latest review and initial review dates; the open review report lists sponsor reviews that have not been closed and the number of days the review has been open; and the violation report lists each sponsor's review findings with the review status.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-02 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **10.553 – School Breakfast Program**<br>**10.555 – National School Lunch Program**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **2012IN109946; 2013IN109946** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Subrecipient Monitoring** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Cause (Continued):**
The noted sponsor's July 25, 2013, review was listed in the open review report; however, review findings were not listed in the 2013 violation report. This appears to be due to SNP personnel not fully completing the entry of the review in the SNP System. The sponsor's previous review on July 5, 2011, was also listed in the open review report; however, approved corrective action for this review was noted in the sponsor's file. For audit purposes, when SNP System reports and electronic reviews cannot be relied upon for accuracy and completeness, the auditor must be able to review timely the requested sponsor reviews, which includes all supporting documentation, manual as well as electronic.

**Effect:**
The SNP System's SFSPC open review and violation reports appear incomplete and inaccurate; therefore, these reports cannot be relied upon to monitor sponsor reviews or resolution of findings. Inadequate documentation for sponsor reviews could jeopardize program services and Agency payments for meals.

**Recommendation:**
We recommend the Agency strengthen controls to ensure adequate review and training. In addition, we recommend the Agency establish and implement procedures to ensure all required documentation is maintained in sponsor files. The Agency should also provide adequate staffing and training.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency concurs with the findings for the USDA food programs and will continue to work to improve internal controls and documentation practices. The Agency will strengthen controls via activities designed to ensure compliance with program monitoring. The errors generating the current finding appear to have resulted from substantial turnover in the positions responsible for sponsor monitoring and corrective action plan review, especially in light of the significant growth in the Summer Feeding Program. As a result, training for existing and future staff assigned this function was strengthened and unit management is monitoring the performance of these duties. In addition, several new positions have been identified and are currently in the state hiring process with the intent to strengthen the unit from a staffing perspective. The Agency is committed to the provision of adequate staff availability and training.

**Anticipated Completion Date:** Complete

**Contact Person:**
Tonya Williams
Director
Arkansas Department of Human Services
Division of Child Care and Early Childhood Education
Donaghey Plaza South, Slot S140
Little Rock, AR 72203-1437
(501) 320-8953
tonya.williams@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-01** |
| **CFDA Number(s) and Program Title(s):** | **10.553 – School Breakfast Program**<br>**10.555 – National School Lunch Program**<br>**10.556 – Special Milk Program for Children**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **2012IN109946** |
| **Federal Award Year(s):** | **2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed;**<br>**Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
Section 13(b)(3) of the National School Lunch Act, codified as 42 USC § 1761 (b)(3), allows sponsors of Child Nutrition Programs to receive administrative cost reimbursement at established rates. Rates are higher for sponsors of sites located in rural areas and for "self-prep" sponsors that prepare their own meals at the SFSP site or a central facility, as opposed to purchasing meals from vendors.

**Condition and Context:**
The recalculation of 10 SFSP sponsors revealed the Arkansas Department of Human Services (DHS) overpaid administrative reimbursements of $926 to one sponsor for June 2012. The error was due to the SNP Claims System utilizing the reimbursement rates for the SFSP Type for rural or self-prep rather than the SFSP Site Information Document.

**Questioned Costs:**
$926

**Cause:**
Historically, a sponsor has been paid administrative reimbursement based on the overall sponsor designation, regardless of actual site designation. Separate sponsor sites were not evaluated individually; thus, DHS has never determined the administrative rate for SFSP claims at the site level. As noted in the 2012 Management Evaluation performed by the U.S. Department of Agriculture, administrative reimbursements should be determined by site.

**Effect:**
A difference in a sponsor's actual site designation compared to the sponsor's overall designation would affect the amount of administrative reimbursement, thus creating the potential for an over or under-payment.

**Recommendations:**
We recommend the Agency recover the administrative cost overpayment of $926 identified in the June 2012 reimbursement claims. Additionally, we recommend DHS perform analysis to identify other sponsors that were over or under reimbursed and take appropriate action. We also recommend DHS develop procedures or edit checks within the SNP Claims System to determine the administrative rate at the site level and to calculate sponsor reimbursement rates based on site.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-01 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **10.553 – School Breakfast Program**<br>**10.555 – National School Lunch Program**<br>**10.556 – Special Milk Program for Children**<br>**10.559 – Summer Food Service Program for Children**<br>**(Child Nutrition Cluster)** |
| **Federal Award Number(s):** | **2012IN109946** |
| **Federal Award Year(s):** | **2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed;**<br>**Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
The Division of Child Care and Early Childhood Education (DCCECE) has reviewed the finding by Legislative Audit detailing possible payment errors and is in agreement with that finding. DCCECE had identified the error prior to the Legislative Audit review and it has been corrected in the SNP Claims System. The system now appropriately verifies that the proper reimbursement rate is utilized for rural and urban sites, rather than through analysis of the sponsor location. DCCECE will analyze the sponsor payments in question and take appropriate action with regard to recovery of any funding discrepancies.

**Anticipated Completion Date:** September 30, 2013

**Contact Person:**
Mark Story
Assistant Director / Chief Fiscal Officer
Division of Child Care and Early Childhood Education
P.O. Box 1437, Slot S140
Little Rock, AR 72203-1437
Phone: (501) 683-0989
Email: mark.story@arkansas.gov

**Audit status as of June 30, 2013:**
The Agency appears to be have instituted corrective action in the Special Nutrition Program (SNP) Claims System to determine the administrative rate for Summer Food Service Program (SFSP) sponsors at the site level. During recalculation testing of SFSP sponsors' reimbursement claims, no exceptions were noted.

However, it appears the Agency did not recover the administrative cost overpayment of $926 from the SFSP sponsor. After contacting program management at least twice, DLA could not determine if the Agency performed a review or analysis of other SFSP claims that may have been over or under funded by the sponsor or other recipients due to this issue.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-03** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.558 – Temporary Assistance for Needy Families (TANF Cluster)** |
| **Federal Award Number(s):** | **G-1202ARTANF** |
| **Federal Award Year(s):** | **2012** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles; Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
For cash assistance costs to be allowable, they must be made to eligible clients, as outlined in Sections 3 and 11 of the State Plan for Title IV-A of the Social Security Act: Temporary Assistance for Needy Families (TANF). In addition, Section 2800 of the TEA Policy Manual governs sanctions related to client non-compliance. Also, Section 2213 of the TEA Policy Manual governs verification that children are living with the parent or other relative.

**Condition and Context**
To test the $16,101,134 in cash assistance disbursements to 13,951 clients, we randomly sampled $67,770 in cash assistance payments to 60 clients to determine allowable cost and eligibility for those clients. Our sample revealed three clients with overpayments, as summarized below:

- One client was paid a total of $1,488 over various supplemental payments, some of which were calculated incorrectly, resulting in an overpayment of $860.
- One client was paid two monthly $162 payments for a child-only TEA case. The case should have been closed these two months due to the children being in foster care, resulting in an overpayment of $324.
- One client was paid $162 for four months for a child-only TEA case. The case should have been closed these four months due to the children no longer living in the household, resulting in an overpayment of $810.

**Questioned Costs:**
$1,994

**Cause:**
Lack of adequate training for staff who apply sanctions, lack of appropriate communication between case workers, and inadequate review by supervisory staff led to the clients being paid amounts to which they were not entitled.

**Effect:**
Failure to provide staff with adequate training and to properly review client eligibility placed assets at risk and could jeopardize the Agency's ability to provide program funding.

**Recommendation:**
We recommend the Agency provide adequate training to staff responsible for determining client eligibility as well as strengthen the review process performed by supervisory staff to ensure federal program funds are utilized in accordance with federal regulations and the State Plan for TANF.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency concurs with the findings and will provide additional training and monitoring of caseworker actions as well as improve communications with the Department of Workforce Services. The Agency will develop a Computer Based Training to TEA caseworkers regarding the calculation of supplemental payments.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-03 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.558 – Temporary Assistance for Needy Families (TANF Cluster)** |
| **Federal Award Number(s):** | **G-1202ARTANF** |
| **Federal Award Year(s):** | **2012** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles; Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**
Additional supervisory monitoring will be done to ensure that when children receiving TEA benefits are placed in foster care the case will be closed. The Agency will continue working with the Department of Workforce Services to establish a more efficient line of communication to ensure that when an employment plan is updated the DCO caseworker is notified to reduce the grant.

**Anticipated Completion Date:** April 2014

**Contact Person:**
Joni Jones, Director
Arkansas Department of Human Services
Division of County Operations
P.O. Box 1437, Mail Slot S301
Little Rock, AR 72203-1437
(501) 682-8375
joni.jones@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-04** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.575 – Child Care and Development Block Grant**<br>**93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund**<br>**(CCDF Cluster)** |
| **Federal Award Number(s):** | **G-1101ARCCDF; G-1201ARCCDF; G-1301ARCCDF** |
| **Federal Award Year(s):** | **2011, 2012, and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

The Agency has addressed these specific instances of noncompliance, and this finding was determined to be corrected. The Agency's controls continue to identify additional cases of possible overpayments. In accordance with OMB A-133 § 510(a)(3) and (6), the overpayments identified by the Agency each year are required to be reported, resulting in current-year finding **2014-008** on page 24.

**Criteria:**
The Arkansas Department of Human Services (DHS) is responsible for administering the State's Child Care and Development Fund (CCDF) "Child care" program. The Agency's responsibility includes determining eligibility for each applicant and documenting that eligibility criteria were met. The Agency outlines eligibility for the program in its State Plan.

**Condition and Context:**
Between October 1, 2012 and September 30, 2013, the Division of Child Care and Early Childhood Education identified 57 cases of client and provider overpayments totaling $59,663. The Agency identified an additional 53 cases of possible overpayments totaling $100,439 that are currently under investigation.

In addition to the above, we selected 95 clients for audit testing from the database of child care billings. This sample included the 46 clients receiving the highest benefits. As a result of this testing, we referred five clients to the Agency for further analysis due to information in the records that raised questions regarding eligibility and appropriateness of payments. The Agency already had open investigations on two of these cases.

**Questioned Cost:**
Unknown

**Cause:**
Factors contributing to these issues included the following: (a) case heads and/or clients failing to report changes in client eligibility criteria that affected eligibility status, (b) clients willfully misrepresenting their eligibility data, and (c) providers billing for services not provided.

**Effect:**
Benefits could have been provided to ineligible clients and providers.

**Recommendation:**
We recommend the Agency continue to provide training for employees, implement policy changes, and increase monitoring to reduce overpayments to clients and providers.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-04 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.575 – Child Care and Development Block Grant**<br>**93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund**<br>**(CCDF Cluster)** |
| **Federal Award Number(s):** | **G-1101ARCCDF; G-1201ARCCDF; G-1301ARCCDF** |
| **Federal Award Year(s):** | **2011, 2012, and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency concurs with the findings for the Child Care Development Fund program and will continue to work to improve internal controls and reduce fraud and overpayments. Possible provider overpayments or fraud continue to drop in comparison to prior years, a representation of the continuing efforts of the Division to control and or reduce such occurrences. In addition, historically, the Division has found that after completing this type of investigation, the actual proven instances of overpayments are often reduced from the preliminary amount.

The Division will continue to upgrade and improve the automated control environment in the KIDCare system via program enhancement releases each year. Finally, the five clients noted by legislative audit are undergoing further examination, and as noted two cases had already been referred to the DHS investigations unit for further review.

**Anticipated Completion Date:** June 2014

**Contact Person:**
Tonya Williams
Director
Arkansas Department of Human Services
Division of Child Care and Early Childhood Education
Donaghey Plaza South, Slot S140
Little Rock, AR 72203-1437
(501) 320-8953
tonya.williams@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-05** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.658 – Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **1201AR1401; 1301AR1401** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed; Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

The federal awarding agency disallowed and required the Agency to remit the $4,568 Federal Financial Participation (FFP). The Agency adjusted the September 30, 2014, quarterly financial report for the total questioned costs identified in this finding.

**Criteria:**
For an activity or cost to be considered allowable, it must meet the general criteria outlined in 2 CFR § 225 and the program regulations set forth in 42 USC § 672 and 45 CFR § 1356.

**Condition and Context:**
We reviewed child care payments on behalf of 60 foster children. Each child's eligibility status was verified using the Agency's Children's Reporting and Information System (CHRIS). Our review revealed the following:

- Fifteen children were determined by the State to be eligible but not claimable due to placement. The foster child as well as the foster family home must meet all eligibility criteria to receive Title IV-E funds. If the foster family home does not meet all criteria, the result is non-claimable status. Questioned costs for these instances of noncompliance totaled $4,044.
- One child was determined by the State to be eligible but not claimable due to the child's receipt of Supplemental Security Income (SSI) benefits. Questioned costs for this instance of noncompliance totaled $107.
- Two children were determined by the State to be ineligible to receive Title IV-E child care benefits. These children had exited care at the time of the payment. Questioned costs for these instances of noncompliance totaled $417.

Similar instances of noncompliance were also reported in the 2009 – 2012 State of Arkansas Single Audit reports.

**Questioned Costs:**
$4,568

**Cause:**
Payments for child care for non-claimable and ineligible foster children continue to be processed because the Agency has not completed the necessary programming revisions between the CHRIS and KidCare systems. As a result, incompatibility continues between the systems.

**Effect:**
Payments for child care continue to be made for non-claimable and ineligible foster children. Incomplete programming revisions continue to place assets at risk and may jeopardize the Agency's ability to provide program funding to claimable and eligible foster children.

**Recommendation:**
We ***again*** recommend the Agency complete the necessary programming revisions between the CHRIS and KidCare systems to ensure child care payments are made on behalf of eligible foster children.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-05 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.658 – Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **1201AR1401; 1301AR1401** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed; Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**

The Division of Children and Family Services (DCFS) has reviewed the finding by Legislative Audit detailed above and is in agreement with the finding. DCFS and the Division of Child Care and Early Childhood Education (DCC/ECE) have engaged in requirements gathering activities in preparation for a software development start date in the second quarter of 2014. The revision necessary to address the control issues noted in this finding is planned to be in production in the third quarter of 2014.

**Anticipated Completion Date:** Third quarter, 2014

**Contact Person:**

Cecile Blucker
Director
Arkansas Department of Human Services
Division of Children and Family Services
P.O. Box 1437 / Slot S-560
Little Rock, AR 72203-1437
(501) 682-8770
cecile.blucker@dhs.arkansas.gov

## Arkansas Department of Human Services (Continued)

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-06** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.658 – Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **1201AR1401; 1301AR1401** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Cash Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken.

On May 12, 2014, the Agency reported the status of this finding as "complete." However, fiscal year 2014 testing revealed the Agency's reconciliation contained numerous keying errors. As a result, the Agency's federal draws again exceeded actual program expenditures by $1,121,060. See current-year finding **2014-009** on page 26.

**Criteria:**
In accordance with 31 CFR § 205.33, a state must minimize the time between the drawdown of federal funds from the federal awarding agency and their disbursement for federal program purposes. The timing and amount of funds transfers must be as close as administratively feasible to a state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

**Condition and Context:**
We reviewed federal draws recorded in the Payment Management System (PMS) to determine if draws were adequately supported, were made for actual program expenditures, and met the immediate cash needs of the program. Our review included comparing the program draws recorded in PMS to program expenditures recorded in the Arkansas Administrative Statewide Information System (AASIS) and reported on the program's quarterly financial reports. Our review revealed that federal draws exceeded actual program expenditures by $1,325,145.

**Questioned Costs:**
$1,325,145

**Cause:**
Because of a change in personnel and lack of adequate training for the new staff responsible for ensuring compliance with cash management criteria, the Agency failed to prepare a reconciliation between federal draws and actual expenditures for three of the four quarters of fiscal year 2013.

**Effect:**
The Agency's federal draws exceeded actual program expenditures by $1,325,145.

**Recommendation:**
We recommend the Agency establish and implement procedures to ensure new staff are adequately trained. In addition, existing procedures for supervisory review should be strengthened to ensure cash management requirements are being met.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Division of Administrative Services (DAS) has reviewed the finding by Legislative Audit detailed above and is in agreement with the finding. The overdrawn federal funds are currently being repaid by reducing federal draws. DAS has made a change to the management of this unit and expect improvement in accountability. A new reconciliation process for this grant award has been implemented. The new personnel directly responsible for this grant along with their direct supervisors have received additional training on the grant administrator responsibilities.

**Anticipated Completion Date:** March, 2014

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-06 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.658 – Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **1201AR1401; 1301AR1401** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Cash Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Contact Person:**

Karen Fricke
Director
Arkansas Department of Human Services
Division of Administrative Services
P.O. Box 1437, Slot W401
Little Rock, AR 72203-1437
(501) 682-5448
karen.fricke@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-03** |
| **CFDA Number(s) and Program Title(s):** | **93.658 – Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **1201AR1401; 1101AR1401** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed; Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
For an activity or cost to be considered allowable, it must meet the general criteria outlined in 2 CFR § 225 and the program regulations set forth in 42 USC § 672 and 45 CFR § 1356.

**Condition and Context:**
We reviewed child care payments on behalf of 60 foster children. Each child's eligibility status was verified using the Agency's Children's Reporting and Information System (CHRIS). Our review revealed the following:

- Fourteen children were determined by the State to be eligible but not claimable due to placement. The foster child as well as the foster family home must meet all eligibility criteria to receive Title IV-E funds. If the foster family home does not meet all criteria, the result is non-claimable status. Questioned costs for these instances totaled $10,003.
- Eight children were determined by the State to be eligible but not claimable due to factors other than those stated above, which may include the child receiving Supplemental Security Income (SSI) benefits, the court order did not contain adequate documentation supporting whether reasonable efforts were made to keep the child in the home, and the State no longer had care/placement responsibility. Questioned costs for these instances totaled $3,500.
- Five children were determined by the State to be ineligible to receive Title IV-E child care benefits. These children had exited care at the time of the payment. Questioned costs for these instances totaled $171.

Similar instances were also reported in the 2009, 2010, and 2011 State of Arkansas Single Audit reports.

**Questioned Costs:**
$13,674

**Cause:**
Payments for child care for non-claimable and ineligible foster children continue to be processed because the Agency has not developed or implemented a new system, as stated in the Agency's planned corrective action from the 2011 Single Audit report. In November 2012, the Division of Children and Family Service's CFO stated the system would be modified, not redeveloped. However, no modifications have been made. As a result, incompatibility continues between the CHRIS and KidCare Systems.

**Effect:**
Payments for child care continue to be made for non-claimable and ineligible foster children. Failure by the Agency to address incompatibility between the CHRIS and KidCare systems continues to place assets at risk and may jeopardize the Agency's ability to provide program funding to claimable and eligible foster children.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-03 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.658 – Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **1201AR1401; 1101AR1401** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed; Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Recommendation:**
We continue to recommend the Agency establish and implement effective procedures to ensure child care payments are made on behalf of claimable and eligible foster children.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
The Division of Children and Family Services (DCFS) agrees with the above finding. DCFS is currently working with the Division of Child Care and Early Childhood Education to develop the needed programming between the CHRIS and KidCare systems to resolve this issue. The two divisions are forming a workgroup that will identify the code, in both systems, requiring revision.

**Anticipated Completion Date:** December 31, 2013

**Contact Person:**
Greg Crawford
Assistant Director/Chief Fiscal Officer
Division of Children and Family Services
P.O. Box 1437 / Slot S-561
Little Rock, AR 72203-1437
Phone: (501) 682-6248
Fax: (501) 683-5422
Email: Greg.Crawford@arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-710-05**.

In addition, the federal awarding agency disallowed and required the Agency to remit the $13,674 Federal Financial Participation (FFP). The Agency adjusted the June 30, 2013, quarterly financial report for the total questioned costs identified in this finding.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-05** |
| **CFDA Number(s) and Program Title(s):** | **93.658 – Foster Care_Title IV-E**<br>**93.658 – ARRA – Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **1001AR1401; 1101AR1401; 1001AR1402; 1101AR1402** |
| **Federal Award Year(s):** | **2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed; Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
For an activity or cost to be considered allowable, it must meet the general criteria outlined in 2 CFR § 225 and the program regulations set forth in 42 USC § 672 and 45 CFR § 1356.

**Condition and Context:**
Our review of child care payments on behalf of 60 foster children revealed the following:

- 25 children were determined by the *State* to be eligible, but not claimable due to placement. The foster child as well as the foster family home must meet all eligibility criteria to receive Title IV-E funds. If the foster family home does not meet all criteria, the result is non-claimable status. Questioned costs include $12,588 paid from the regular grant and $661 paid from the ARRA grant. This issue was also noted in prior audits.
- 7 children were determined by the *State* to be eligible, but not claimable due to factors other than those stated above which may include: (a) the child's receipt of SSI, and (b) reasonable efforts were not made. Questioned costs include $5,777 paid from the regular grant and $323 paid from the ARRA grant. This issue was also noted in prior audits.
- 1 child was determined by the *State* to be ineligible. Questioned costs include $226 paid from the regular grant and $10 paid from the ARRA grant.
- 4 children were determined by the *State* to be ineligible to receive Title IV-E child care benefits. These children had exited care and were not in care at the time of the payment. Questioned costs include $405 paid from the regular grant and $23 paid from the ARRA grant. This issue was also noted in prior audits.

**Questioned Costs:**
$18,996 – Foster Care_Title IV-E

$1,017 – ARRA - Foster Care _Title IV-E

**Cause:**
The lack of training for staff, untimely entering of eligibility information in CHRIS (Children's Reporting and Information System), system incompatibility between the CHRIS and the KidCare System, and inadequate review by supervisory staff resulted in program funds being used for unallowable purposes.

**Effect:**
The failure to properly review child care payments has placed assets at risk and could jeopardize the Agency's ability to provide program funding.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-05 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.658 – Foster Care_Title IV-E**<br>**93.658 – ARRA – Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **1001AR1401; 1101AR1401; 1001AR1402; 1101AR1402** |
| **Federal Award Year(s):** | **2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed; Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Recommendation:**
We *again* recommend the Agency establish and implement internal control procedures to ensure child care payments are made on behalf of eligible foster children.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011:**
The Division of Children and Family Services concurs with this finding. Programming logic issues between the CHRIS system and KIDCARE system resulted in improper Title IV-E daycare benefits for thirty-two of the children listed above. When a voucher was initiated in the CHRIS system, the program looked to see if the child was Title IV-E eligible; however, it should have been looking to see if the child was Title IV-E claimable. The programming to fix this is in development and will be implemented by July 2012. Additionally, the inability to determine Title IV-E claim ability by date of service and to adjust the daily voucher approvals in the KIDCARE system resulted in unallowable payments. A system solution for the date of service issue requires substantial programming and is one reason a new KIDCARE system is being developed. Implementation of the new system is anticipated to be two years away. The remaining condition highlighted by this finding is payments after the child leaves care. To address this condition, an email reminder about the importance of timely data entry has been sent to Area Management.

**Anticipated Completion Date:** July 31, 2012

**Contact Person:**
Greg Crawford
Assistant Director/Chief Fiscal Officer
Division of Children and Family Services
P.O. Box 1437 / Slot S-561
Little Rock, AR 72203-1437
Phone: (501) 682-6248
Fax: (501) 683-5422
Email: Greg.Crawford@arkansas.gov

**Audit status as of June 30, 2012:**
Corrective action has not been taken. The Agency is not in the process of developing and implementing a new system. In November 2012, the DCFS CFO stated the system would be modified not redeveloped. However, no modifications have been made. See current-year finding **12-710-03**.

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-710-05**.

In addition, the federal awarding agency disallowed and required the Agency to remit the $20,013 Federal Financial Participation (FFP). The Agency adjusted the December 31, 2012, quarterly financial report for the total questioned costs identified in this finding.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2010 Prior Year Finding Number:*** | **10-710-13** |
| **CFDA Number(s) and Program Title(s):** | **93.658 - Foster Care_Title IV-E**<br>**93.658 - ARRA - Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **0901AR1401; 0901AR1402; 1001AR1401; 1001AR1402** |
| **Federal Award Year(s):** | **2010** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed;**<br>**Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
For an activity or cost to be considered allowable it must meet the general criteria outlined in 2 CFR 225 and the program regulations set forth in 42 USC 672 and 45 CFR 1356.

**Condition and Context:**
Our review of child care payments on behalf of 60 foster children revealed the following:

- 17 children were determined to be eligible, but not claimable due to placement. Questioned costs include $7,274 paid from the regular grant and $618 paid from the ARRA grant. The foster child as well as the foster family home must meet all eligibility criteria to receive Title IV-E funds. If the foster family home does not meet all criteria, the result is non-claimable status. This issue was also noted in prior audits.
- 14 children were determined to be eligible, but not claimable due to a variety of factors including but not limited to: a) the child's receipt of SSI, b) deprivation did not exist, and c) lack of financial need. Questioned costs include $14,507 paid from the regular grant and $1,232 paid from the ARRA grant.
- Two children were determined ineligible to receive child care benefits because they had exited care and were not in care at the time of payment. Questioned costs include $138 paid from the regular grant and $12 paid from the ARRA grant. This issue was also noted in prior audits.

**Questioned Costs:**
$21,919 - Foster Care_Title IV-E

$1,862 - Foster Care_Title IV-E, Recovery Act

**Cause:**
Lack of training for staff, untimely entering of eligibility information in the Children's Reporting and Information System (CHRIS), and inadequate review by supervisory staff resulted in program funds being used for unallowable purposes.

**Effect:**
Failure to properly review child care payments has placed assets at risk and could jeopardize the Agency's ability to provide program funding.

**Recommendation:**
We ***again*** recommend the Agency establish and implement internal control procedures to ensure child care payments are made on behalf of eligible foster children.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2010 Prior Year Finding Number:*** | **10-710-13 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.658 - Foster Care_Title IV-E**<br>**93.658 - ARRA - Foster Care_Title IV-E** |
| **Federal Award Number(s):** | **0901AR1401; 0901AR1402; 1001AR1401; 1001AR1402** |
| **Federal Award Year(s):** | **2010** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed;**<br>**Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2010:**
The Division of Children and Family Services agrees with this finding. There are two issues that cause the problems. The two instances of children receiving benefits after leaving care were due to a glitch in the automated notification from CHRIS to the Division of Child Care and Early Childhood Education's KIDCARE system. This glitch allowed billings against vouchers that should have been closed. This was discovered in the prior year audit and has been corrected; however it was corrected after these two instances occurred.

Due to an error in the programming logic between the CHRIS system and KIDCARE other children who received Title IV-E daycare benefits for which they were not eligible. When a voucher is initiated in the CHRIS system, the system looks to see if the child is Title IV-E eligible, however, it is not looking to see if the placement is actually Title IV-E claimable. Programming requirements to correct this error are extensive and the Division is investigating these changes.

**Audit status as of June 30, 2011:**
As noted in current-year finding, **11-710-05**, child care payments continue to be made for foster children determined to be ineligible or non-claimable.

**Audit status as of June 30, 2012:**
Corrective action has not been taken. The Agency is not in the process of developing and implementing a new system. In November 2012, the DCFS CFO stated the system would be modified not redeveloped. However, no modifications have been made. See current-year finding **12-710-03**.

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-710-05**.

In addition, the federal awarding agency disallowed and required the Agency to remit the $23,781 Federal Financial Participation (FFP). The Agency adjusted the September 30, 2011, quarterly financial report for the total questioned costs identified in this finding.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2009 Prior Year Finding Number:*** | **09-710-09** |
| **CFDA Number(s) and Program Title(s):** | **93.658 - Foster Care_Title IV-E**<br>**93.658 - Foster Care_Title IV-E, Recovery Act** |
| **Federal Award Number(s):** | **0801AR1401; 0901AR1401; 0901AR1402** |
| **Federal Award Year(s):** | **2009** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed;**<br>**Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
For an activity or cost to be considered allowable it must meet the general criteria outlined in 2 CFR 225 and the program regulations set forth in 42 USC 672 and 45 CFR 1356.

**Condition:**
We reviewed child care payments on behalf of 40 foster children. In some instances, the payments were reimbursed from both the "regular" Foster Care_Title IV-E grant and the "ARRA" Foster Care_Title IV-E, Recovery Act grant.

Our review revealed the following:

- Six children were determined ineligible to receive Title IV-E child care benefits. The questioned costs for these payments totaled $643. Of this amount, $614 was paid from the regular grant and $29 was paid from the ARRA grant.
- 24 children were determined to be eligible, but not claimable. The questioned costs for these payments totaled $6,065. Of this amount, $5,683 was paid from the regular grant and $382 was paid from the ARRA grant. The foster child as well as the foster family home must meet all eligibility criteria to receive Title IV-E funds. If the foster family home does not meet all criteria, the result is non-claimable status.

**Questioned Costs:**
$6,297 - Foster Care_Title IV-E

$ 411 - Foster Care_Title IV-E, Recovery Act

**Cause:**
Lack of training for staff in addition to inadequate review by supervisory staff resulted in program funds being used for unallowable purposes.

**Effect:**
Failure to properly review Foster Care child care payments has placed assets at risk and could jeopardize the Agency's ability to provide program funding.

**Recommendation:**
We recommend the Agency establish and implement internal control procedures to ensure child care payments are made on behalf of eligible foster children.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2009:**
The Division of Children and Family Services (DCFS) agrees with the finding regarding the six children deemed ineligible to receive benefits. Five of these instances occurred when the child left care, but the case in the system was not closed until later. This caused the voucher to be left open and allowed daycare facilities to bill against it.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2009 Prior Year Finding Number:*** | **09-710-09 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.658 - Foster Care_Title IV-E**<br>**93.658 - Foster Care_Title IV-E, Recovery Act** |
| **Federal Award Number(s):** | **0801AR1401; 0901AR1401; 0901AR1402** |
| **Federal Award Year(s):** | **2009** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed;**<br>**Allowable Costs/Cost Principles** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2009 (Continued):**
The information is generated in the DCFS CHRIS system and transferred to the Division of Child Care and Early Childhood Education's KIDCARE system where the actual voucher resides and is billed against. The sixth instance occurred due to a glitch in the automated notification from CHRIS to KIDCARE allowing billings to occur against a voucher that would have been closed. DCFS and DCCECE are working together to develop an automated reconciliation process that will indentify these types of situations.

DCFS is consulting with the Region VI office of the Federal Administration for Children and Families (ACF) with regard to the issue of the 24 children determined to be eligible, but not claimable. The Division believes if the services are provided by a duly licensed and approved daycare provider, the payment for daycare is allowable under Title IV-E if the child is eligible. The Region VI office of ACF initially looked favorably on this position, but is awaiting further clarification from the National office of ACF. If the Division's position is determined by the National Office of ACF to be in error, new programming in the system will be required.

**Anticipated Completion Date:** Undetermined

**Contact Person:**
Greg Crawford
Assistant Director/Chief Fiscal Officer
Division of Children and Family Services
P.O. Box 1437 / Slot S-561
Little Rock, AR 72203-1437
Phone: (501) 682-6248
Fax: (501) 683-5422
Email: Greg.Crawford@arkansas.gov

**Audit status as of June 30, 2010:**
As noted in current-year finding **10-710-13,** the Agency continues to allow payments for foster children determined to be ineligible and/or non-claimable.

**Audit status as of June 30, 2011:**
As noted in current-year finding, **11-710-05**, child care payments continue to be made for foster children determined to be ineligible or non-claimable.

**Audit status as of June 30, 2012:**
Corrective action has not been taken. The Agency is not in the process of developing and implementing a new system. In November 2012, the DCFS CFO stated the system would be modified not redeveloped. However, no modifications have been made. See current-year finding **12-710-03**.

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-710-05**.

In addition, the federal awarding agency disallowed and required the Agency to remit the $6,708 Federal Financial Participation (FFP). The Agency adjusted the September 30, 2010, quarterly financial report for the total questioned costs identified in this finding.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-04** |
| **CFDA Number(s) and Program Title(s):** | **93.659 – Adoption Assistance** |
| **Federal Award Number(s):** | **1101AR1407; 1201AR1407** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken.

On May 12, 2014, the Agency reported the status of this finding as "complete." However, our follow-up procedures revealed overpayments totaling $9,840 in 2014 that had not been forwarded to accounts receivable for collection. **For the third consecutive year**, the Agency failed to implement its planned corrective action that states the section manager will notify the accounts receivable unit of the adoption subsidy overpayments.

*Note:* On January 6, 2015, the Agency began sending notifications to accounts receivable. Follow-up review will be performed during the 2015 Statewide Single Audit.

**Criteria:**
In accordance with 42 USC § 673 (a)(4)(A) and (B), a payment may not be made to parents with respect to a child if the State determines that the parents are no longer legally responsible for the support of the child or if the State determines that the child is no longer receiving any support from the parents. Parents who have been receiving adoption assistance payments shall keep the state administering the program informed of circumstances that would make them ineligible for the payments.

**Condition and Context:**
During reconciliation of payments issued as recorded in the Agency's Children's Reporting and Information System (CHRIS) to warrants issued in the Arkansas Administrative Statewide Information System (AASIS), it was discovered that subsidy payments were made to parents past the date the subsidy had ended. The overpayments were made to 11 adoptive parents representing 14 children.

**Questioned Costs:**
$10,063

**Cause:**
Agency staff did not enter subsidy end dates into CHRIS timely because notification was not received from the parents or relatives of the adopted child and because appropriate staff were not notified timely when the adoptive parents' parental rights had been terminated. Subsidies end due to circumstances that may include death of the adoptive parent or the adopted child or the adoptive parent's inability to maintain responsibility for the adopted child.

**Effect:**
Overpayments were made to 11 adoptive parents. As a result, the Agency could be required to reimburse the federal awarding agency the amount of questioned costs noted above. In addition, it was discovered that the Division of Children and Family Services did not have a process in place to notify the Agency's accounts receivable department that an overpayment had occurred.

**Recommendation:**
We again recommend the Agency establish a process for identifying instances in which subsidy end dates entered by staff result in an overpayment to an adoptive parent. In addition, we again strongly recommend the Agency develop procedures to notify the accounts receivable department when overpayments occur. This issue was addressed with the Agency in the Single Audit report for the year ended June 30, 2011. In the 2011 report, the Agency responded that it concurred with the finding and would put policies and manual procedures in place to notify the accounts receivable department of overpayments and that the manual process was complete. However, as of the end of fieldwork for this report (2012), the Agency had not implemented policies or a manual process.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-04 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.659 – Adoption Assistance** |
| **Federal Award Number(s):** | **1101AR1407; 1201AR1407** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
The Division of Children and Family Services (DCFS) agrees with the above finding. DCFS has a computer generated report that identifies subsidy recipients six months prior to the adoptees 18th birthday. One staff member failed to monitor this report on a timely basis, thus causing overpayments; the staff member in question is no longer employed with DCFS. DCFS has retrained the staff to review this report and update the CHRIS system with subsidy end dates. Additionally, DCFS has implemented manager review, on a test basis, to verify end dates have been entered in the CHRIS system. DCFS has also implemented a process whereby any identified overpayment is reported to the section manager, and the section manager, in turn, is required to notify Accounts Receivable of the adoption subsidy overpayment. DCFS has notified Accounts Receivable of the cases identified in this finding.

**Anticipated Completion Date:** Ongoing

**Contact Person:**
Greg Crawford
Assistant Director/Chief Fiscal Officer
Division of Children and Family Services
P.O. Box 1437 / Slot S-561
Little Rock, AR 72203-1437
Phone: (501) 682-6248
Fax: (501) 683-5422
Email: Greg.Crawford@arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has not been taken. Agency staff members are able to identify the overpayments caused by the untimely submission of subsidy end dates into CHRIS. However, the Agency continues to fail to implement the portion of its planned corrective action regarding notifying the Accounts Receivable (A/R) unit of those overpayments. DLA's follow-up procedures to determine if the Agency was in compliance with its corrective action plan revealed $5,593 in additional overpayments for fiscal year 2013 that had not been forwarded to A/R. DCFS provided the 2013 overpayments listing to A/R subsequent to DLA's follow-up inquiry. DCFS is not actively notifying A/R of overpayments.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-09** |
| **CFDA Number(s) and Program Title(s):** | **93.659 – Adoption Assistance**<br>**93.659 – ARRA – Adoption Assistance** |
| **Federal Award Number(s):** | **1001AR1403; 1101AR1403;**<br>**1001AR1407; 1101AR1407;** |
| **Federal Award Year(s):** | **2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken.

On May 12, 2014, the Agency reported the status of this finding as "complete." However, our follow-up procedures revealed overpayments totaling $9,840 in 2014 that had not been forwarded to accounts receivable for collection. **For the third consecutive year**, the Agency failed to implement its planned corrective action that states the section manager will notify the accounts receivable unit of the adoption subsidy overpayments.

*Note*: On January 6, 2015, the Agency began sending notifications to accounts receivable. Follow-up review will be performed during the 2015 Statewide Single Audit.

**Criteria:**
In accordance with 42 USC § 673 (a)(4)(A) and (B), a payment may not be made to parents with respect to a child if the State determines that the parents are no longer legally responsible for the support of the child or if the State determines that the child is no longer receiving any support from the parents. Parents who have been receiving adoption assistance payments shall keep the State administering the program informed of circumstances which would make them ineligible for the payments.

**Condition and Context:**
During our reconciliation of payments issued as recorded in the Agency's Children's Reporting and Information System (CHRIS) to the warrants issued in the Arkansas Administrative Statewide Information System (AASIS), it was discovered that subsidy payments were made to parents past the date the subsidy had ended.

**Questioned Costs:**
$8,662 – Adoption Assistance
$ 450 – ARRA - Adoption Assistance

**Cause:**
Agency staff did not enter subsidy end dates into CHRIS in a timely manner because notification was not received from the parents or relatives of the adopted child and because appropriate staff were not notified in a timely manner when the adoptive parents' parental rights had been terminated. Subsidies end due to circumstances which may include death of the adoptive parent or the adopted child or the adoptive parent becoming no longer responsible for the adopted child.

**Effect:**
An overpayment was made to adoptive parents. In addition, it was discovered that the Agency did not have a process in place to notify the accounts receivable department that an overpayment had occurred. Federal Adoption Assistance funds were paid to parents after the subsidy had ended. As a result, the Agency could be required to reimburse the federal awarding agency the amount of questioned costs noted above.

**Recommendation:**
We recommend the Agency establish a process for identifying instances when the end dates are not entered timely in order for appropriate staff to be notified that an overpayment has occurred. We also recommend the Agency establish a process for notifying the accounts receivable department when overpayments occur.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-09 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.659 – Adoption Assistance**<br>**93.659 – ARRA – Adoption Assistance** |
| **Federal Award Number(s):** | **1001AR1403; 1101AR1403;**<br>**1001AR1407; 1101AR1407;** |
| **Federal Award Year(s):** | **2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011:**
The Division of Children and Family Services concurs with this finding. An automated system exists for division overpayments; however, adoption overpayments were not covered under that automated system. The adoption unit will put policies and manual procedures in place to notify DHS Accounts Receivable of any adoption over payments until the automated process can be reprogrammed.

**Anticipated Completion Date:** Manual process is complete

**Contact Person:**
Greg Crawford
Assistant Director/Chief Fiscal Officer
Division of Children and Family Services
P.O. Box 1437 / Slot S-561
Little Rock, AR 72203-1437
Phone: (501) 682-6248
Fax: (501) 683-5422
Email: Greg.Crawford@arkansas.gov

**Audit status as of June 30, 2012:**
Corrective action has not been taken. The Agency did not put policies in place and the manual process is not completed as stated above. See current-year finding **12-710-04**.

**Audit status as of June 30, 2013:**
Corrective action has not been taken. Agency staff members are able to identify the overpayments caused by the untimely submission of subsidy end dates into CHRIS. However, the Agency continues to fail to implement the portion of its planned corrective action regarding notifying the Accounts Receivable (A/R) unit of those overpayments. DLA's follow-up procedures to determine if the Agency was in compliance with its corrective action plan revealed $5,593 in additional overpayments for fiscal year 2013 that had not been forwarded to A/R. DCFS provided the 2013 overpayments listing to A/R subsequent to DLA's follow-up inquiry. DCFS is not actively notifying A/R of overpayments.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-07** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.767 – Children's Health Insurance Program** |
| **Federal Award Number(s):** | **05-1105AR5021; 05-1205AR5021** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Cash Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken.

On May 12, 2014, the Agency reported the status of this finding as "complete." However, our follow-up procedures revealed that the Agency only corrected the portion of the excess draw of federal funds totaling $29,613. As of January 23, 2015, the Agency was still in the process of correcting formula errors within its worksheet to address the error totaling $14,392.

**Criteria:**
As noted in OMB Circular A-133, § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This includes establishing proper internal controls to ensure the accuracy of federal draws.

The Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009 authorized states to cover parents under the Children's Health Insurance Program (CHIP) at an enhanced Federal Medical Assistance Percentage (FMAP) of 79.12% until September 30, 2012. Beginning October 1, 2012, the FMAP was reduced to 70.17%.

**Condition and Context:**
During our review of the Medicaid Cluster, we discovered a formula error within an Agency worksheet that resulted in a draw of federal funds from CHIP for Medicaid expenditures. Questioned costs totaled $14,392.

We also discovered another error involving CHIP during our review. As previously stated, the FMAP was reduced as of October 1, 2012, for states covering parents under CHIP. The Agency failed to reduce the FMAP as of October 1, 2012, and, as a result, requested and received excess federal funds totaling $29,613.

**Questioned Costs:**
$44,005

**Cause:**
The Agency failed to make necessary adjustments to the worksheet used to calculate the weekly federal draws for Medicaid and CHIP. In addition, adequate supervisory oversight was not provided to ensure the accuracy of these worksheets.

**Effect:**
The Agency incorrectly requested and received federal funds from CHIP for Medicaid expenditures.

**Recommendation:**
We recommend the Agency review and strengthen internal controls to ensure federal draws are properly calculated and drawn from the appropriate federal grant.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Division of Administrative Services (DAS) has reviewed the finding by Legislative Audit detailed above and is in agreement with the finding. These errors resulted from new personnel in the Medicaid reporting section missing a few required updates to a complicated worksheet that is only modified annually. The overdrawn federal funds were repaid by reducing federal draws. DAS has implemented a new review process to ensure correct rates and formulas are in place at the start of each federal fiscal year.

**Anticipated Completion Date:** Complete

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-07 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.767 – Children's Health Insurance Program** |
| **Federal Award Number(s):** | **05-1105AR5021; 05-1205AR5021** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Cash Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Contact Person:**
Karen Fricke
Director
Arkansas Department of Human Services
Division of Administrative Services
P.O. Box 1437, Slot W401
Little Rock, AR 72203-1437
(501) 682-5448

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-08** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5ADM; 05-1305AR5ADM** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Administration and Training** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
2 CFR § 225, Appendix B.8.h (3), states that, "where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee."

The Agency uses an automated system via email to notify employees requiring certification. Employee responses are required within 30 days. Divisional CFOs are responsible for ensuring all certifications are completed timely.

**Condition and Context:**
We selected 25 employees for our review to determine if the Agency was in compliance with the certification requirement. We obtained and reviewed the Direct Employee Certification report for these employees to verify that (1) the coding listed on the report matched the coding listed on the Arkansas Administrative Statewide Information System (AASIS) position control report, (2) the certification was completed within 30 days, and (3) the certification disposition was appropriate.

Our review revealed that two employees did not complete their certifications timely. One of these employees received a request for certification in February and August 2013; neither was received timely. Our testing in this compliance area had not revealed exceptions in prior years, so we expanded our testing to determine if the exceptions were isolated.

An additional sample of 25 employees was selected. Our review revealed an additional four employees who did not complete their certifications timely. Additionally, one employee was not certified for the six-month period beginning November 1, 2012 to May 1, 2013. The employee had terminated employment in January 2013, which was prior to the certification period end date, and was rehired for the same position on March 18, 2013, which was also prior to the original certification end date. According to the Agency, this unusual situation was not recognized by the system as a certification pending.

**Questioned Cost:**
None

**Cause:**
The Agency failed to properly monitor timely completion of employee certifications.

**Effect:**
Required certifications were not completed timely.

**Recommendation:**
We recommend the Agency strengthen monitoring controls to ensure certifications are completed timely as required.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-08 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5ADM; 05-1305AR5ADM** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Administration and Training** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency concurs with the finding regarding employee certifications and will work to appropriately train managers and supervisors on the use of available system generated information designed to aid in ascertaining if all applicable employees have completed their certification on a timely basis.

**Anticipated Completion Date:** May 2014

**Contact Person:**
Mark Story, Assistant Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
(501) 320-8955
Mark.Story@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-09** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Claims Payments** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken. See current-year finding **2014-014** on page 34.

On May 12, 2014, the Agency stated it is still working on implementing the corrective action.

**Criteria:**
In accordance with Arkansas Medicaid Provider Manual Section II – Rehabilitative Services for Persons with Mental Illness (RSPMI) sections 218.000 and 218.100, for each beneficiary entering the RSPMI Program, the treatment team must develop an individualized master treatment plan. The master treatment plan must be completed by a mental health professional, approved by a psychiatrist or physician, and reviewed by the treatment team at least every 90 calendar days.

RSPMI section 226.200 indicates that the provider must develop and maintain sufficient written documentation to support each medical or remedial therapy, service, activity, or session for which Medicaid reimbursement is sought. At minimum, this includes the following:

- The specific services rendered (must be individualized; duplicated notes are not allowed).
- The relationship of the services provided to the treatment regimen described in the master treatment plan.
- The date and actual time the services were rendered.
- The name and credentials of the individual who provided the services.
- The setting in which the services were provided.
- Updates describing the beneficiary's progress or lack thereof.
- Both daily notes and a weekly summary if receiving Rehabilitative Day Services (Weekly summary was not required for services dates prior to 12/1/12).

**Condition and Context:**
We selected 60 beneficiary files for review to determine if the provider maintained documentation as required by the specific sections of the RSPMI manual stated above. Our review revealed the following:

- 17 beneficiary files did not contain adequate supporting documentation to determine that an individualized Master Treatment Plan was completed and reviewed at least every 90 calendar days.
- 28 beneficiary files lacked some form of documentation to support services billed.

**Questioned Costs:**
$43,062

**Cause:**
The Agency failed to ensure all required RSPMI documentation was maintained.

**Effect:**
Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We recommend the Agency establish and implement procedures to ensure all required RSPMI documentation is maintained in the beneficiary files.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-09 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Claims Payments** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**

The Agency concurs with the findings for these Rehabilitative Services for Persons with Mental Illness (RSPMI) categories and will continue to work to improve internal controls and documentation practices in the RSPMI program. The Agency will strengthen controls via activities designed to ensure compliance with program rules and regulations and medical necessity. These controls will include contracting for services, specifically; inspection of care, desk reviews, and retrospective reviews for services provided through RSPMI program. In addition, the Division of Medical Services reviewed its RSPMI Inspection of Care Policy throughout 2012 and promulgated a revision to include new guidelines for review of services. These revisions became effective December 1, 2013, providers were notified, and the resulting review tool was implemented January 1, 2014 of the current year. The Division of Medical Services will continue to analyze and review outlier providers via desk review and refer such provider sites, as warranted, to the Office of Medicaid Inspector General for investigation of suspected waste and abuse of RSPMI funding.

**Anticipated Completion Date:** September 2014

**Contact Person:**
Mark Story
Assistant Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
(501) 320-8955
Mark.Story@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-10** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action was taken for the Prosthetics program.

Corrective action has not been taken for the Living Choices Assisted Living program. See current-year finding **2014-015** on page 36.

On May 12, 2014, the Agency stated its internal audit staff is conducting a review of these questioned costs.

**Criteria:**
A state may obtain a waiver of statutory requirements to provide an array of home and community-based services that may permit an individual to avoid institutionalization (42 CFR §§ 441.300 — 441.310). The U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) issued a special fraud alert concerning home health care. Problems noted include cost report frauds, billing for excessive services or services not rendered, and use of unlicensed staff. The full alert was published in the Federal Register on August 10, 1995, and is available online in the Special Fraud Alerts section of the HHS OIG home page.

Currently, Arkansas has five Section 1915(c) Home and Community-Based Services waivers for Medicaid:

1. Elder Choices.
2. Alternative Community Services (ACS).
3. Alternatives for Adults with Physical Disabilities (APD).
4. Living Choices Assisted Living.
5. Autism.

Our review included the Living Choices Assisted Living program. In addition, we selected the Prosthetics program, which does not operate under a waiver but is defined and regulated by 42 CFR § 440.120.

We also considered qualitative factors, such as management oversight and the Medicaid Program's high profile and public interest, that could have a significant impact on the integrity of the program.

Arkansas Provider Manuals for Living Choices Assisted Living and the Prosthetics programs (as well as the Medicare/Medicaid Crossover Only Provider Manual for crossover claims) dictate the information that must be documented and maintained in provider files to support the services billed.

We selected 60 provider files for review from the Living Choices Assisted Living program to determine if required documentation was being maintained in accordance with Provider Manual sections 202.100 and 202.110. The manual states that the provider must maintain sufficient written documentation in the beneficiary's case file supporting billing for services rendered. At minimum, this includes the following:

- The beneficiary's attending or primary care physician's name, office address, telephone number, and after-hours contact information.
- A copy of the beneficiary's plan of care.
- Written instructions to the facility's attendant care staff.
- Documentation of limited nursing services performed by the provider's nursing staff in accordance with the beneficiary's plan of care. Records must include:
  - Nursing service(s) performed.
  - Date and time of day nursing services are performed.
  - Progress or other notes regarding the resident's health status.
  - The signature or initials and the title of the person performing the services.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-10 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Condition and Context (Continued):**

- Documentation of periodic nursing evaluations performed by the assisted living facility nursing staff in accordance with the beneficiary's plan of care.
- Quarterly Monitoring Forms (AAS-9506) completed every 90 days (effective 1/1/13).
- Records of attendant care services.
    - Documentation of attendant care services performed.
    - The signature or initials of the person performing the services as well as the date services were performed.

Our review of the Living Choices Assisted Living program revealed that 56 case files lacked some form of documentation to support the services billed. Questioned costs totaled $855,085.

We also selected 60 provider files for review from the Prosthetics program to determine if required documentation was being maintained.

The documentation required for the Prosthetics program is contained in the Prosthetics Provider Manual section 203.100, which states that Prosthetics providers must maintain sufficient documentation to support each service billed. At minimum, this includes the following:

- An audit trail between the prosthetics provider, the beneficiary, the beneficiary's primary care physician, and the Division of Medical Services.
- When applicable, documentation including the request for and approval of prior authorization and/or the request for and approval of extension of benefits for services provided.
- The prescription for prosthetics services, signed and dated by the beneficiary's primary care physician.
- The prosthetics provider's signed and dated:
    - Certification that used equipment is reconditioned, is in good working order, and has no defects in workmanship or material.
    - The beneficiary's consent to receive services.
    - Notification of termination of prosthetics services.
    - Documentation to reflect that necessary training and orientation have been provided to the beneficiary and any other applicable persons.

For crossover claims only, the Medicare/Medicaid Crossover Only Provider Manual sections 215.300 and 142.300 indicate that providers must maintain:

- Complete and accurate original records that fully disclose the nature and extent of goods, services, or both provided to and for eligible beneficiaries. The delivery of all goods and services billed to Medicaid must be documented in the beneficiary's medical record. Beneficiary records must support the levels of service billed to Medicaid.

Additionally, a beneficiary must be dually eligible for both Medicaid and Medicare.

Our review of the Prosthetics program revealed that six case files lacked some form of documentation to support the services billed. Three of the case files were Prosthetics program files and had questioned costs totaling $3,504. The other three case files were Medicare/Medicaid Crossover Only files with questioned costs totaling $1,846.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-10 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Questioned Costs:**
$860,435

**Cause:**
The Agency failed to ensure that all required documentation was maintained.

**Effect:**
Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We recommend the Agency establish and implement procedures to ensure all required documentation is maintained in beneficiary case files.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency agrees with the control and access to documentation portions of the finding for the Living Choices Assisted Living program. After a limited review of the providers tested by Legislative Audit, DHS has been able to obtain the documentation listed as unavailable for review or missing completely from a sample of the exceptions noted. Therefore, DHS is not in agreement with the amount noted as questioned costs. As a part of the determination of an appropriate corrective action plan DHS will, in conjunction with the Office of Quality Assurance, perform a secondary review of all of the cases tested in the finding in an effort to ascertain why any of the documents requested were not immediately available to Legislative Audit as well as to document all those not in existence. In our tests thus far the records have been available but appear to have been scattered throughout areas responsible for the care of individuals residing in these assisted living facilities, for instance the case notes would likely be maintained in the nurse's area and not with the financial records. In addition, it should be noted that all of these providers are paid on a per diem basis and that the services they perform are designed to be at the direction of the individual under care. In short, the information gleaned from the secondary review will inform DHS as to the specific nature of improvements needed in the controls surrounding this program as well as the most effective road map for use in future audits or reviews, allowing better and timelier access to the documentation needed by Legislative Audit in their future engagements. Additionally, the Division of Aging and Adult Services (DAAS) will issue a Provider Information Memorandum clarifying those documentation requirements and will continue to conduct provider workshops with continued emphasis on documentation requirements.

The Agency agrees with the finding regarding the Prosthetics program and will strengthen the controls surrounding documentation of the required information in order to properly substantiate the "audit trail" noted by legislative audit.

**Anticipated Completion Date:** June 2014

**Contact Person:**
Mark Story
Assistant Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
(501) 320-8955
Mark.Story@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-11** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken.

On May 12, 2014, the Agency reported the status of this finding as complete. Although the Agency may have addressed these specific instances of noncompliance, our follow-up procedures revealed that provider files continue to lack adequate documentation. See current-year finding **2014-016** on page 38.

**Criteria:**
Follow-up procedures for prior-year finding 12-710-05 from the 2012 Statewide Single Audit revealed continued noncompliance and inadequate internal controls for three Home and Community-Based Services programs. In 2012, we reviewed the following programs:

- Assisted Living Services
- ElderChoices
- Personal Care Services

Specific criteria for these programs are located on the following page.

As part of its response to the 2012 finding, the Agency stated it disagreed with the finding because its review indicated that services were delivered in accordance with the plans of care, and accordingly, the payments were not improper.

However, the payments are considered improper as defined by the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204; the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments; and the June 18, 2010, Presidential memorandum to enhance payment accuracy. The term "improper payment" refers to the following:

- Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.
- Incorrect amounts, which include overpayments or underpayments made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments).
- Any payment made to an ineligible recipient or for an ineligible good or service or payments for goods or services not received (except for such payments where authorized by law).
- **Any payment that an agency cannot determine was appropriate because of insufficient or lack of documentation.**

In addition, the Agency also stated it conducted follow-up audits for the 15 Assisted Living Services beneficiary case files we reviewed and believes documentation was sufficient to support the billing submitted by the providers.

We noted in one of these case files that, after several attempts and requests, we were unable to locate and receive files from the provider. Questioned costs for that case file totaled $102,205. This is one of the files the Agency stated it reviewed and found sufficient documentation to support the billing.

On June 11, 2013, the provider of those services was referred to the Medicaid Fraud Control Unit for investigation.

The Agency also stated it disagreed with the finding because "DLA's interpretation of policy is the provider should have an actual start and stop time for each service performed during the day."

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-11 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Criteria (Continued):**
DLA's position is that documentation of the date and actual time service(s) are rendered **is a requirement** because it is clearly stated as such in the provider manuals established by the Agency. This specific criterion is located on the following page.

We also considered qualitative factors such as management oversight and the Medicaid Program's high profile and public interest, which could have a significant impact on the integrity of the program.

**Condition and Context:**
Our purpose in reviewing these programs was to determine if adequate supporting documentation was being maintained in beneficiary case files as required by Arkansas Provider Manuals. The manuals dictate the information that must be documented and maintained in these files to support the services billed.

The manuals dictate the following information be maintained in the files:

*Assisted Living Services (section 202.100)*

- A copy of the beneficiary's person-centered service plan.
- The specific services rendered.
- The date and actual time the services were rendered.
- The name and title of the individual who provided the service.
- Updates describing the beneficiary's progress or lack thereof. Updates should be maintained on a daily basis or at each contact with or on behalf of the beneficiary. Progress notes must be signed and dated by the provider of the service.

*ElderChoices (section 214.000)*

- A copy of the participant's plan of care.
- A brief description of the specific service(s) provided.
- The signature and title of the individual rendering the service(s).
- The date and actual time the service(s) was rendered.

*Personal Care Services (section 220.110(D))*

- The date of service.
- The routines performed on that date of service.
- The time of day the aide begins the beneficiary's services.
- The time of day the aide ends a beneficiary's services.
- Notes regarding the beneficiary's condition as instructed by the service supervisor.
- Task performance difficulties.
- The justification for any emergency unscheduled tasks and documentation of the prior-approval or post-approval of the unscheduled tasks.
- The justification for not performing any scheduled service plan required tasks.
- Any other observations the aide believes are of note or should be reported to the supervisor.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-11 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Condition and Context (Continued):**
Our follow-up procedures included reviewing 31 beneficiary files to determine if required documentation was being maintained to support services billed. Seven were selected from the Assisted Living Services program, and 12 each were selected from the ElderChoices and Personal Care Services programs.

Our review revealed the following:

*Assisted Living Services*

- Five case files lacked some form of documentation to support the services billed. Questioned costs totaled $58,768.

*ElderChoices*

- Five case files lacked some form of documentation to support the services billed. Questioned costs totaled $28,479.

*Personal Care Services*

- Seven case files lacked some form of documentation to support the services billed. Questioned costs totaled $16,622.

**Questioned Costs:**
$103,869

**Cause:**
The Agency failed to ensure that all required documentation was maintained.

**Effect:**
Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We ***again*** recommend the Agency establish and implement procedures to ensure all required documentation is maintained in beneficiary case files.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency agrees with the control and documentation portions of the finding for the Living Choices Assisted Living program but is not in agreement regarding the questioned costs. After consultation with our federal partners at the Centers for Medicare and Medicaid Services (CMS) and the provision of prior year finding documentation by DHS and review of that documentation by CMS, both agencies agree that the documentation issues are not significant enough to lead to recoverable questioned costs. The agencies agree that program required services were performed and that the core requirements of the program were met. However, DHS recognizes that internal control and proper documentation are important and both DDS and DAAS have corrective action plans detailed below designed to improve the control environment and result in better documentation for federal claims.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-11 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

Assisted Living Services management agrees that internal controls are very important, and would point out that large transformative changes to the HCBS waiver service delivery system are under way. This shift includes the transition of services now in the waiver to the Community First Choice Option, and development of an electronic medical records system that will streamline the agency's ability to closely monitor compliance with administrative and documentation requirements. In addition, ongoing training will be provided to home and community based service providers at the corporate level as well as at the direct care level to make sure that the DDS program standards are met. Management will also continue to review all current documentation requirements to ensure that they are related to and in furtherance of state and federal statutory and regulatory requirements for targeted case management for the ACS Waiver program and ensure that requirements are closely aligned with the goals of delivering higher quality services more efficiently in a manner that will result in better outcomes for those individuals served through the program. Finally, ACS Waiver Staff and DDS Certification and Licensure staff will conduct monitoring visits to home and community based service providers to ensure compliance with DDS program standards

Since the 2012 Statewide Single Audit, DAAS completed the following actions related to the ElderChoices and Personal Care Services programs. In conjunction with the Division of Medical Services, DAAS conducted ElderChoices workshops where documentation requirements were specifically reviewed and emphasized. In conjunction with the Division of Medical Services and Program Integrity, DAAS conducted ElderChoices Webinars specifically targeted to clarification on documentation requirements. DAAS also issued a Provider Information Memorandum specifically stating documentation requirements as outlined in Medicaid Policy. Finally, DAAS Quality Assurance began conducting desk audits of providers. If desk audits identified documentation problems, DAAS Quality Assurance advised providers of the problems as well as documentation requirements per Medicaid Policy.

**Anticipated Completion Date:** Complete

**Contact Person:**

Mark Story
Assistant Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
(501) 320-8955
Mark.Story@dhs.arkansas.gov

## Arkansas Department of Human Services (Continued)

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-12** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken. See current-year finding **2014-018** on page 42.

On May 12, 2014, the Agency reported that corrective action was on track for completion in June 2014.

**Criteria:**
The U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) issued a special fraud alert concerning home health care. Problems noted include cost report frauds, billing for excessive services or services not rendered, and use of unlicensed staff. The full alert was published in the Federal Register on August 10, 1995 and is available on the HHS OIG home page in the Special Fraud Alerts section.

As these programs are especially risky, the Agency asserted that internal controls that relate specifically to Home and Community-Based (HCB) Waiver Programs were in place during fiscal year 2013. First, the Agency's Division of Medical Services Quality Assurance (DMS QA) staff performed a review to determine if services billed were in agreement with the services allowed according to the recipient's plan of care. Second, effective January 1, 2013, DMS QA began performing home visits to ensure that services were actually being provided for claims submitted. Finally, the financial accountability section (I-1) of the various HCB waivers requires independent audits of providers meeting established thresholds. Independent audits are required to be submitted to and reviewed by the DHS Office of Chief Council audit staff for compliance.

**Condition and Context**:
In order to determine if adequate controls were in place specific to the HCB Waiver Programs, we conducted three separate control tests.

Our first test included obtaining a listing of all reviews performed by DMS QA whereby services billed were compared to services allowed per the plans of care. We selected 60 items from this listing to determine if supporting documentation was adequate to substantiate that the reviews had been performed. Our review revealed that 19 items did not have adequate supporting documentation of a review being performed by DMS QA. DMS QA indicated that unless an issue was noted as a result of its review, no documentation of the review would be available.

Our second test included obtaining a listing of all home visits made by DMS QA whereby services were actually being provided for claims submitted. We selected 60 items from this listing to determine if supporting documentation was adequate to substantiate that the home visit had been made. Our review revealed that 49 items did not have adequate supporting documentation of a home visit. DMS QA indicated that unless an issue was noted as a result of the home visit, no documentation of the review would be available.

Our third test involved verification that all independent audits for providers meeting the criteria previously mentioned were being received and reviewed by DHS Office of Chief Council. Our discussion with the Agency revealed that no procedures were in place to review independent audits of providers, as required per the financial accountability sections of the HCB waivers.

**Questioned Costs:**
None

**Cause:**
Although the Agency has designed internal control procedures to specifically address risks associated with Home and Community-Based Programs, deficiencies exist that render controls ineffective.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-12 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Home and Community-Based Services** |
| **Type of Finding:** | **Material Weakness** |

**Effect:**
Inadequate controls could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We recommend the Agency strengthen controls to ensure adequate documentation is maintained to provide evidence of reviews performed. In addition, the Agency should establish procedures to ensure independent audits are reviewed in accordance with existing guidelines.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency concurs with the finding regarding documentation of review procedures performed as well as issues concerning proper review of independent audits of providers. DMS will establish additional controls related to expected and reasonable documentation of review procedures performed for all reviews, regardless of whether issues are noted in the engagements. In addition, DMS will work with the DHS Office of Quality Assurance to ensure timely and proper review of provider audits in accordance with Agency policy.

**Anticipated Completion Date:** June 2014

**Contact Person:**
Mark Story
Assistant Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
(501) 320-8955
Mark.Story@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-13** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Targeted Case Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken.

On May 12, 2014, the Agency reported the status of this finding as complete. Although the Agency may have addressed these specific instances of noncompliance, our follow-up procedures revealed that case management files continue to lack adequate documentation. See current-year finding **2014-019** on page 43.

**Criteria:**
Follow-up procedures for prior-year finding 12-710-09 from the 2012 Statewide Single Audit revealed continued noncompliance and inadequate internal controls regarding case management services for the Alternative Community Services (ACS) Waiver program.

As part of its response to the 2012 finding, the Agency stated it disagreed with the finding because "the most common finding alleges that providers failed to record specific service delivery times. There is, however, no reason to collect such information because payments hinge on the delivery of services in accordance with care plans. It makes no difference whether a particular service was delivered at 2:00 p.m. or 3:00 p.m."

Our position is that documentation of the date and actual time service(s) are rendered **is a requirement** because it is clearly stated as such in the provider manuals established by the Agency. This specific criterion is located below.

We also considered qualitative factors such as management oversight and the Medicaid Program's high profile and public interest, which could have a significant impact on the integrity of the program.

**Condition and Context:**
Our purpose in reviewing this program was to determine if adequate supporting documentation was being maintained in beneficiary case files as required by Section II of the Arkansas Medicaid Provider Manual for the ACS Waiver section 202.100. The manual dictates the information that must be documented and maintained in files to support the services billed as follows:

- A copy of the beneficiary's person-centered service plan.
- The specific services rendered.
- The date and actual time the services were rendered.
- The name and title of the individual who provided the services.
- Updates describing the beneficiary's progress or lack thereof. Updates should be maintained on a daily basis or at each contact with or on behalf of the beneficiary. Progress notes must be signed and dated by the provider of the service.

In addition, case management services are available at three levels of support as defined by ACS Waiver sections 230.211 — 230.213:

- Pervasive – Minimum of one face-to-face visit AND one other contact with the beneficiary or legal representative each month. At least one visit must be made annually at the beneficiary's place of residence.
- Extensive – Minimum of one face-to-face visit with the beneficiary or legal representative each month. At least one visit must be made annually at the beneficiary's place of residence.
- Limited – Minimum of one face-to-face visit with the beneficiary or legal representative each quarter and a minimum of one contact monthly for the months when a face-to-face visit is not made. At least one visit must be made annually at the beneficiary's place of residence.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-13 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Targeted Case Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Condition and Context (Continued):**
Our follow-up procedures included reviewing 15 beneficiary files to determine if required documentation was being maintained by the provider (case manager) to support services billed. Our review revealed the following:

- Eight beneficiary files did not contain adequate supporting documentation for services billed.
- Three beneficiary files did not contain adequate supporting documentation to determine case management services had been provided.
- Seven beneficiary files did not contain adequate supporting documentation to determine if the level of support had been met by case managers.

**Questioned Costs:**
$9,181

**Cause:**
The Agency failed to ensure all required documentation was maintained.

**Effect:**
Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We ***again*** recommend the Agency establish and implement procedures to ensure all required documentation is maintained in the beneficiary files.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency agrees with the finding. The audit revealed some concerns in the area of adequate documentation by service providers, therefore the Agency will improve controls, training and documentation procedures in the following manner. ACS Waiver Staff and DDS Certification and Licensure staff will conduct monitoring visits to home and community based service providers to ensure compliance with DDS program standards. Ongoing Training will be provided to home and community based service providers at the corporate level as well as at the direct care level to make sure that the DDS program standards are met. Management agrees that internal controls are very important, and would point out that large transformative changes to the HCBS waiver service delivery system are under way. This shift includes the transition of services now in the waiver to the Community First Choice Option, and development of an electronic medical records system that will streamline the agency's ability to closely monitor compliance with administrative and documentation requirements. Management will continue to review all current documentation requirements to ensure that they are related to and in furtherance of state and federal statutory and regulatory requirements for targeted case management for the ACS Waiver program and ensure that requirements are closely aligned with the goals of delivering higher quality services more efficiently in a manner that will result in better outcomes for those individuals served through the program.

**Anticipated Completion Date:** April 2014

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-13 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed – Targeted Case Management** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Contact Person:**

Mark Story
Assistant Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
(501) 320-8955
Mark.Story@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-14** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5ADM; 05-1305AR5ADM** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles – Rebates for Drug Purchases** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action has not been fully implemented.

After discussion with HP and Magellan, the new pharmacy contractor for technological services, the Agency stated that making changes to the HP system was not recommended, cost effective, or feasible given the coming shift to an entirely new platform with Magellan. According to the Agency, the Magellan system will incorporate controls designed to ensure timely and accurate recording of receipts as well as processing of appropriate tracking of outstanding rebate balances.

Until the Magellan system is completed, the Agency will review the status of outstanding rebate balances as of June 30, 2014; investigate deficiencies; and report them to the Division of Medical Services (DMS) CFO for appropriate action. We confirmed that outstanding drug rebate balances as of June 30, 2014, were presented to the DMS CFO. As of December 18, 2014, the DMS CFO had yet to review the outstanding rebate balances and determine appropriate action.

In addition, our follow-up procedures revealed 13 of 30 rebates were not received timely. In addition, as of December 9, 2014, one rebate had yet to be received.

**Criteria:**
Section 1927 of the Social Security Act allows states to receive rebates for drug purchases. No later than 60 days after the end of the quarter, the State Medicaid Agency (i.e., the Arkansas Department of Human Services [DHS]) must provide drug utilization data (invoices) to the manufacturers. Within 30 days of receipt of the invoices from DHS, the manufacturers are required to pay the rebate or provide DHS with written notice of disputed items not paid because of discrepancies found.

**Condition and Context:**
We selected 60 National Drug Codes (NDC) from the quarter ended December 31, 2012, to determine if the Agency generated invoices timely and if the manufacturers submitted rebate payments timely. Our review revealed that all invoices were generated timely. However, rebate payments representing 30 of the NDC reviewed were not received timely. In addition, rebate payments for two of the NDC had yet to be received as of December 23, 2013, and the Agency could not provide adequate evidence documenting that the outstanding rebate balances were being actively pursued for collection.

**Questioned Costs:**
None

**Cause:**
There is no way to determine the cause for the untimely payments from the manufacturers as this is beyond Agency control. However, the Agency does not have adequate procedures in place to pursue collection of outstanding rebate balances.

**Effect:**
The Agency is not receiving all rebates for drug purchases timely. In addition, documentation is inadequate to support that outstanding rebate balances are being actively pursued.

**Recommendation:**
We recommend the Agency establish and implement procedures to ensure all rebates for drug purchases are pursued for collection.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-14 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5ADM; 05-1305AR5ADM** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles – Rebates for Drug Purchases** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency concurs with the finding regarding policies and procedures to pursue collection of outstanding rebate balances. DMS will establish procedures to pursue collection of rebate balances. DMS will also establish stronger reporting and tracking capability in an effort to develop more effective analytical tools for decision making surrounding these outstanding balances.

**Anticipated Completion Date:** September 2014

**Contact Person:**
Mark Story
Assistant Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
(501) 320-8955
Mark.Story@dhs.arkansas.gov

## Arkansas Department of Human Services (Continued)

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-15** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5ADM; 05-1305AR5ADM** |
| **Federal Award Year(s):** | **2013 and 2012** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles – Rebates for Drug Purchases** |
| **Type of Finding:** | **Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action has not been fully implemented.

After discussion with HP and Magellan, the new pharmacy contractor for technological services, the Agency stated that making changes to the HP system was not recommended, cost effective, or feasible given the coming shift to an entirely new platform with Magellan. According to the Agency, the Magellan system will incorporate controls designed to ensure timely and accurate recording of receipts as well as processing of appropriate tracking of outstanding rebate balances.

Until the Magellan system is completed, the Agency will review the status of outstanding rebate balances as of June 30, 2014; investigate deficiencies; and report them to the Division of Medical Services (DMS) CFO for appropriate action. We confirmed that outstanding drug rebate balances as of June 30, 2014, were presented to the DMS CFO. As of December 18, 2014, the DMS CFO had yet to review the outstanding rebate balances and determine appropriate action.

**Criteria:**
In accordance with Ark. Code Ann. § 19-2-305 (a) – (b)(1), "A state agency shall diligently and actively pursue the collection of their accounts and notes receivable. Diligently and actively pursuing the collection of these accounts may include, but is not limited to: contacting debtor by phone or letter within a reasonable time after an account is deemed delinquent."

Additionally, written policies should be in place outlining procedures to both identify and write-off uncollectible balances. Ark. Code Ann. § 19-2-306 (a) states, "If after the state agency has pursued collection of the debt owed it as set out in this subchapter and the debt or partial debt is decreed to be uncollectible, then the debt shall be referred to the Chief Fiscal Officer of the State for abatement."

**Condition and Context:**
During our review to determine compliance with rebates for drug purchases, we discovered the Agency was not actively pursuing outstanding balances, as noted in finding **13-710-14**. As a result, we inquired about formal written policies and procedures for the following:

- Pursuit of outstanding accounts receivable balances regarding rebates for drug purchases.
- Identification of outstanding accounts receivable balances regarding rebates for drug purchases that are not collectable and should be referred to the proper authorities for abatement.

Agency personnel stated that there are no written policies and procedures for these areas.

**Questioned Costs:**
None

**Cause:**
The Agency failed to develop written policies and procedures to actively pursue outstanding accounts receivable balances regarding rebates for drug purchases or to identify and refer uncollectable balances to the proper authorities for abatement.

**Effect:**
As of June 30, 2013, the outstanding accounts receivable balance for rebates for drug purchases was $56 million, $5 million of which is over one year old.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-15 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5ADM; 05-1305AR5ADM** |
| **Federal Award Year(s):** | **2013 and 2012** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles – Rebates for Drug Purchases** |
| **Type of Finding:** | **Significant Deficiency** |

**Recommendation:**
We recommend the Agency establish and implement procedures to ensure all rebates for drug purchases are pursued for collection. In addition, the Agency should establish and implement procedures to identify and refer uncollectable balances to the proper authorities for abatement.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency concurs with the finding and agrees with the lack of written policies regarding rebate balances. DMS will develop written policies regarding uncollectable balances and abatement consistent with Arkansas code and Federal regulations.

**Anticipated Completion Date:** September 2014

**Contact Person:**
Mark Story
Assistant Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
(501) 320-8955
Mark.Story@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-16** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Although the Agency has addressed these specific instances of noncompliance, inadequate internal controls have contributed to similar discrepancies reported in current-year finding **2014-020** on page 45.

**Criteria:**
It is the State's responsibility to determine that Medicaid applicants meet the eligibility criteria as specified in the approved State Plan. Eligibility requirements for the Medicaid program are outlined in the Arkansas Medical Services (MS) manual. For certain categories of Medicaid eligibility (e.g., TEA Medicaid), the MS manual refers to policies outlined in the TEA Cash Assistance and Financial Assistance manuals that apply to the specific Medicaid category. However, these manuals are considered reference manuals for the MS manual, not Medicaid manuals. The MS manual is specific to Medicaid eligibility policies and procedures and is in addition to the approved State Plan required in 42 CFR § 430.10.

42 CFR § 435.913 Case Documentation states, "The Agency must include in each application record facts to support the Agency's decision on his application."

**Condition and Context:**
We reviewed 120 Medicaid recipient files to ensure adequate documentation was provided to support the Agency's determination of eligibility. Sixty files were for aid categories determined to be spend downs. The other 60 represented all other aid categories. Our review revealed the following:

- In one recipient file representing paid claims for State Aid category 27 (AFDC Spend Down), documentation revealed medical bills were inadequate to spend the recipients' income down to the point of eligibility or that the medical bills used were not verified to ensure that amounts were still outstanding, were applicable to the recipient in question, and were not being addressed through a payment plan. The Agency's failure to follow program requirements regarding the use of medical bills to spend down income resulted in known questioned costs totaling $1,668.
- In one recipient file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed that the approved resource limits were either exceeded or not verified; Social Security enumeration was not satisfied; medical bills were inadequate to spend the recipients' income down to the point of eligibility; or the medical bills used were not verified to ensure that amounts were still outstanding, were applicable to the recipient in question, and were not being addressed through a payment plan. As a result of the Agency's failure to follow program requirements regarding resource limitations or verifications and medical bills used to spend down income, known questioned costs were determined to be $371. As a result of our testing in 2013, additional known questioned costs for fiscal year 2012 were discovered totaling $22,435.
- In one recipient file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed that the approved resource limits were either exceeded or not verified. As a result of the Agency's failure to follow program requirements for resource limitations or verification, known questioned costs were determined to be $9,558.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-16 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Material Weakness** |

**Condition and Context (Continued):**
In addition to the three compliance and internal control deficiencies summarized above, an additional 47 internal control deficiencies were noted. Deficiencies included missing signed applications as well as various eligibility attributes, including those related to Social Security enumeration, citizenship, assignment of rights, categorical relatedness, medical necessity, appropriateness of care, and resources, that were either not initially considered or adequately documented when eligibility was determined. Additionally, there were also cases of missing spend down computations documenting a recipient's unmet liability as well as the medical bills that were used to spend down the recipient's income, improper spend down computations, and several instances of inadequate documentation supporting the medical bills used to spend down the income. However, the Agency was able to address these specific deficiencies, and the recipient's eligibility was not affected.

**Questioned Costs:**
$11,597 (2013)

$22,435 (2012)

**Cause:**
Although the Agency has designed internal control procedures to review recipient files to ensure adequate documentation is provided to support the Agency's determination of eligibility, certain areas still require continued communication to and training of the appropriate Agency personnel.

**Effect:**
Payments to providers were made on behalf of ineligible recipients.

**Recommendation:**
We recommend the Agency continue providing adequate communication and training to appropriate personnel to ensure compliance with all program requirements as defined in the MS manual.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency concurs with the findings for these Spend Down categories. We are very pleased that there were no findings for the remaining Medicaid categories for the second consecutive year. The Agency will continue our existing program integrity efforts as marked improvement has occurred since the previous years' findings for two of the very complex Spend Down categories.

**Anticipated Completion Date:** Complete

**Contact Person:**
Joni Jones
Director
Arkansas Department of Human Services
Division of County Operations
P.O. Box 1437, Mail Slot S301
Little Rock, AR 72203-1437
(501) 682-8375
joni.jones@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-17** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
As noted in OMB Circular A-133, § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Medicaid eligibility is determined by Program Eligibility Specialists (PES) located in the various county offices throughout the State. It is essential that the number of trained and knowledgeable PES is adequate to perform eligibility determinations. All activity concerning eligibility is documented by the PES in the Arkansas Network System for Welfare Eligibility and Reporting (ANSWER) and is subject to supervisory review. All new PES are subject to a 100% review, at minimum, during their first month of employment and a 75% review, at minimum, during their second month. Reviews are conducted as needed at the beginning of the third month.

**Condition and Context:**
We reviewed the Agency's supervisory review process for 10 newly-hired PES. Our review revealed eligibility actions of three PES were not documented as reviewed by a supervisor during their first month of employment. In addition, eligibility actions for one PES was not documented as reviewed during the first or second month of employment.

**Questioned Costs:**
None

**Cause:**
Although the Agency has designed internal control procedures to ensure the accuracy of eligibility determinations by newly hired PES, the control is not operating as designed.

**Effect:**
Payments on behalf of ineligible recipients could have been processed.

**Recommendation:**
We recommend the Agency strengthen existing controls to ensure supervisory reviews are performed as required for newly hired PES.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
One of these new employees was in New Worker training from March 18, 2013 to April 5, 2013. Trainees are required to conduct re-evaluations while in training with oversight by the trainer. The two cases cited by Legislative Audit for this employee were appropriately reviewed by the trainer. The other two employees work for the Access Arkansas Processing Center doing more specialized work. After numerous case reviews that indicated a 98 - 100% accuracy rate, the supervisor determined a complete review of their work was no longer necessary. As a corrective action measure, for cases worked during training, the review will now be documented by the trainer. Targeted second party reviews will continue to be conducted for staff in county offices.

**Anticipated Completion Date:** Complete

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-17 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Contact Person:**


Joni Jones
Director
Arkansas Department of Human Services
Division of County Operations
P.O. Box 1437, Mail Slot S301
Little Rock, AR 72203-1437
(501) 682-8375
joni.jones@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-18** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
The Agency must operate a Medicaid Eligibility Quality Control (MEQC) program in accordance with 42 CFR § 431.810 – 431.822. The Agency's MEQC developed the Medicaid Miller Income Trust and Spouse Allowance (MIT-SA) pilot project for federal fiscal year 2013. The pilot project included Long Term Care (LTC) reviews with a focus on cases involving Miller Income Trusts and Community Spouse Monthly Income Allowance (CSMIA).

In addition to the pilot project, MEQC developed an in-house project that involved reviewing cases with claims exceeding $50,000 and determined to be in a high-risk category.

All errors found by MEQC would be presented at a weekly error committee meeting, and the committee would notify the county office of the errors. County offices would then have 10 days to appeal error decisions. If no appeal was submitted, the county offices would be responsible for correcting the errors and submitting an error response form, DCO-29, to MEQC within 30 days. If an error resulted in an overpayment, overpayment form DHS-199 would be submitted to the Overpayment Unit within 30 days. If fraud was suspected, the case would be referred to the Fraud Unit within 30 days.

**Condition and Context:**
We performed a test to determine compliance with project procedures. We selected 60 cases that had been reviewed by MEQC. MEQC discovered errors in five of the cases and found the remaining 55 cases to be without errors.

Our review revealed a breakdown in procedures for one case in which MEQC found an error. The recipient in this case was determined ineligible by MEQC. MEQC issued a memorandum to the County Office Administrator of Jefferson County, dated August 1, 2013, outlining the corrective action to be taken, including completion of a DCO-29 within 30 days. If an overpayment occurs , the DHS-199 must be submitted to the overpayment unit within 30 days. The DCO-29, dated August 13, 2013, was completed timely by the county office. However, the DHS-199 was not completed until October 4, 2013, subsequent to the case being selected for testing by DLA.

**Questioned Costs:**
$8,505 (2013)

$4,253 (2014)

**Cause:**
The county office failed to complete and submit the DHS-199 timely, as required.

**Effect:**
An overpayment totaling $12,758, identified by the Agency's MEQC, was not submitted to the overpayment unit within 30 days, as required.

**Recommendation:**
We recommend the Agency strengthen existing in-house project procedures to ensure errors and overpayments are processed timely.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-18 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The client's bank statement for the month of August 2013 was required In order to complete the overpayment. This statement was not printed by the bank until September 19, 2013 and was not provided by the client until October 7, 2013. The DCO-199 was completed upon receiving the requested information. Management staff in this office has been directed to more closely monitor the timely submission of documents required to complete overpayments within the 30 day time frame required by policy and to document the reason for delays.

**Anticipated Completion Date:** Complete

**Contact Person:** Joni Jones
Director
Arkansas Department of Human Services
Division of County Operations
P.O. Box 1437, Mail Slot S301
Little Rock, AR 72203-1437
(501) 682-8375
joni.jones@dhs.arkansas.gov

## Arkansas Department of Human Services (Continued)

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-19** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Period of Availability of Federal Funds** |
| **Type of Finding:** | **Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
As noted in OMB Circular A-133, § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. In addition, 42 CFR § 447.45 defines timely submission of claims for processing and section 302.100 of the Provider Manual specifically addresses timely claims processing for Medicare/Medicaid Crossover claims.

**Condition and Context:**
We selected claims paid during a five-week period to determine if edits in the MMIS system properly suspend claims that are not submitted timely.

Our review revealed that six claims properly suspended by MMIS were manually overridden or "forced" by an HP resolution clerk and paid in error.

In addition, the Agency was unable to provide supporting documentation authorizing the approval for seven claims properly suspended but subsequently approved for processing. The Agency stated HP does not maintain authorizations past six months.

**Questioned Costs:**
$1,386

Note: The Agency recouped questioned costs of $1,378 on September 19, 2013, and $8 on January 16, 2014.

**Cause:**
HP claims resolution staff failed to follow the claims resolution directions set forth in the manual and failed to maintain adequate supporting documentation.

**Effect:**
Claims were paid in error, and adequate documentation was not maintained for all claims suspended and subsequently processed for payment.

**Recommendation:**
We recommend the Agency strengthen existing controls to ensure claims suspended by MMIS are properly processed. In addition, the Agency should review record retention policies with staff to ensure adequate supporting documentation is maintained.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Agency agrees with the finding. The errors resulted from turnover in personnel by the MMIS operator. All new personnel have now received additional training and a recurrence of these errors is not expected. It should be reinforced that all of the questioned costs were recouped prior to the issuance of the audit report.

**Anticipated Completion Date:** Complete

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-19 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Period of Availability of Federal Funds** |
| **Type of Finding:** | **Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Contact Person:**

Mark Story
Assistant Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
(501) 320-8955
Mark.Story@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-20** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Special Tests and Provisions – Provider Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with section I, part 141.000 of the Provider Manual, any provider of health services must be enrolled in the Arkansas Medicaid Program before Medicaid will cover any services provided to Arkansas Medicaid beneficiaries. The manual indicates that the following documentation must be submitted to complete the enrollment process:

1) signed application.
2) Internal Revenue Service (IRS) Form W-9.
3) Medicaid provider contract.
4) Primary Care Physician (PCP) agreement, if applicable.
5) Early Periodic Screening, Diagnosis, and Treatment (EPSDT) agreement, if applicable.
6) change in ownership control or conviction of crime.
7) disclosure of significant business transactions.

In addition, section II may contain supplemental, specific participation requirements for providers, which may include the following:

1) specific license or certification required based on provider type and specialty.
2) participation in the Medicare program, if applicable.

**Condition and Context:**
We reviewed enrollment and other supplemental information as applicable for 60 active providers to determine if required documentation was completed and maintained. Our review revealed two instances of noncompliance as follows:

- Two provider files did not contain a signed application during the fiscal year under review. In addition, one of these provider files did not contain a signed Medicaid provider contract or IRS Form W-9. This documentation is required for the provider to be considered "enrolled" and eligible for reimbursement for services provided to Medicaid beneficiaries. As a result, claims paid during fiscal year 2013 totaling $114,340 were considered questioned costs.
- One provider file did not contain a Division of Behavioral Health Services (DBHS) certification. Prior to the end of fieldwork, the Agency addressed this specific deficiency, and the provider's eligibility was not affected.

**Questioned Costs:**
$114,340

**Cause:**
Although the Agency has designed internal control procedures to ensure providers are submitting all required documentation and the documentation is maintained, certain areas still require continued communication to the appropriate personnel.

**Effect:**
Claims payments to ineligible providers were processed.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-710-20 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Department of Human Services** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1205AR5MAP; 05-1305AR5MAP** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Special Tests and Provisions – Provider Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Recommendation:**
We recommend the Agency strengthen controls to ensure required enrollment documentation is maintained to support provider eligibility.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The agency agrees with the findings and will work to continue improving quality assurance processes as they relate to provider enrollment requirements and record keeping. Quarterly, DMS staff review test enrollment files to ensure they meet federal and state requirements. New internal requirements have been implemented that require that the documents in question be present when scanning and saving enrollment files. In addition, new policies adopted to conform to the Affordable Care Act (ACA) require that all provider types re-enroll/revalidate their enrollment every five (5) years. This will assist in ascertaining whether changes that may have occurred with the enrollee have been appropriately updated; leading to an increase in the scrutiny and accuracy of files and records.

**Anticipated Completion Date:** Complete

**Contact Person:**
Mark Story
Assistant Director
Arkansas Department of Human Services
Division of Medical Services
P.O. Box 1437
Little Rock, AR 72203-1437
(501) 320-8955
Mark.Story@dhs.arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-05** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken. See current-year finding **2014-016** on page 38.

On May 12, 2014, the Agency stated that its internal audit staff is conducting a review of these questioned costs.

**Criteria:**
A state may obtain a waiver of statutory requirements to provide an array of home and community-based services that may permit an individual to avoid institutionalization (42 CFR §§ 441.300 — 441.310). The U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) issued a special fraud alert concerning home health care. Problems noted include cost report frauds, billing for excessive services or services not rendered, and use of unlicensed staff. The full alert was published in the Federal Register on August 10, 1995 (page 40847), and is available online from the HHS OIG home page in the Special Fraud Alerts section.

Currently, Arkansas has five Section 1915(c) Home and Community-Based Services waivers for Medicaid:

1. Division of Developmental Disabilities Alternative Community Services Waiver (ACS)
2. ElderChoices
3. Alternatives for Adults with Physical Disabilities Waiver (APD). (The manual for APD Attendant Care providers imposes one significant restriction on who can enroll and receive payment as an APD Attendant Care provider: The manual stipulates that the provider shall not be an individual who is considered legally responsible for the participant, e.g., spouse, guardian, or anyone acting as a guardian.)
4. Respite Care Waivers (includes Home and Community-Based Waiver for Children with Physical Disabilities and Home and Community-Based Waiver for Children with Mental Retardation or Developmental Disabilities)
5. Living Choices Assisted Living

For our review, we selected three programs operated under the Home and Community-Based Service waivers: 1) the Assisted Living Services program, which is covered by the ACS waiver; 2) the ElderChoices program; and 3) the Independent Choices program, which is covered under the Respite Care waiver.

In addition, we selected the Personal Care Services program, which does not operate under a waiver but is defined and regulated by 42 CFR § 440.167.

We also considered qualitative factors such as management oversight and the Medicaid Program's high profile and public interest, which could have a significant impact on the integrity of the program.

Arkansas Provider Manuals for the various Home and Community-Based Services waivers and the Personal Care Services program dictate the information that must be documented and maintained in provider files to support the services billed.

**Condition and Context:**
We selected 90 provider files for review to determine if required documentation was being maintained. Fifteen were selected from the Assisted Living Services program, and 25 were selected from the ElderChoices, Independent Choices, and Personal Care Services programs.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-05 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Condition and Context (Continued):**
The documentation required for the Assisted Living Services program is covered under the Division of Developmental Disabilities Alternative Community Services (ACS) Wavier § 202.100, which states that the provider must maintain sufficient written documentation in the beneficiary's case file supporting billing for services rendered. At minimum, this includes the following:

- A copy of the beneficiary's person-centered service plan.
- The specific services rendered.
- The date and actual time the services were rendered.
- The name and title of the individual who provided the service.
- Updates describing the beneficiary's progress or lack thereof. Updates should be maintained on a daily basis or at each contact with or on behalf of the beneficiary. Progress notes must be signed and dated by the provider of the service.

Our review of this program revealed all 15 case files lacked some form of documentation to support the services billed. Related questioned costs totaled $906,192.

The documentation required for the ElderChoices program is covered by the ElderChoices Home and Community-Based 2176 Waiver § 214.000, which states that ElderChoices providers must maintain sufficient documentation to support each service for which billing is made. At minimum, this includes the following:

a) A copy of the participant's plan of care
b) A brief description of the specific service(s) provided
c) The signature and title of the individual rendering the service(s)
d) The date and actual time the service(s) was rendered

In addition, the section states that "if more than one category of service is provided on the same date of service…the documentation must delineate items 'a' through 'd' above for each service billed. For audit purposes, the auditor must readily be able to discern which service was billed in a particular time period based upon supporting documentation for that particular billing."

Our review of this program revealed that 16 case files lacked some form of documentation to support the services billed. Related questioned costs totaled $246,568.

Our review of the Independent Choices program revealed no errors.

## Arkansas Department of Human Services (Continued)

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-05 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Condition and Context (Continued):**
The documentation required for the Personal Care Services program is covered by the Personal Care Manual § 220.110 (D), which states that for each service date, for each beneficiary, the personal care aide must record the following:

- The time of day the aide begins the beneficiary's services
- The time of day the aide ends a beneficiary's services (i.e., the time of day the aide concludes the service delivery, not necessarily the time the aide leaves the beneficiary's service delivery location)
- Notes regarding the beneficiary's condition as instructed by the service supervisor
- Task performance difficulties
- Justification for any emergency unscheduled tasks and documentation of prior-approval or post-approval of the unscheduled tasks
- Justification for not performing any scheduled tasks required by the service plan
- Any other observations the aide believes are of note or should be reported to the supervisor

Our review of this program revealed 24 case files lacked some form of documentation to support the services billed. Related questioned costs totaled $183,057.

**Questioned Costs:**
$1,335,817

**Cause:**
The Agency failed to ensure that all required documentation was maintained.

**Effect:**
Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We recommend the Agency establish and implement procedures to ensure all required documentation is maintained in beneficiary case files.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
**Assisted Living Services (covered by ACS Waiver)**
The Developmental Disability Services Alternative Community Services (ACS) Waiver is a state and federally funded program for individuals with intellectual and developmental disabilities with an age of onset before age 22. The waiver is an alternative to institutionalization, and individuals served through the ACS Waiver live as independently as possible in the community with waiver services and other supports instead of living in an institution.

All individuals served through the ACS Waiver must be eligible for the level of care required by an Intermediate Care Facility for individuals with Intellectual or Developmental Disabilities (ICF/IDD). To qualify, there must be substantial limitations in 3 or more of 6 areas of major life activity (self care, language, learning, mobility, self direction or independent living) and these needs can be met through the waiver instead of through living in an institution (ICF/IDD) or nursing home. The waiver provides individually tailored services and supports that assist individuals in acquiring, retaining and improving targeted skills necessary to reside in the community.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-05 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012 (Continued):**
**Assisted Living Services (covered by ACS Waiver) (Continued)**
The ACS Waiver program is administered through the Division of Developmental Disabilities Services (DDS), with authority and responsibility for the waiver through the Division of Medical Services (DMS).

The Division of Legislative Audit (DLA) reviewed 15 case files of individuals served and concluded that there were documentation discrepancies resulting in 15 (100%) for a total of $906,192 in questioned costs.

**The breakdowns of findings are as follows:**
15 recipients—Lack of documentation.

**DDS/DMS response to each category identified:**
15 recipients—Lack of documentation.

DDS/DMS disagrees with this finding. The most common finding was daily updates of beneficiaries' progress notes, signed and dated by provider. DDS/DMS' review of provider documentation established that services were delivered per care plans. Accordingly, payments were not improper. Furthermore, the Medicaid Fairness Act limits recoupments based on missing dates and signatures.

In response to the audit findings, DDS assigned ACS Waiver staff to conduct follow-up audits of the 15 beneficiary case files reviewed by DLA. DDS/DMS believes there was sufficient documentation to support the billing submitted by the providers.

DDS suggests that in order to obtain a more accurate view of the ACS Waiver program, an in-depth knowledge of operations and administration at the provider level is required of both an auditor and the representative of the waiver provider assisting with DLA inquiries. The follow up survey by DDS staff revealed instances where DLA auditors made requests to provider staff who are not knowledgeable in the areas being reviewed, e.g. an individual responsible for human resource functions in a provider organization's headquarter office.

**DDS/DMS Planned Actions:**
As a result of DLA's review and recommendations, DDS/DMS will undertake the following actions:

- DDS/DMS management will review all current documentation requirements to ensure that they are related to and in furtherance of state and federal statutory and regulatory requirements for providing services through the ACS Waiver program, and to clarify interpretation differences noted between DLA and DDS/DMS.
- DDS staff will increase monitoring visits to home and community based service providers to ensure compliance with all program requirements.
- Training will be provided to home and community based service providers at the corporate level to make sure billing is adequately supported by underlying documentation.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-05 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012 (Continued):**
**ElderChoices**
The ElderChoices (EC) waiver is a Medicaid home and community based services program (HCBS) designed for the elderly population. EC was approved effective August 1, 1991, and is designed for persons who due to physical, cognitive or medical reasons, require a level of assistance that would have to be provided in a nursing facility, if it were not for the services offered through this program. The major goal of this program is to provide services that assist eligible persons to remain in their homes or live with family in order to prevent or delay institutionalization. *The services offered through this program include: Homemaker, Adult Companion, Respite, Chore, Adult Day Care, Adult Day Health Care, Home Delivered Meals, Personal Emergency Response Systems, and Adult Family Homes. The EC waiver program is administered through the Division of Aging and Adult Services (DAAS), with authority and responsibility for the waiver through the Division of Medical Services (DMS).*

The Division of Legislative Audit reviewed 25 recipients of EC and concluded 16 cases (64%) "lacked some form of documentation to support the services billed" during the year. Questioned costs of the review for EC was $246,568.

**The breakdowns of findings are as follows:**
15 recipients—Lack of documentation.

1 recipient—Unable to locate.

9 recipients—No errors or questioned costs.

**DAAS/DMS Response to each category identified:**
15 recipients—Lack of documentation.

DAAS/DMS disagrees with this finding. The most common finding was a provider's recording of arrival and departure time at participant's home with a summary of time spent performing each authorized service. DLA's interpretation of policy is provider should have an "actual" start and stop time for each service performed during the day. DAAS/DMS' review of provider documentation does not indicate that providers were incorrectly paid according to the participant's authorized plan of care.

1 recipient—Unable to locate.

DAAS contacted provider after audit and obtained records for the time period in question. Based on the records obtained, no issues were identified. DAAS/DMS disagrees that auditor's failure to locate a provider during a retrospective audit indicates any program error or deficiency. Neither DAAS nor DMS was notified at time of auditor's fieldwork that locating the provider was an issue.

**DAAS/DMS Planned Actions:**
As a result of DLA's review and recommendations, DAAS/DMS will undertake the following actions:

- Review all written waiver documents and Medicaid Provider Manual for clarity, consistency, and enhancement, and clarify interpretation differences noted between DLA and DAAS/DMS.
- Provider Information Memorandum (PIM) will be issued to all EC providers. PIM will clarify documentation requirements as outlined in Medicaid Provider Manual.
- Beginning May 2013, DAAS will conduct desk reviews of 3 provider agencies each month. Review will include 3 recipients from the DMS Quality Assurance review and one month of billing for the recipient. Reviews will determine if on-site monitoring visit or further action is necessary.

Provider training is provided twice a year. Billing and documentation is reviewed. Training will continue to include review of documentation requirements.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-05 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012 (Continued):**
**Personal Care Services**
Personal Care Services are primarily based on the assessed physical dependency need for "hands-on" services with the following activities of daily living (ADL): eating, bathing, dressing, personal hygiene, toileting and ambulating. Hands-on assistance in at least one of these areas is required. This type of assistance is provided by a personal care aide based on a beneficiary's physical dependency needs (as opposed to purely housekeeping services). A plan of care is developed through the assessment process and is based on a beneficiary's dependency in at least one of the above-listed activities of daily living. While not a part of the eligibility criteria, the need for assistance with other tasks and IADLs (Instrumental Activities of Daily Living) are considered in the assessment. Both types of assistance are considered when determining the amount of overall personal care assistance authorized. Routines or IADLs include meal preparation, incidental housekeeping, laundry, medication assistance, etc.

The DLA reviewed 25 recipients served by 2 providers for Personal Care Services (Arkansas Department of Health and Central Arkansas AAA) and concluded that there were discrepancies in 24 of the 25 recipients (96%) and 2 of the 2 providers (100%); however 100% of claims did not have discrepancies. Total questioned costs were $183,057.

**The breakdowns of findings are as follows:**
24 recipients–Lack of documentation.

1 recipient–No errors or questioned costs.

**DMS response to each category identified:**
24 recipients–Lack of documentation.

DMS disagrees with these findings because they are based on conjecture rather than fact. For example, the workpapers state: "An aide that provided care during this week *could have been* in a fiduciary relationship to the beneficiary as there is no documentation to the contrary. No relationship forms were noted." (Emphasis added). However, the Medicaid Provider Manual does not require a "relationship form" be in the beneficiary's file disproving relationship. DMS' review of these cases identified no: 1) prohibited relationships; 2) provider failure to deliver services in accordance with plans of care; or 3) provider bills for services that were not provided.

**DMS Planned Actions:**
As a result of DLA's review and recommendations, the following actions will be taken by DMS:

- Review all documentation and Medicaid Provider Manual for clarity, consistency and enhancement, and clarify interpretation differences noted between DLA and DMS.
- DMS program staff will increase monitoring visits to providers to ensure compliance with all program requirements.
- Training will be provided to Personal Care providers at the corporate level as well as at the direct care level to make sure billing is adequately supported by underlying documentation required by Medicaid Provider Manual.

**Anticipated Completion Date:** Promulgated changes will be effective after legislative approval.
Training and monitoring will continue on an ongoing basis.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-05 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012 (Continued):**

**Contact Person:**


Thomas Carlisle
Assistant Director/Chief Fiscal Officer
Division of Medical Services
P.O. Box 1437, Mail Slot S-416
Little Rock, AR 72203-1437
Phone: (501) 682-0422
Email: Thomas.Carlisle@arkansas.gov


**Audit status as of June 30, 2013:**

Corrective action has not been taken. See current-year finding **13-710-11**.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-09** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action has not been taken.

On May 12, 2014, the Agency reported the status of this finding as complete. Although the Agency may have addressed these specific instances of noncompliance, our follow-up procedures revealed that case management files continue to lack adequate documentation. See current-year finding **2014-019** on page 43.

**Criteria:**
In accordance with Arkansas Medicaid Provider Manual Section II - DDS Alternative Community Services (ACS) Wavier § 202.100, the provider must maintain sufficient written documentation in the beneficiary's case file supporting billing for services rendered. At minimum, this includes the following:

- A copy of the beneficiary's person-centered service plan.
- The specific services rendered.
- The date and actual time the services were rendered.
- The name and title of the individual who provided the services.
- Updates describing the beneficiary's progress or lack thereof. Updates should be maintained on a daily basis or at each contact with or on behalf of the beneficiary. Progress notes must be signed and dated by the provider of the service.

ACS Waiver §220.200 limits the maximum reimbursement to $117.70 per month and $1,412.40 annually per person.

Also, ACS Waiver § 220.000 provides specific examples of required case management services. Some examples include monitoring beneficiary services and quality of care, assuring integrity of billing and service delivery, and providing required documentation to the beneficiary.

In addition, case management services are available at three levels of support as defined by ACS Waiver §§ 230.211 — 230.213:

- *Pervasive* – Minimum of one face-to-face visit AND one other contact with the beneficiary or legal representative each month. At least one visit must be made annually at the beneficiary's place of residence.
- *Extensive* – Minimum of one face-to-face visit with the beneficiary or legal representative each month. At least one visit must be made annually at the beneficiary's place of residence.
- *Limited* – Minimum of one face-to-face visit with the beneficiary or legal representative each quarter and a minimum of one contact monthly for the months when a face-to-face visit is not made. At least one visit must be made annually at the beneficiary's place of residence.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-09 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program<br>93.778 – ARRA - Medical Assistance Program<br>(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Condition and Context:**
We selected 30 beneficiary files for review to determine if the provider (case manager) maintained documentation as required by the specific sections of the ACS Waivers stated above. Our review revealed the following:

- 24 beneficiary files did not contain adequate supporting documentation for services billed, as required by ACS Waiver § 202.100
- One beneficiary file did not contain adequate supporting documentation to determine case management services had been provided, as required by ACS Waiver § 220.000
- Eight beneficiary files did not contain adequate supporting documentation to determine if the level of support had been met by case managers, as required by ACS Waiver §§ 230.211 — 230.213.

**Questioned Costs:**
$32,838

**Cause:**
The Agency failed to ensure all required ACS Waiver documentation was maintained.

**Effect:**
Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

**Recommendation:**
We recommend the Agency establish and implement procedures to ensure all required ACS Waiver documentation is maintained in the beneficiary files.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
Case Management Services (CMS) in the Developmental Disability Services Alternative Community Services (ACS) Waiver assist beneficiaries in gaining access to needed waiver services and other Arkansas Medicaid State Plan services, as well as medical, social, educational and other generic services, regardless of the funding source to which access is available. CMS include responsibility for guidance and support in all life activities. The intent of CMS is to enable waiver beneficiaries to receive a full range of appropriate services in a planned, coordinated, efficient and effective manner.

The Division of Legislative Audit (DLA) reviewed 30 case files of individuals served and concluded that there were documentation discrepancies resulting in a total of $32,838 in questioned costs.

**The breakdowns of findings are as follows:**
25 recipients—Lack of documentation.

5 recipients—No errors or questioned costs.

25 recipients—Lack of documentation.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-09 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed or Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012 (Continued):**
DDS/DMS disagrees with this finding. The most common finding alleges that providers failed to record specific service delivery times. There is, however, no reason to collect such information because payments hinge on the delivery of services in accordance with care plans. It makes no difference whether a particular service was delivered at 2:00 p.m. or 3:00 p.m. DDS/DMS' review did not identify any case in which the provider was incorrectly paid according to the beneficiary's authorized plan of care.

In response to the audit findings, DDS assigned ACS Waiver staff to conduct follow-up audits of the 30 beneficiary case files reviewed by DLA. DDS/DMS believes there was sufficient documentation to support the billing submitted by the providers.

DDS suggests that in order to obtain a more accurate view of the ACS Waiver program, an in-depth knowledge of operations and administration at the provider level is required of both an auditor and the representative of the waiver provider assisting with DLA inquiries. The follow up survey by DDS staff revealed instances where DLA auditors made requests to provider staff who are not knowledgeable in the areas being reviewed, e.g. an individual responsible for human resource functions in a provider organization's headquarter office.

**DDS/DMS Planned Actions:**
As a result of DLA's review and recommendations, DDS/DMS will undertake the following actions:

- DDS/DMS management will review all current documentation requirements to ensure that they are related to and in furtherance of state and federal statutory and regulatory requirements for CMS for the ACS Waiver program, and to clarify interpretation differences noted between DLA and DDS/DMS.
- DDS staff will increase monitoring visits to home and community based service providers to ensure compliance with all program requirements.
- Training will be provided to home and community based service providers at the corporate level to make sure billing is adequately supported by underlying documentation.

| | |
|---|---|
| **Anticipated Completion Date:** | Promulgated changes will be effective after legislative approval.<br>Training and monitoring will continue on an ongoing basis. |
| **Contact Person:** | Thomas Carlisle<br>Assistant Director/Chief Fiscal Officer<br>Division of Medical Services<br>P.O. Box 1437, Mail Slot S-416<br>Little Rock, AR 72203-1437<br>Phone: (501) 682-0422<br>Email: Thomas.Carlisle@arkansas.gov |

**Audit status as of June 30, 2013:**
Corrective action has not been taken. See current-year finding **13-710-13**.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-10** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Although the Agency has addressed these specific instances of noncompliance, inadequate internal controls have contributed to similar discrepancies reported in current-year finding **2014-020** on page 45.

**Criteria:**
It is the State's responsibility to determine that Medicaid applicants meet the eligibility criteria specified in the approved State Plan. Eligibility requirements for the Medicaid Program are outlined in the Arkansas Medical Services (MS) manual. For certain categories of Medicaid eligibility (e.g., TEA Medicaid), the MS manual refers to policies outlined in the TEA Cash Assistance and Financial Assistance manuals that apply to the specific Medicaid category. However, these manuals are considered reference manuals for the MS manual, not Medicaid manuals. The MS manual is specific to Medicaid eligibility policies and procedures and is in addition to the approved State Plan required in 42 CFR § 430.10.

42 CFR § 435.913 Case Documentation states, "The Agency must include in each application record facts to support the Agency's decision on his application."

**Condition and Context:**
We reviewed 149 Medicaid recipient files to ensure adequate documentation was provided to support the Agency's determination of eligibility. Our review revealed the following:

- In one recipient file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation was inadequate to prove the recipient's cooperation with the Office of Child Support Enforcement (OCSE). As a result of the Agency's failure to follow program requirements for cooperation with OCSE, known questioned costs were determined to be $36,653.
- In one recipient file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation was inadequate to show the recipient's assignment of rights attribute was satisfied. As a result of the Agency's failure to follow program requirements for assignment of rights, known questioned costs were determined to be $4,168. As a result of current year testing, additional known questioned costs paid in fiscal year 2011 for this recipient were determined to be $2,054.
- In two recipient files, one representing paid claims for State Aid category 27 (AFDC Spend Down) and the other representing claims paid for State Aid category 47 (Disabled Spend Down), it was revealed that the recipients were not categorically eligible for at least part of the fiscal year. Because of the Agency's failure to follow program requirements for categorical eligibility, known questioned costs were determined to be $19,242. As a result of current year testing, additional known questioned costs paid in fiscal year 2011 for one recipient was determined to be $390.
- In one recipient file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed that the recipient did not meet the eligibility requirements for aliens as defined in MS 6780. The emergency services provided did not qualify for the emergency medical condition as defined in 42 CFR § 440.255(c) and MS 6780. Because of the Agency's failure to comply with the policies previously stated, known questioned costs were determined to be $17,438.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-10 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Condition and Context (Continued):**

- In seven recipient files, one file representing paid claims for State Aid category 27 (AFDC Spend Down), one file representing paid claims for State Aid category 77 (Unemployed Parent Spend Down), and five files representing paid claims for State Aid category 47 (AFDC Spend Down), documentation revealed the approved resource limits were either exceeded or not verified. As a result of the Agency's failure to follow program requirements for resource limitations or verification, known questioned costs were determined to be $201,885.
- In six recipient files representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed that medical bills were inadequate to spend the recipients' income down to the point of eligibility or the medical bills used were not verified to ensure that amounts were still outstanding, were applicable to the recipient in question, and were not being addressed through a payment plan. The Agency's failure to follow program requirements related to the use of medical bills to spend down income resulted in known questioned costs of $49,685. Current year testing determined that additional known questioned costs of $29,958 were paid for one recipient in 2011.
- In three recipient files representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed that the approved resource limits were either exceeded or not verified and that medical bills were inadequate to spend the recipients' income down to the point of eligibility or the medical bills used were not verified to ensure that amounts were still outstanding, were applicable to the recipient in question, and were not being addressed through a payment plan. As a result of the Agency's failure to follow program requirements in regard to both resource limitations or verification and medical bills used to spend down income, known questioned costs were determined to be $59,936. Current year testing determined that additional known questioned costs of $4,616 were paid for one recipient in 2011.

In addition to the 21 compliance and internal control deficiencies summarized above, an additional 43 internal control deficiencies were noted. Deficiencies included re-evaluations that were not performed within the required 12-month period, eligibility determinations that were not officially documented in the narratives, and various eligibility attributes, including those related to social security enumeration, assignment of rights, categorical relatedness, cooperation with the Office of Child Support Enforcement, and resources, that were either not initially considered or adequately documented when eligibility was determined. Additionally, there were cases of missing spend down computations that documented a recipient's unmet liability as well as medical bills used to spend down the recipient's income, improper spend down computations themselves, an error in the registration of the spend down coverage dates and inadequate support for the medical bills used to spend down the income. However, the Agency was able to address these specific deficiencies, and the recipients' eligibility was not affected.

A separate internal control test was also conducted based on an Agency assertion related to a finding from the Single Audit report for the year ended June 30, 2009. During 2009, we reviewed 155 cases to determine if eligibility criteria were met. We found exceptions in 19 of the cases, with related questioned costs totaling $667,671. To address this issue, the Agency stated the following in its corrective action plan: "In March 2010, the Division of County Operations (DCO) Quality Assurance Unit will begin a review of all Medicaid claims paid that exceed $50,000."

To allow a complete cycle of Agency reviews, we delayed testing until 2012. To test the Agency's assertion, we used the 149 files reviewed during 2012 and determined that 55 of these cases had claims paid that exceeded $50,000. Our review of the 55 cases revealed that 42, or 76%, had not been reviewed by DCO's Quality Assurance Unit. (Questioned costs of $101,593 are associated with 4 of the 42 cases as a result of the eligibility testing performed for 2012 and are included in the bullet points on the previous two pages of this report.)

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-10 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Questioned Costs:**
$389,007 (2012)

$37,018 (2011)

**Cause:**
Although the Agency has designed internal control procedures to review recipient files to ensure adequate documentation is provided to support the Agency's determination of eligibility, certain areas still require continued communication to and training of the appropriate Agency personnel.

**Effect:**
Payments to providers were made on behalf of ineligible recipients.

**Recommendation:**
We recommend the Agency continue providing adequate communication and training to appropriate personnel to ensure compliance with all program requirements as defined in the MS manual. In addition, we recommend the Agency review existing policies and procedures to ensure they adequately address the issues stated above.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
**Case Reviews:**
Although several Medicaid categories were sampled, all of the eligibility errors identified by DLA in SFY 2012 were from a single Medicaid category – the Spend Down group. There were only 1,054 Spend Down cases in Arkansas as of June 2012.

DLA identified several causes for the errors. Most significant was an area of policy that was being misinterpreted by the field. This policy will be clarified and the staff re-trained.

DCO disagrees with questioned costs for four cases. Total reduction in questioned costs is $60,822.62.

Bullet 1: A child support referral is not necessary for individuals without children. Questioned Costs should be reduced by $36,653.

Bullet 4: The client was eligible for Medicaid coverage on the 1st day of emergency services. Questioned Costs should be reduced by $186.77.

Bullet 5: In one of the AFDC Spend Down cases the client is resource eligible – documentation available. Questioned Costs should be reduced by $3,146.81.

Bullet 7: In one of the Disabled Spend Down cases the client is resource eligible – documentation available. Questioned Costs should be reduced by $20,836.04.

DCO will continue its ongoing staff training, supervisory monitoring and IT modernization opportunities.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-10 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012 (Continued):**
**QA Reviews:**
The Agency advised DLA that DCO has never conducted a 100% review of all cases with $50,000 or more in Medicaid claims nor was it ever our intent to conduct anything other than a sample. The sampling methodology was referenced in the 2010 and 2011 audit responses and updates. All of these high dollar cases are subject to random review selection. Other categories or services targeted for review by counties or areas may have specific review requirements as part of local corrective action plans. Because the State and DLA both work from samples and targeted groupings, it is highly unlikely in a population as large as the Medicaid caseload that DLA will randomly select the same cases as those identified for review by Medicaid Eligibility Quality Control (MEQC) or the county offices. It should be noted that DCO increased our supervisory reviews by 54% in 2012.

The Agency will continue to use supervisors to monitor cases. This review will continue using the 2012 random sampling methodology.

**Anticipated Completion Date:** Ongoing

**Contact Person:** Joni Jones, Director
Arkansas Department of Human Services
Division of County Operations
P.O. Box 1437, Mail Slot S301
Little Rock, AR 72203-1437
Phone: (501) 682-8375
Email: joni.jones@arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has not been taken. Although the Agency has addressed the specific instances of noncompliance noted in this finding, inadequate controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring, and retain appropriate documentation, as noted in current-year finding **13-710-16**.

This issue was also addressed in prior audit findings 11-710-11, 10-710-19, and 09-710-18.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-11** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
The Agency must operate a Medicaid Eligibility Quality Control (MEQC) program in accordance with 42 CFR §§ 431.810 — 431.822. The Agency's MEQC developed the Medicaid Miller Income Trust and Spouse Allowance (MIT-SA) pilot project for federal fiscal year 2012. The pilot project would include Long Term Care (LTC) reviews with a focus on cases involving Miller Income Trusts and Community Spouse Monthly Income Allowance (CSMIA).

In addition to the pilot project, MEQC developed an in-house project that involved reviewing cases with claims exceeding $50,000 and determined to be in a high-risk category.

All errors found by MEQC would be presented at a weekly error committee meeting, and the committee would notify the county offices of the errors. County offices would then have 10 days to appeal error decisions. If no appeal was submitted, the county offices would be responsible for correcting the errors and would submit an error response form, DCO-29, to MEQC within 30 days. If an error resulted in an overpayment, overpayment form DHS-199 would be submitted to the Overpayment Unit within 30 days. If fraud was suspected, the case would be referred to the Fraud Unit within 30 days.

**Condition and Context:**
We performed a test to determine compliance with project procedures. We selected six MIT-SA cases, four with errors and two without errors, and seven in-house project cases, five with errors and two without errors. MEQC had determined the error/non-error status of the cases.

Our review revealed that procedures were followed for all of the MIT-SA cases we reviewed. However, we found a breakdown in procedures for one in-house project error case. The recipient represented in this case was determined ineligible by MEQC. MEQC issued a memorandum to the County Office Administrator of St. Francis County dated March 15, 2012. The DCO-29 dated April 3, 2012, stated that overpayment was being completed by Crittenden County since the case was approved by that county. Once completed, the DHS-199 overpayment form would be forwarded to the Overpayment Unit. However, the overpayment form was not actually completed by the county until November 6, 2012, when the case was selected for testing by DLA auditors.

**Questioned Costs:**
$4,655

**Cause:**
The responsible county office failed to complete and submit the DHS-199 overpayment form as required.

**Effect:**
An overpayment totaling $4,655 as identified by the Agency's MEQC was not submitted to the Overpayment Unit within the required 30 days.

**Recommendation:**
We recommend the Agency strengthen existing in-house project procedures to ensure errors and overpayments are processed timely.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2012 Prior Year Finding Number:*** | **12-710-11 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 – Medical Assistance Program**<br>**93.778 – ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA;**<br>**05-1105AREXTN** |
| **Federal Award Year(s):** | **2011 and 2012** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2012:**
The Agency concurs with the finding. DCO management will submit a communication to supervisors in the field requiring them to review their monitoring procedures to ensure that all Medicaid Eligibility Quality Control (MEQC) findings that require an overpayment submission are occurring on a timely basis. The untimely submission of the overpayment form identified in the audit process has been corrected. The necessary document has been submitted to the Overpayments Unit where the questioned costs identified through this procedural omission will be collected and repaid to CMS.

**Anticipated Completion Date:** Ongoing

**Contact Person:** Joni Jones, Director
Arkansas Department of Human Services
Division of County Operations
P.O. Box 1437, Mail Slot S301
Little Rock, AR 72203-1437
Phone: (501) 682-8375
Email: joni.jones@arkansas.gov

**Audit status as of June 30, 2013:**
Corrective action has not been taken. Although the Agency has addressed the specific instance of noncompliance noted in this finding, ineffective controls continue to contribute to the Agency's failure to submit overpayment information to the Overpayment Unit timely, as noted in current-year finding **13-710-18**.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-10** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA; 05-1005AREXTN** |
| **Federal Award Year(s):** | **2011** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed and Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

This finding is no longer relevant because of an approved policy change.

**Criteria:**
A state may obtain a waiver of statutory requirements to provide an array of home and community-based services that may permit an individual to avoid institutionalization (42 CFR part 441, subpart G). The HHS Office of Inspector General (OIG) has issued a special fraud alert concerning home health care. Problems noted include cost report frauds, billing for excessive services or services not rendered, and use of unlicensed staff. The full alert was published in the Federal Register on August 10, 1995 (page 40847), and is available online from the HHS OIG home page, Special Fraud Alerts section.

Currently, Arkansas has five Section 1915(c) Home and Community-Based Services waivers for Medicaid:

1. Division of Developmental Disabilities Alternative Community Services Waiver (ACS)
2. ElderChoices
3. Alternatives for Adults with Physical Disabilities Waiver (APD). (The manual for APD Attendant Care providers imposes one significant restriction on who can enroll and receive payment as an APD Attendant Care provider: The manual stipulates that the provider shall not be an individual who is considered legally responsible for the participant, e.g., spouse, guardian, or anyone acting as a guardian.)
4. Respite Care Waivers (includes Home and Community-Based Waiver for Children with Physical Disabilities and Home and Community-Based Waiver for Children with Mental Retardation or Developmental Disabilities)
5. Living Choices Assisted Living

Section 212.200 of the Arkansas Medicaid Provider Manual for Adults with Physical Disabilities states that each beneficiary eligible for services must have an individualized Plan of Care. Furthermore, Section 213.220 of the Arkansas Medicaid Provider Manual for Adults with Physical Disabilities states that services are reimbursable when provided according to the participant's approved plan of care and the formal service agreement. The formal service agreement, form AAS-9512, states that the provider must maintain sufficient written documentation to support each service provided for which billing was submitted and that the provider must keep a daily log providing a brief description of each attendant care service and the time that the service was provided.

**Condition and Context:**
We selected 64 provider cases to review the supporting documentation for services billed to the Medicaid program. Our review revealed that 53 of the 64 cases contained discrepancies. Of the 53 cases, documentation for seven cases could not be reviewed because the provider could not be located. The discrepancies noted in the 53 cases included the following:

- The plan of care was not provided.
- The billed services were not authorized in the plan of care.
- Written documentation was not provided to support each billed service.
- The date and time of the service were not provided.
- Documentation was not signed by the provider.
- The provider was the guardian of the recipient.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-10 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA; 05-1005AREXTN** |
| **Federal Award Year(s):** | **2011** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed and Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Questioned Costs:**
$1,317,466

**Cause:**
The Agency failed to provide sufficient monitoring of claim payments to ensure the provider maintained all required documentation. In addition, the relationships between recipients and APD Attendant Care providers were not sufficiently monitored.

**Effect:**
The failure to monitor claim payments resulted in payments to providers for services billed which could not be supported.

**Recommendation:**
We recommend the Agency review and strengthen internal control procedures for monitoring claim payments as well as provide training to APD Attendant Care providers to ensure all required documentation is included in case records. In addition, the Agency should establish procedures for determining relationships between recipients and APD Attendant Care providers.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011:**
The Alternative for Adults With Physical Disabilities (AAPD) waiver is a Medicaid home and community-based services program (HCBS) that provides attendant care to physically disabled individuals age 21 through 64 who meet the criteria for intermediate nursing home care. Through participation options, AAPD waiver participants may choose to self-direct their care by hiring and supervising their caregivers. Under the Self-Directed option, the waiver participant is the employer and the participant's caregiver is his or her employee. Services under the Self-Directed option cost much less than traditional Medicaid services and allow participants to enjoy a high quality of life while remaining at home. The AAPD program is administered through Division of Aging and Adult Services (DAAS), with authority and responsibility for the waiver through Division of Medical Services (DMS).

The Division of Legislative Audit (DLA) reviewed 2 test samples of self-directed providers and concluded that there were discrepancies in 53 of 64 cases (82%), resulting in a total of $1,317,466 in questioned costs.

DAAS/DMS concurs, in part, that imposed record-keeping requirements were reasonable for any company enrolled as a public Medicaid provider, but not reasonable for the informal self-direction program envisioned by CMS and embodied in the waiver

**The breakdowns of findings are as follows from the 2 samples:**

45 providers—Lack of documentation

7 providers—Unable to locate

1 provider—Unqualified legal guardian

(The above 3 categories encompass all 53 discrepancies noted in the DLA findings.)

11 providers—No error (9) or no costs to tests (2)

**DAAS/DMS response to each category identified:**
**45 providers—Lack of documentation:**

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-10 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA; 05-1005AREXTN** |
| **Federal Award Year(s):** | **2011** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed and Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011 (Continued):**
**DAAS/DMS response to each category identified (Continued):**
Respectfully, DAAS/DMS management believes that the discrepancies identified in this category stem from a lack of program understanding, especially with respect to federally approved (and in some cases mandated) self-direction requirements in the Arkansas AAPD Medicaid Provider Manual.

At the request of Legislative Audit, DAAS/DMS formally explained critical elements of self-direction via an August 3, 2011, letter from then DMS Director Gene Gessow.

Specifically, the Legislative Audit findings state that "services are reimbursable when provided according to the participants approved plan of care and the formal service agreement…Our review revealed that 53 of the 64 cases contained discrepancies…The discrepancies included the following:

- The plan of care was not provided.
- The billed services were not authorized in the plan of care.
- Written documentation was not provided to support each billed service.
- Documentation was not signed by the provider.
- The date and time of the service were not provided.
- The provider was the guardian of the recipient."

As noted in our August 3, 2011, letter, the "formal service agreement" (form AAS-9512) is the self-direction agreement between the beneficiary and the provider (the employer and their employee) under Self-Directed Services. Neither DMS nor DAAS are parties to those agreements. DAAS/DMS acknowledge (as they did in the August 3, 2011, letter) that part of the confusion stemmed from DAAS staff inadvertently directing auditors to a non-promulgated "manual" prepared by DAAS. Additionally, incorrect reference to the formal service agreement in §213.220 added to the confusion. Notwithstanding that reference, DAAS/DMS concurs with only 1 discrepancy of the 6 listed: "The provider was the guardian of recipient" in 1 provider finding noted by DLA.

DAAS/DMS agree that they enforce compliance with the Medicaid Provider Manual, §213.220 ("Benefit Limit – Attendant Care"). That section states: "A maximum of 8 hours per day, 7 days per week is allowed. The number of hours included on a participant's plan of care is based on a medical assessment, the individual's needs and other support systems in place."

DAAS/DMS have seen no evidence that any provider exceeded the maximum limitation imposed by §213.220 and reflected in each participants' (beneficiaries') plan of care. Providers report – and beneficiaries approve – hours in accordance with the Medicaid Provider Manual, §242.200 "Alternative Consumer-Directed Attendant Care Provider Claim Form (AAS-9559) Billing Instructions." Again, DAAS/DMS have seen no evidence that any provider failed to properly complete the required AAS-9559 form. This conclusion is bolstered by the fact that all claims are processed through the MMIS and the established benefit limit is controlled by a limitation audit.

Because the health, welfare and safety needs of beneficiaries are DAAS/DMS' primary goals under the AAPD Waiver, a DAAS Counselor or RN, or Case Support Manager (CSM; an independent provider oversight function) visited with each active beneficiary in his or her home. These professionals verified that all beneficiaries' health, welfare and safety needs were being met.

**7 providers—Unable to locate:**
Using random selections for the second provider sample, the auditors were unable to locate 7 providers. We were not aware of this issue during the audit, so during the audit we did not provide the following information regarding the 7 providers:

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-10 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program<br>93.778 - ARRA - Medical Assistance Program<br>(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA;<br>05-1005AREXTN** |
| **Federal Award Year(s):** | **2011** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed and Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011 (Continued):**

- 4 of the providers remain current; their addresses were – and remain – valid;
- 1 beneficiary has a "new" provider, same address (provider change: August 2011); and
- 1 beneficiary discontinued AAPD program participation in August, 2011, and 1 other opted out in September, 2011.

In any event, the failure to locate a provider during a retrospective audit does not indicate any program error or deficiency. Therefore, DAAS/DMS disagrees with these 7 providers being including in findings.

**1 provider—Unqualified legal guardian:**
DAAS/DMS agrees that this provider was the legal guardian of the beneficiary and thus unqualified to provide services under the AAPD Waiver. (Questioned costs: $19,596.) DAAS, however, identified this provider as unqualified before receiving the first audit sample findings. On March 7, 2011, DAAS issued written instructions directing the beneficiary to select a different provider. Accordingly, this provider should not be included as a current finding, or it should be noted that DAAS/DMS' internal controls identified this prior to audit finding.

**Additional DAAS/DMS Findings (not identified in DLA report):**
Although not identified in DLA's findings, DAAS identified a second ineligible provider that was unqualified because the provider was also the legal guardian. (Questioned costs: $20,917.) On April 26, 2011, DAAS issued written instructions directing the beneficiary to select a different provider.

**Other-Criminal Background Check (CBC):**
Though not identified in DLA's findings, DAAS identified a third ineligible provider in the second sample that was not qualified based on the provider's criminal history. (Questioned costs: $29,315.) On August 9, 2011, DAAS issued written instructions directing the beneficiary to select a different provider.

These 3 unqualified providers are the source of $69,828 in unallowable costs. DAAS referred all 3 providers to the DMS Program Integrity (PI) Unit for appropriate action. In summary, DAAS disagrees with all but $69,828 of the costs questioned by Legislative Audit.

**Planned Actions:**
As a result of Legislative Audit's review and recommendations, DAAS/DMS has begun or taken the following actions:

- Review all written waiver documents for clarity, consistency and enhancement, and resolve any inconsistency between the waiver, beneficiary documentation, and the Medicaid Provider Manual. DMS will amend the Medicaid Provider Manual to eliminate the incorrect reference to the "formal service agreement" that appeared in §213.220 of Medicaid Provider Manual.
- DAAS eliminated the non-promulgated "manual" that initially mislead auditors.
- DAAS/DMS is strengthening the Provider Claim Form (AAS-9559) to better clarify provider and participant's certification of services provided and received under AAPD program.
- Improving the quality and quantity of provider and program-related trainings.
- DMS Quality assurance staff will report all failures to timely implement corrective actions to DAAS/DMS management.
- Establish a process to monitor AAPD program for opportunities to strengthen policy and to establish clearer guidelines for action.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-10 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA; 05-1005AREXTN** |
| **Federal Award Year(s):** | **2011** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed and Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011 (Continued):**

**Anticipated Completion Date:** After Legislative approval for promulgated changes and ongoing.

**Contact Person:**
Thomas Carlisle
Assistant Director/Chief Fiscal Officer
Division of Medical Services
P.O. Box 1437, Mail Slot S-416
Little Rock, AR 72203-1437
Phone: (501) 682-0422
Email: Thomas.Carlisle@arkansas.gov

**Audit status as of June 30, 2012:**
Corrective action cannot be determined. DMS has drafted policy changes which have been submitted to CMS. These policy changes, if approved, would remove the formal service agreement and its requirements from the Arkansas Medicaid Provider Manual. As of the date of this report, federal approval has not been granted. Because the Agency is working on policy changes to the APD program, DLA did not select APD for testing in 2012. However, as noted in current-year finding **12-710-05**, review of other Home and Community Based Programs revealed the Agency was unable to provide all required documentation in accordance with the Arkansas Medicaid Provider Manual resulting in questioned costs of $1,392,122.

**Audit status as of June 30, 2013:**
The Agency updated the Arkansas Medicaid Provider Manual § 213.2220 by removing the provision requiring a formal service agreement and its requirements from documentation to be maintained by the provider. The policy became effective January 1, 2013.

DLA did not select the Alternatives for Adults with Physical Disabilities Waiver (APD) program to test in 2013, but it will be subject to testing in future years in the Home and Community Based (HCB) rotation.

However, as noted in current-year findings **13-710-10** and **13-710-11**, review of other HCB programs revealed the Agency was unable to provide all required documentation in accordance with the Arkansas Medicaid Provider Manual, resulting in questioned costs of $860,435.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-11** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA;**<br>**05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Although the Agency has addressed these specific instances of noncompliance, inadequate internal controls have contributed to similar discrepancies reported in current-year finding **2014-020** on page 45.

**Criteria:**
It is the State's responsibility to determine that Medicaid applicants meet the eligibility criteria as specified in the approved State Plan. Eligibility requirements for the Medicaid program are outlined in the Arkansas Medical Services (MS) manual. For certain categories of Medicaid eligibility (e.g., TEA Medicaid), the MS manual refers to policies outlined in the TEA Cash Assistance and Financial Assistance manuals that apply to the specific Medicaid category. However, these manuals are considered reference manuals for the MS manual, not Medicaid manuals. The MS manual is specific to Medicaid eligibility policies and procedures and is in addition to the approved State Plan required in 42 CFR § 430.10.

42 CFR § 435.913 Case Documentation states, "The Agency must include in each application record facts to support the Agency's decision on his application."

**Condition and Context:**
We reviewed 153 Medicaid recipient files to ensure adequate documentation was provided to support the Agency's determination of eligibility. Our review revealed the following:

- In two recipient files, one file representing paid claims for State Aid category 20 (AFDC Grant) and the other file representing paid claims for State Aid category 27 (AFDC Spend Down), documentation revealed the approved income limits were exceeded. As a result of the Agency's failure to follow program requirements for income limitations, known questioned costs were determined to be $54,905 and $1,569, respectively. The known questioned costs identified in category 20 and category 27 represent 5.70% and .36%, respectively, of the paid claims tested for those categories.
- In two recipient files, one file representing paid claims for State Aid category 17 (Aged Spend Down) and the other file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed the recipients did not meet the eligibility requirements for aliens as defined in 42 CFR § 435.406(c) and MS 6780 and, therefore; did not qualify for the treatment of an emergency medical condition as defined in 42 CFR § 440.255(c). Upon further review, it was also revealed that the emergency services provided both recipients did not qualify as an emergency medical condition as defined in 42 CFR § 440.255(c). As a result of the Agency's failure to comply with the policies previously stated, known questioned costs were determined to be $12,356 and $720, respectively. The known questioned costs identified in category 17 and category 47 represent 7.23% and 22.48%, respectively, of the paid claims tested for those categories.
- In one recipient file representing paid claims for State Aid category 57 (Under Age 18 Spend Down), documentation revealed the approved resource value allowable was exceeded. As a result of the Agency's failure to follow program requirements for resource limitations, known questioned costs were determined to be $11,067, which represents 38.18% of the paid claims tested for this category.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-11 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA;**<br>**05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Condition and Context (Continued):**
In addition to the five compliance and internal control deficiencies summarized above, an additional nine internal control deficiencies were noted. Deficiencies included narratives and electronic case files that were incomplete and re-evaluations which were not performed within the required 12-month period. However, the Agency was able to address these specific deficiencies, and the recipient's eligibility was not affected.

A separate internal control test was conducted during our follow-up to the Agency's 2009 stated corrective action for prior year finding 09-710-18. Our testing involved reviewing recipient files to determine if the Agency's Quality Assurance (QA) Unit or the Agency's supervisory staff conducted reviews as outlined in the 2009 Corrective Action Plan. We selected, at minimum, one file from each of the "high risk" categories identified in compliance testing, ensuring that additional cases were chosen from Spend Down categories because of the high error rate and the Agency's specific attention to this category as noted in its 2009 Corrective Action Plan. In total, 20 of the 153 Medicaid recipient files selected for compliance testing were reviewed, and it was discovered that 15 of the 20 files or 75% had not been reviewed by QA or an Agency supervisor. In addition, we noted that two of the five files that were reviewed by the Agency contained deficiencies in documentation. One of the two cases was in the Spend Down category, which the Agency had specifically identified as a category to receive additional training and supervisory review. No questioned costs were identified with this separate internal control test.

**Questioned Costs:**
$80,617

**Cause:**
Although the Agency has designed internal control procedures to review recipient files to ensure adequate documentation is provided to support the Agency's determination of eligibility, the lack of knowledgeable, adequately trained personnel in this area resulted in ineffective controls.

**Effect:**
Payments to providers were made on behalf of ineligible recipients.

**Recommendation:**
We recommend the Agency continue training personnel on program requirements as defined in the MS manual. In addition, we recommend the Agency review and strengthen existing internal control procedures.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011:**
We are pleased with the 2011 findings from the Division of Legislative Audit (DLA) for Medicaid Eligibility. DLA sampled $10.3 million in claims and determined an accuracy rate of 99.2%. This figure, derived from the DLA sample, is consistent with two other measurements of program accuracy:

- the latest Federally mandated Payment Error Rate Measurement (PERM) review recorded an eligibility accuracy rate of 99.83%; and,
- the internal Quality Assurance review is reporting a Payment Accuracy Rate of 99.63%

The Division of County Operations will continue to prioritize our corrective action measures. It is evident that these measures, as implemented over the past two years, have been effective in raising Arkansas's eligibility accuracy rate to the 99 percent level.

**Anticipated Completion Date:** Ongoing

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-11 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA; 05-1105ARARRA; 05-1105AREXTN** |
| **Federal Award Year(s):** | **2010 and 2011** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011 (Continued):**

**Contact Person:** Joni Jones, Director
Arkansas Department of Human Services
Division of County Operations
P.O. Box 1437, Mail Slot S301
Little Rock, AR 72203-1437
Phone: (501) 682-8375
Email: joni.jones@arkansas.gov

**Audit status as of June 30, 2012:**
Corrective action has not been taken. Although the specific instances of noncompliance noted in this finding have been addressed by the Agency, as stated in current-year finding **12-710-10**, inadequate controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring and retain appropriate documentation.

In addition, the Agency's planed corrective action statement from 2011 Corrective Action Plant about an accuracy rate determined by DLA is an assertion of the Agency, not DLA.

This issue was also addressed in prior audit findings 10-710-19 and 09-710-18.

**Audit status as of June 30, 2013:**
Corrective action has not been taken. Although the Agency has addressed the specific instances of noncompliance noted in this finding, inadequate controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring, and retain appropriate documentation, as noted in current-year finding **13-710-16**.

This issue was also addressed in prior audit findings 12-710-10, 10-710-19, and 09-710-18.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-12** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA; 05-1005AREXTN** |
| **Federal Award Year(s):** | **2011** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed and Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

This finding is no longer relevant because of an approved policy change.

**Criteria:**
In accordance with the Agency's Adults with Physical Disabilities (APD) manual, section 214.000, "The case manager must develop and maintain sufficient written documentation to support each service for which billing is made. Written description of services provided must emphasize how the goals and objectives of the service plan are being met or are not being met. All entries in a participant's file must be signed and dated by the case manager who provided the service, along with the individual's title. The documentation must be kept in the participant's case file. Providers' failure to maintain sufficient documentation to support their billing practices may result in recoupment of Medicaid payment. Documentation must consist of, at a minimum, material that includes:

- A copy of the waiver participant's AAPD plan of care
- A brief description of the specific services rendered
- The type of service rendered: assessment, service management and/or monitoring
- The type of contact: face to face or telephone
- The date and actual clock time for the service rendered, including the start time and stop time for each service
- The participant's name and Medicaid number
- The name of the person providing the service. The case manager providing the service must initial each entry in the case file. If the process is automated and all records are computerized, no signature is required. However, there must be an agreement or process in place showing the responsible party for each entry.
- The place of service (where the service took place: e.g. office, home)
- Updates describing the nature and extent of the referral for services delivered
- Description of how case management and other in-home services are meeting participant's needs
- Progress notes on participant's conditions, whether deteriorating or improving and the reasons for the change
- Process for tracking the date the participant is due for reevaluation by the Division of County Operations. The tracking is to avoid a participant's case from being closed unnecessarily.
- The Agency may establish a tickler system that meets the requirements of the program.

Documentation, as described above, is required each time a case management or counseling function is provided for which Medicaid reimbursement will be requested."

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-12 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA; 05-1005AREXTN** |
| **Federal Award Year(s):** | **2011** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed and Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Condition and Context:**
Our testing involved reviewing 20 case manager case files to determine if adequate documentation was maintained in accordance with section 214.000 of the APD manual. Ten case managers assigned to Pulaski County and ten case managers assigned statewide (i.e., outside Pulaski County) were selected.

The Pulaski County sample revealed that case managers did not maintain adequate documentation. The inadequacies included the following:

- In one case file, the AAPD plan of care was missing.
- In two case files, the type of service rendered was not provided.
- In four case files, a description of how case management and other in-home services are meeting participant's needs was not provided.
- In eight case files, the participant's Medicaid number was missing.

The statewide sample also revealed that case managers did not maintain adequate documentation. The inadequacies included the following:

- In one case file, the date and actual clock time for the service rendered, including the start time and stop time for each service, were not provided.
- In two case files, progress notes on participant's conditions, whether deteriorating or improving and the reasons for the change, were not provided

**Questioned Costs:**
$7,770

**Cause:**
The conversion from paper case files to electronic case files hindered adequate documentation from being maintained. In several of the case files reviewed, the case manager completed a form containing "check boxes" and did not provide any additional explanation. Minimum documentation requires the case manager to have progress notes.

**Effect:**
Failure to ensure adequate documentation is completed and included in all case files could lead to payments for services not provided.

**Recommendation:**
We recommend the Agency strengthen internal control procedures and provide training to case managers to ensure all required documentation is included in case files.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2011 Prior Year Finding Number:*** | **11-710-12 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA;**<br>**05-1005AREXTN** |
| **Federal Award Year(s):** | **2011** |
| **Compliance Requirement(s) Affected:** | **Activities Allowed and Unallowed** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2011:**
DAAS/DMS concurs with this finding. Increased statewide trainings for Case Support Managers (CSMs) have been scheduled. Specifically:

- CSM training was held in October, 2011, to review all aspects of CSM's training, support and monitoring requirements.
- A second CSM provider training is scheduled for May, 2012.
- DAAS will conduct monthly on-site CSM audits. Audits will include a chart audit and at least two home visits at locations identified by the chart reviews. Revised CSM supervisor and CSM monthly reports include information from CSMs that will increase CSMs accountability and provide a platform for additional DAAS monitoring. This is scheduled to begin in February 2012.

**Anticipated Completion Date:** May 2012

**Contact Person:** Thomas Carlisle
Assistant Director/Chief Fiscal Officer
Division of Medical Services
P.O. Box 1437, Mail Slot S-416
Little Rock, AR 72203-1437
Phone: (501) 682-0422
Email: Thomas.Carlisle@arkansas.gov

**Audit status as of June 30, 2012:**
Corrective action has not been taken. The Agency's planned completion for corrective action is May 2012 which is one month prior to the end of another state fiscal year. As a result, the deficiencies continue to exist as noted in current-year finding, **12-710-09** with questioned costs totaling $32,838.

**Audit status as of June 30, 2013:**
Corrective action has not been taken. As noted in current-year finding **13-710-13**, adequate supporting documentation is not being maintained by the case managers.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2010 Prior Year Finding Number:*** | **10-710-19** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-0805AR5028; 05-0905AR5028; 05-0905ARARRA; 05-1000AR5028; 05-1005ARARRA** |
| **Federal Award Year(s):** | **2008, 2009 and 2010** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Although the Agency has addressed these specific instances of noncompliance, inadequate internal controls have contributed to similar discrepancies reported in current-year finding **2014-020** on page 45.

**Criteria:**
It is the State's responsibility to determine that applicants for Medicaid meet the eligibility criteria as specified in the approved State Plan. The State outlines the eligibility requirements for the Medicaid program in the Arkansas Medical Services Manual (MS). For certain categories of Medicaid eligibility, (e.g., TEA Medicaid), the MS manual refers to policies outlined in the TEA Cash Assistance and Financial Assistance manuals that are applicable to the specific Medicaid category. However, these manuals are not considered Medicaid manuals but are only reference manuals for the Medical Services manual. The MS manual is specific to Medicaid eligibility policies and procedures and is in addition to the approved State plan required in 42 CFR 430.10.

42 CFR 435.913 case documentation states that "The Agency must include in each application record facts to support the Agency's decision on his application."

**Condition and Context:**
A statistical sample of 361 Medicaid recipients with fiscal year 2010 expenditures totaling $4,578,369 revealed that 21 recipients with expenditures totaling $66,018 for services rendered were not eligible for participation in the Medicaid program. The number of recipients sampled was based on a 95% confidence level with a 3% expected error rate and a 5% tolerable error rate. Actual results of the sample produced an error rate of 1.4%. The population sampled was higher risk recipients that have more complex eligibility determination factors and was comprised of 109,300 recipients with fiscal year 2010 expenditures totaling $1,293,597,724. The following errors in addition to insufficient evidence to support the Agency's decision were noted:

- In three cases with paid claims totaling $25,847, the Agency failed to follow program requirements related to resource limitations. In each case recipients were over the approved criteria and the Agency failed to comply with policies 42 CFR 435.913 case documentation and MS 23110 which in summary states that the Agency is responsible for determining resource value.
- In two cases with paid claims totaling $1,373, the Agency failed to follow program requirements related to income limitations. In each case recipients were over the approved income criteria and the Agency failed to comply with policies 42 CFR 435.913 case documentation and various MS manual policies all establishing income limits.
- In seven cases with paid claims totaling $14,223, the Agency failed to follow program requirements related to mandatory referrals or other categorical requirements related to deprived children. In each case the recipients either failed to establish that a child lived in the home of the adult recipient or they had failed to make a required Office of Child Support Enforcement referral. The Agency also failed to comply with policies 42 CFR 435.913 case documentation and various MS manual policies.
- In three cases with paid claims totaling $2,785, the Agency failed to follow multiple program requirements and/or satisfy several categorical requirements. In each case there was insufficient evidence regarding multiple eligibility criteria. The Agency failed to comply with policy 42 CFR 435.913 case documentation.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2010 Prior Year Finding Number:*** | **10-710-19 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-0805AR5028; 05-0905AR5028; 05-0905ARARRA;**<br>**05-1000AR5028; 05-1005ARARRA** |
| **Federal Award Year(s):** | **2008, 2009 and 2010** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Condition and Context (Continued):**

- In six cases with paid claims totaling $21,790, the Agency failed to redetermine recipient eligible as required by 42 CFR 435.916. In each case the Agency was either not able to make the determination at the time of the fieldwork or when they attempted to make the determination it was determined that the recipient was not eligible.

**Questioned Costs:**
Question costs totaled $66,018. These costs were obtained from EDS/MMIS system via Business Objects interface utilizing the recipient social security number for claims paid during the fiscal year with dates of service of which the recipient was not eligible.

**Cause:**
Cause of the finding is insufficient knowledge of program requirements and lack of evidence to support the Agency's decisions. Investigation of controls reveals that cause of finding is result of ineffective controls. Development of understanding and testing of controls revealed that there are not sufficient knowledgeable personnel to determine eligibility due to high turnover rates, employee's shortages, lack of training, and in some areas insufficient support staff.

**Effect:**
Effect of this is that household eligibility was improperly determined resulting in payments to providers for services in which recipients were not eligible.

**Recommendation:**
We recommend the Agency continue to train personnel on the requirements of the program as defined in the Medical Services Manual. We also recommend the Agency review and strengthen the internal controls over record documentation.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2010:**
The Division of County Operations continues to implement information technology measures to modernize the delivery of public assistance benefits. In response to prior audit recommendations, we have implemented procedures to strengthen processes to ensure that eligibility is properly determined and supported by adequate documentation. These measures have resulted in a significant reduction of questioned costs from the prior year.

In order to address DLA findings in State Fiscal Year 2010, the Agency will implement the following corrective action plans to improve caseworker knowledge of Medicaid policies and increase program monitoring:

- Develop an error prone profile of Medicaid applications and cases to be reviewed each month by local DCO management and Field Staff.
- Develop and implement the use of a Medicaid 2nd Party Review guide form to conduct reviews of error prone applications and cases.
- Develop and implement a guide for staff to use to adequately document program requirements.
- Local management staff will continue to conduct periodic refresher training on error prone applications and cases. (Ongoing)

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2010 Prior Year Finding Number:*** | **10-710-19 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - ARRA - Medical Assistance Program**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-0805AR5028; 05-0905AR5028; 05-0905ARARRA; 05-1000AR5028; 05-1005ARARRA** |
| **Federal Award Year(s):** | **2008, 2009 and 2010** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Audit status as of June 30, 2011:**
As noted in current-year finding, **11-710-11**, ineffective controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring and retain appropriate documentation.

This issue was also addressed in prior audit finding 09-710-18.

**Audit status as of June 30, 2012:**
Corrective action has not been taken. Although the specific instances of noncompliance noted in this finding have been addressed by the Agency, as noted in current-year finding **12-710-10**, inadequate controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring and retain appropriate documentation.

This issue was also addressed in prior audit findings 11-710-11 and 09-710-18.

**Audit status as of June 30, 2013:**
Corrective action has not been taken. Although the Agency has addressed the specific instances of noncompliance noted in this finding, ineffective controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring, and retain appropriate documentation, as noted in current-year finding **13-710-16**.

This issue was also addressed in prior audit findings 12-710-10, 11-710-11, and 09-710-18.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2009 Prior Year Finding Number:*** | **09-710-18** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - Medical Assistance Program, Recovery Act**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-0805AR5028; 05-0905AR5028; 05-0905ARARRA** |
| **Federal Award Year(s):** | **2008 and 2009** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Although the Agency has addressed these specific instances of noncompliance, inadequate internal controls have contributed to similar discrepancies reported in current-year finding **2014-020** on page 45.

**Criteria:**
The Arkansas Department of Human Services, "the Agency", is responsible for administering the State's Medicaid program. The Agency's responsibility includes determining eligibility for each applicant and documenting, in the applicant's case record, that eligibility criteria were met. The Agency outlines eligibility requirements for the Medicaid program in the Arkansas Medical Services Manual, "the Manual".

**Condition:**
Audit procedures were performed on 155 Medicaid cases, with expenditures totaling $5,704,503 for the year ended June 30, 2009, at seven selected counties throughout the State. The cases chosen were selected based upon a number of factors including average dollar amount per claim, complexity, and number of eligibility criteria. It was noted that documentation available at the time of field work for 19 recipients, with expenditures totaling $667,671, did not support the Agency's determination that the recipients were eligible for participation in the Medicaid program. The exceptions are summarized below:

- In six cases, with paid claims totaling $312,842, resource limitations were exceeded.
- In six cases, with paid claims totaling $50,647, income limitations were exceeded.
- In four cases, with paid claims totaling $182,167, the required Office of Child Support Enforcement referral was not made.
- In three cases, with paid claims totaling $122,015, there was insufficient supporting documentation in the applicant's case record to provide evidence for multiple eligibility criteria.

**Questioned Costs:**
$667,671

**Cause:**
Insufficient knowledge of program requirements caused by high turnover, lack of adequate number of staff and lack of training, combined with inadequate monitoring of program activity by supervisory staff, caused these exceptions.

**Effect:**
Eligibility was improperly determined resulting in payments to providers for services in which recipients were not eligible.

**Recommendation:**
We recommend that the Agency continue to train personnel on the requirements of the program, as defined in the Medical Services Manual. We also recommend the Agency review and strengthen internal controls over monitoring and retention of documentation.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2009 Prior Year Finding Number:*** | **09-710-18 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - Medical Assistance Program, Recovery Act**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-0805AR5028; 05-0905AR5028; 05-0905ARARRA** |
| **Federal Award Year(s):** | **2008 and 2009** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2009:**

The agency was advised that the Arkansas Division of Legislative Audit revised their procedures this year to reflect a USDHHS OIG recommendation that states should target high risk cases for the audit review. In response to this recommendation, DLA modified their sample selection criteria from a cross-section of all Medicaid eligibles to only the most complex, high-dollar cases. As a result, the cases selected for review are more error-prone and are not representative of the entire caseload. The Medicaid Eligibility Process is subject to three major reviews; the federally approved quality control review of Long Term Care cases with a current accuracy rate of 98.02%, the federally mandated Payment Error Rate Measurement (PERM) process – a review of a statistically valid sample of all Medicaid categories with a current eligibility accuracy rate of 98.8%, and the Legislative Audit in which only $611 were questioned in the previous report using the broader sample selection criteria. Since the agency's performance will be measured under these new procedures, the management controls and internal review processes will be modified to re-focus supervisory attention on the "high-risk" cases.

Since March 2009, the Medicaid caseload has increased by more than 22,000 cases. To address growing workloads, the Agency will utilize several new strategies, to include the transformation of the Arkansas eligibility system through enhanced information system technology. The first initiative was the development of an option for clients to electronically submit ARKids and Medicare Savings applications to a website called "ACCESS Arkansas". Once filed, the applications are diverted to processing units in Phillips and Mississippi counties. In December 2009, Phillips County began processing Family Planning re-evaluations for the entire state and Mississippi County is processing all Medicare Savings re-evaluations. The conversion of paper records to electronic documents and their integration into ANSWER, our automated eligibility system, creates an electronic case record. This gives the Agency the ability to redirect work from local county offices to either a processing center or to another office, allowing county office staff more time for complex cases. Document imaging is moving from the development and pilot-testing stage to full statewide rollout with an anticipated conversion date of September 2010. A statewide case processing center is being constructed in Independence County with plans to electronically route 28,000 Medicaid applications and re-evaluations to this specialized office for processing. These initiatives, along with several other IT modernization efforts, will result in continuous improvement of case processing accuracy and timeliness.

In addition to the re-engineering processes described above, the Agency plans the following corrective actions in direct response to these findings:

- In March 2010, the Division of County Operations (DCO) Quality Assurance Unit will begin a review of all Medicaid claims paid that exceed $50,000. It is estimated, based on past expenditure patterns, that the review will be conducted for approximately 85 cases per month. Managers in the Office of Field Operations will ensure that any erroneous cases are promptly addressed.
- There will be a mandatory supervisory review of all TEFRA cases before the case is approved.
- There will be a mandatory supervisory review of all UAMS Spend Down cases before the case is approved.
- There will be increased supervisory reviews of Spend Down and Transitional Medicaid cases.
- A training course on Transitional Medicaid and Spend Down eligibility determination will be conducted in each county office by April 2010.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2009 Prior Year Finding Number:*** | **09-710-18 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - Medical Assistance Program, Recovery Act**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-0805AR5028; 05-0905AR5028; 05-0905ARARRA** |
| **Federal Award Year(s):** | **2008 and 2009** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2009 (Continued):**

- The DCO Training Unit is creating computer based training modules. These modules will be available on-line so that workers can complete the short training sessions at their desk. At the end of each module there will be a quiz. A score of 90% is required to pass. Workers can take the module until they complete get a passing score. Once they have passed the quiz they will be able to print a certificate and provide it to their supervisor. There will be four modules: Emergency Medicaid for Undocumented Aliens; Spend Down Calculations; Transitional Medicaid Determinations; and, Citizenship Residency Requirements. The training will be mandatory for all Medicaid workers that determine eligibility. The County Administrator will have to certify that all appropriate employees have completed the training.

The Agency offers the following rebuttal to the findings:

***Dot Point 1 – Questioned Costs of $312,842; Reduce to $158,024***
**Item 28:** Category 31, Aid to the Blind, Aged and Disabled
**Questioned Cost:** $98,039
**Findings:** Resources exceed $2,000 limit
This client is a patient at a long term care center. The facility is the payee for the client's Social Security check and maintains a patient fund account and bank account. According to records provided by the facility, there was only one month, January 2009, in which the facility failed to timely post a payment for the cost of care. The funds in the patient account, along with funds in a savings account, rendered the client ineligible for the month of January 2009 only. Questioned Cost for this case should be reduced to $9,049 based on claims paid for dates of service in January 2009.

***Dot Point 1 – Questioned Costs of $312,842; Reduce to $158,024***
**Item 39:** Category 27, AFDC Spend Down
**Questioned Cost:** $49,635
**Findings**: Resources exceed $2,000 limit
Based on a phone call to the assessor's office, the caseworker was verbally advised that the client's property was considered one piece of property, separated only by a county road. This is a proper action by the eligibility worker and the case file was appropriately documented. The auditor went beyond the documentation in the record to solicit guidance from the State Land Commission Office who directed her to the Real Estate Division of the County Assessor's Office. This division of the same agency contacted by the worker advised the auditor that a copy of a "conservation" map indicated that one corner of the land was not contiguous to the property upon which the home is located. When DCO followed-up with the assessor's office regarding the map provided to the auditor, they were advised that many of the conservation maps are inaccurate and the only way to verify the description of the property owned by the client would be to complete a new survey. The Agency must rely on the information provided by other city, state or federal agencies through the normal verification processes. In this case, there was no reason to dispute the initial information provided by the assessor's office. It is not practical or cost effective to solicit verification from multiple sources for the same eligibility factor. Since we cannot modify our procedures as a result of this finding, we are requesting that the error be re-classified and the questioned cost be eliminated.

***Dot Point 1 – Questioned Costs of $312,842; Reduce to $158,024***
**Item 40:** Category 11, Long Term Care Assistance
**Questioned Cost**: $16,193
**Findings:** Resources exceed $2,000 limit
The auditor determined that this client exceeded the resource limit in December 2007. Although the worker failed to document verification of the client's resources in the ANSWER system, a paper copy of the client's bank statement was filed in the case record. This information confirms the client was resource eligible in December 2007. The Agency believes this exception should be removed as a finding and the questioned cost eliminated.

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2009 Prior Year Finding Number:*** | **09-710-18 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - Medical Assistance Program, Recovery Act**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-0805AR5028; 05-0905AR5028; 05-0905ARARRA** |
| **Federal Award Year(s):** | **2008 and 2009** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2009 (Continued):**
***Dot Point 3 – Questioned Costs of $182,167; Reduce to Zero Questioned Costs***
**Items 10, 26, 32, and 66**
**Findings:** Cooperation/referral, Office of Child Support Enforcement
For this finding, it is important to consider that the "referral" is not the test for cooperation with the child support requirement. In each of these cases, the person applying for assistance for the child fully cooperated by providing the name of the absent parent, thus meeting the eligibility requirement. The county office staff failed to enter the name of some or all of the absent parents to the "parent" tab in ANSWER. It is this tab that generates the automatic referral of the absent parent to the Office of Child Support Enforcement. As a result, the agency did not perform a procedural function. While the referral is a federal requirement, it is procedural in nature and would not prevent client eligibility as long as all other eligibility factors have been met. The Agency requests that this finding be stated as an Internal Control issue with no questioned costs.

***Dot Point 4 – Questioned Costs of $122,015; Reduce Questioned Costs to $31,534***
**Item 31:** Category 49; TEFRA
**Questioned Cost:** $90,481
**Findings:** Re-evaluation not completed
The county office was able to complete a review of this case in December 2009 and determined the case remains eligible for services. The Agency requests that this finding be stated as an Internal Control issue with no questioned costs.

**Anticipated Completion Date:** September 2010

**Contact Person:**
Joni Jones, Director
Division of County Operations
P.O. Box 1347, Slot S301
Little Rock, Arkansas 72203-1347
Phone: 501-682-8375
Fax: 501-682-8367
Joni.Jones@arkansas.gov

**Arkansas Department of Human Services (Continued)**

| | |
|---|---|
| ***2009 Prior Year Finding Number:*** | **09-710-18 (Continued)** |
| **CFDA Number(s) and Program Title(s):** | **93.778 - Medical Assistance Program**<br>**93.778 - Medical Assistance Program, Recovery Act**<br>**(Medicaid Cluster)** |
| **Federal Award Number(s):** | **05-0805AR5028; 05-0905AR5028; 05-0905ARARRA** |
| **Federal Award Year(s):** | **2008 and 2009** |
| **Compliance Requirement(s) Affected:** | **Eligibility** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Audit status as of June 30, 2010:**
As noted in current-year findings **10-710-19**, **10-710-24** and **10-710-25**, ineffective controls continue to contribute to the Agency's inability to provide adequate monitoring and retention of appropriate documentation. Contributing factors include insufficient knowledgeable personnel resulting from high turnover rates, employee shortages, lack of training, and in some areas, insufficient support staff.

This issue was also addressed in prior audit findings 09-710-19, 09-710-20, 08-710-20, 07-710-16 and 07-710-18.

**Audit status as of June 30, 2011:**
As noted in current-year finding, **11-710-11**, ineffective controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring and retain appropriate documentation.

This issue was also addressed in prior audit findings 10-710-19, 10-710-24, 09-710-20, 08-710-20, 07-710-06 and 07-710-18.

**Audit status as of June 30, 2012:**
Corrective action has not been taken. Although the specific instances of noncompliance noted in this finding have been addressed by the Agency, as noted in current-year finding **12-710-10**, inadequate controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring and retain appropriate documentation.

This issue was also addressed in prior audit findings 11-710-11 and 10-710-19.

**Audit status as of June 30, 2013:**
Corrective action has not been taken. Although the Agency has addressed the specific instances of noncompliance noted in this finding, ineffective controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring, and retain appropriate documentation, as noted in current-year finding **13-710-16**.

This issue was also addressed in prior audit findings 12-710-10, 11-710-11, and 10-710-19.

## Arkansas Economic Development Commission

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-790-01** |
| **State/Educational Agency(s):** | **Arkansas Economic Development Commission** |
| **CFDA Number(s) and Program Title(s):** | **14.218 – Community Development Block Grants/Entitlement Grants (CDBG – Entitlement Grants Cluster)** |
| **Federal Award Number(s):** | **B-08-DI-05-0001; B-08-DF-05-0001** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
As noted in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This includes establishing internal controls documenting agency reviews and approvals of reports prior to submission to the Department of Housing and Urban Development (HUD), the federal awarding agency.

**Condition and Context:**
The Agency is required to submit reports to HUD, the federal awarding agency. We reviewed the Agency's internal control procedures regarding the review and submission of the CDBG Disaster Quarterly Performance Reports. Discussions with Agency staff responsible for these reports indicated that a review was being performed prior to submission to HUD. However, documentation could not be provided to support that a review had been performed (e.g., signature of the reviewer).

It should be noted that compliance testing performed on these reports indicated the data submitted agreed with the Agency's financial records.

**Questioned Costs:**
None

**Cause:**
The Agency did not establish adequate internal controls to ensure documented evidence was maintained supporting the review of the CDBG Disaster Quarterly Performance Reports.

**Effect:**
A deficiency in the design of controls regarding inadequate documented reviews of reports could result in inaccurate reporting to the federal awarding agency.

**Recommendation:**
We recommend the Agency establish and implement control procedures to ensure that Agency personnel responsible for reviewing reports adequately document their review.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
Quarterly reports on the progress of the Disaster CDBG program are compiled by the responsible AEDC Grants Division staff member and are submitted electronically via the Disaster Recovery Grant Reporting System (DRGR) to the Little Rock Field Office of HUD for approval by our HUD Field Representative. As an additional internal control, the Quarterly reports will now be submitted first to the AEDC Grants Division Director for approval. The Director will review the report and respond by e-mail to the staff member. After the Division Director has approved the report, the report will be released to the HUD Field Representative.

**Anticipated Completion Date:** March 3, 2014

**Arkansas Economic Development Commission (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-790-01 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Economic Development Commission** |
| **CFDA Number(s) and Program Title(s):** | **14.218 – Community Development Block Grants/Entitlement Grants (CDBG – Entitlement Grants Cluster)** |
| **Federal Award Number(s):** | **B-08-DI-05-0001; B-08-DF-05-0001** |
| **Federal Award Year(s):** | **2012 and 2013** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Contact Person:**

Basil Julian
Grants Division Director
Arkansas Economic Development Commission
900 West Capitol, Ste. 400
Little Rock, AR  72201
(501) 682-7392
bjulian@arkansasedc.com

**Arkansas Economic Development Commission (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-790-02** |
| **State/Educational Agency(s):** | **Arkansas Economic Development Commission** |
| **CFDA Number(s) and Program Title(s):** | **14.228 – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii**<br>**14.255 – ARRA – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii**<br>**(CDBG – State-Administered CDBG Cluster)** |
| **Federal Award Number(s):** | **B-12-DC-05-0001** |
| **Federal Award Year(s):** | **2012** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In accordance with 2 CFR § 170 Appendix A, recipients of federal financial assistance subject to the Transparency Act are required to report first-tier subawards for actions that obligate $25,000 or more in federal funds, excluding American Recovery and Reinvestment Act (ARRA) funds. Reporting is required no later than the end of the month following the month in which the obligation was made. (For example, if the obligation is made on November 7, 2010, the obligation must be reported no later than December 31, 2010.) First-tier subawards are reported using the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System and are available for public viewing at USASpending.gov.

**Condition and Context:**
The Agency had 58 first-tier subawards that met the FFATA reporting requirements. We reviewed 10 of these subawards to determine if the Agency submitted the required information timely. Our review revealed that the required information was not submitted timely for all 10 first-tier subawards, ranging from 20 to 274 days late.

**Questioned Costs:**
None

**Cause:**
The Agency does not have adequate procedures in place to ensure timely submission of the FFATA first-tier subaward information. Agency personnel stated they were behind on entering the information but are making progress to become current.

**Effect:**
The required FFATA first-tier subaward information was not reported timely.

**Recommendation:**
We recommend the Agency establish and implement adequate internal controls to ensure timely compliance with FFATA reporting requirements for first-tier subawards.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The agency will alter its internal procedures to insure that the grant commitments are entered into FSRS earlier in the process. In the past, entry was made into FSRS as the last step in the grant approval process. The grant was signed by the AEDC Deputy Director, and then the grant was mailed to the grantee for signature by the Mayor or the County Judge. If the grant documents were held by the grantee before signing them or returning them, it may delay the entry into FSRS.

In the future the grant will be entered into FSRS after the Deputy Director signs the grant and before it is mailed to the grantee. This better represents the date of commitment from AEDC. By making this change we will be able to insure that our commitments meet the deadline as established in the Transparency Act.

**Arkansas Economic Development Commission (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-790-02 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Economic Development Commission** |
| **CFDA Number(s) and Program Title(s):** | **14.228 – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii**<br>**14.255 – ARRA – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii**<br>**(CDBG – State-Administered CDBG Cluster)** |
| **Federal Award Number(s):** | **B-12-DC-05-0001** |
| **Federal Award Year(s):** | **2012** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Noncompliance and Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Anticipated Completion Date:** March 3, 2014

**Contact Person:**
Basil Julian
Grants Division Director
Arkansas Economic Development Commission
900 West Capitol, Ste. 400
Little Rock, AR 72201
(501) 682-7392
bjulian@arkansasedc.com

**Arkansas Economic Development Commission (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-790-03** |
| **State/Educational Agency(s):** | **Arkansas Economic Development Commission** |
| **CFDA Number(s) and Program Title(s):** | **14.228 – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii**<br>**14.255 – ARRA – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii**<br>**(CDBG – State-Administered CDBG Cluster)** |
| **Federal Award Number(s):** | **B-12-DC-05-0001** |
| **Federal Award Year(s):** | **2012** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Significant Deficiency** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
As noted in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This includes establishing internal controls documenting agency reviews and approvals of reports prior to submission to the Department of Housing and Urban Development (HUD), the federal awarding agency.

**Condition and Context:**
The Agency is required to submit reports to HUD, the federal awarding agency. We reviewed the Agency's internal control procedures regarding the review and submission of two reports: the Performance and Evaluation Report and the Consolidated Annual Performance and Evaluation Report. Discussions with Agency staff responsible for these reports indicated that a review was being performed prior to submission to HUD. However, documentation could not be provided to support that a review had been performed (e.g., signature of the reviewer).

It should be noted that compliance testing performed on these reports indicated the data submitted agreed with the Agency's financial records.

**Questioned Costs:**
None

**Cause:**
The Agency did not establish adequate internal controls to ensure documentation was maintained supporting the review of the Performance and Evaluation Report and the Consolidated Annual Performance and Evaluation Report.

**Effect:**
A deficiency in the design of controls regarding inadequately documented reviews of reports could result in inaccurate reporting to the federal awarding agency.

**Recommendation:**
We recommend the Agency establish and implement control procedures to ensure that Agency personnel responsible for reviewing reports adequately document their review.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
The Performance Evaluation Report (PER) is prepared by the AEDC Senior Grants Manager for submission to the Little Rock HUD Field Office. Although the report is submitted to the Grants Division Director for review prior to its submission to HUD, the agency has not had a written approval process prior to its release to HUD. In the future, the Grants Division Director will respond to the Senior Grants Manager with a written or e-mailed approval prior to the submission of the PER to HUD.

**Arkansas Economic Development Commission (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-790-03 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Economic Development Commission** |
| **CFDA Number(s) and Program Title(s):** | **14.228 – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii**<br>**14.255 – ARRA – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii**<br>**(CDBG – State-Administered CDBG Cluster)** |
| **Federal Award Number(s):** | **B-12-DC-05-0001** |
| **Federal Award Year(s):** | **2012** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Significant Deficiency** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**
The Consolidated Annual Performance Evaluation Report (CAPER) is prepared by the four different state agencies that compose the Consolidated Plan Advisory Board. Since AEDC is the lead agency for the Consolidated Plan, the AEDC Grants Division Director submits the plan on behalf of the Advisory Board. Although the Deputy Director for Finance and Administration has always been supplied a copy of the CAPER before its submission, the agency has not required a written approval from the Deputy Director before it is submitted to HUD. In the future, the Deputy Director for Finance and Administration will respond in writing or by e-mail to the Grants Division Director with approval to submit the CAPER to HUD.

**Anticipated Completion Date:** March 3, 2014

**Contact Person:**
Basil Julian
Grants Division Director
Arkansas Economic Development Commission
900 West Capitol, Ste. 400
Little Rock, AR 72201
(501) 682-7392
bjulian@arkansasedc.com

**Findings Covering Programs Audited by Other External Auditors**

**University of Arkansas for Medical Sciences**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-150-01** |
| **State/Educational Agency(s):** | **University of Arkansas for Medical Sciences** |
| **CFDA Number(s) and Program Title(s):** | **93.394 – Cancer Detection and Diagnosis Research**<br>**93.395 – Cancer Treatment Research**<br>**93.398 – Cancer Research Manpower**<br>**93.847 – Diabetes, Digestive, and Kidney Diseases Extramural Research**<br>**93.Unknown – Other Department of Health and Human Services Assistance**<br>**(Research and Development Cluster)** |
| **Federal Award Number(s):** | **ACRIN 6685; CA032102; CALGB 90802; NSC-736634; S1201; ECOG 1609; Protocol R; HHS-N-260-2005-00007-C** |
| **Federal Award Year(s):** | **July 1, 2012 through June 30, 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles – Indirect Costs** |
| **Type of Finding:** | **Noncompliance** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
In order to recover indirect costs, educational institutions must prepare indirect cost rate proposals (ICRPs) in accordance with the guidelines provided in A-21. Educational institutions must submit ICRPs to the cognizant agency for approval (A-21, section G.11). These approved rates must be applied to Federal Awards, unless superseded by award-specific rates.

**Condition and Context:**
Out of a sample of 25 indirect cost expenditures for R&D grants selected for testing, one item was identified for which the federally approved indirect cost rate was not used for the April 2013 indirect cost expenditures. This selected expenditure resulted in an over expenditure of $15,465.23.

Additionally, upon further investigation of the magnitude of this finding, there were 8 grants for which an over expenditure was recorded, resulting in an over expenditure of $24,424.94 specifically for the April 2013 monthly indirect costs. It should be noted that all 8 of these grants are clinical trials grants for which cash had not yet been drawn for the recorded indirect expenditures as of year-end.

It is noted that our testing encompassed multiple different months and a variety of indirect cost uploads and this was the only instance where an incorrect upload of the indirect costs was identified.

**Questioned Costs:**

| CFDA | Indirect Cost Over-Expenditure | Document / Contract | Agency / Pass-Through Entity |
|---|---|---|---|
| 93.394 | 15,465.23 | ACRIN 6685 | American College of Radiology |
| 93.395 | 145.75 | CA032102 | Southwest Oncology Group |
| 93.395 | 1,350.00 | CALGB 90802 | CTSU-CALGB |
| 93.395 | 1,017.50 | NSC-736634 | Southwest Oncology Group |
| 93.395 | 1,397.87 | S1201 | Southwest Oncology Group |
| 93.398 | 4,770.00 | ECOG 1609 | Cancer Trials Support Unit |
| 93.847 | 78.40 | Protocol R | Jaeb Center for Health Research |
| 93.Unknown | 200.19 | HHS-N-260-2005-00007-C | The EMMES Corporation |
| **Total** | **24,424.94** | | |

**Findings Covering Programs Audited by Other External Auditors (Continued)**

**U.S. Department of Health and Human Services (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-150-01 (Continued)** |
| **State/Educational Agency(s):** | **University of Arkansas for Medical Sciences** |
| **CFDA Number(s) and Program Title(s):** | **93.394 – Cancer Detection and Diagnosis Research<br>93.395 – Cancer Treatment Research<br>93.398 – Cancer Research Manpower<br>93.847 – Diabetes, Digestive, and Kidney Diseases Extramural Research<br>93.Unknown – Other Department of Health and Human Services Assistance<br>(Research and Development Cluster)** |
| **Federal Award Number(s):** | **ACRIN 6685; CA032102; CALGB 90802; NSC-736634; S1201; ECOG 1609; Protocol R; HHS-N-260-2005-00007-C** |
| **Federal Award Year(s):** | **July 1, 2012 through June 30, 2013** |
| **Compliance Requirement(s) Affected:** | **Allowable Costs/Cost Principles – Indirect Costs** |
| **Type of Finding:** | **Noncompliance** |

**Cause:**
UAMS' process of recording indirect costs is based off of an automated calculation which pulls from grant specific rates that have been previously uploaded into the system; however, the monthly upload of these calculations to record the indirect cost expenditures is a manual process. When uploading a portion of the April 2013 indirect cost expenditures, monthly indirect costs for eight of the grants (clinical trials) were uploaded using the incorrect column from the automated indirect costs calculation file, resulting in an over expenditure of indirect costs.

**Effect:**
The recording of expenditures of indirect costs greater than the approved rate could result in drawdowns or reimbursements for unallowable costs, as these indirect cost rates have either been federally approved or approved on an award-specific basis within the grant award.

**Recommendation:**
It is our recommendation that management implements a more robust review process of their upload of monthly grant expenditures to better verify that indirect cost rates were applied to the grants for that month. Additionally, a periodic review should be performed to verify that Federal grants had not incurred indirect costs at a rate greater than their approved rates.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
We concur with the finding. Management will continue the current review of F&A postings each month but will add a quarterly review as of December 31, 2013 to ensure human errors such as this do not occur or if they do occur the errors are corrected in a timely manner.

**Anticipated Completion Date:** Currently implemented effective December 13, 2013

**Contact Person:**
Tyrone Stephens
Director of Cost Accounting
University of Arkansas for Medical Sciences
4301 W. Markham St
Little Rock AR 72205
(501) 526-7452
stephenstyroned@uams.edu

**Findings Covering Programs Audited by Other External Auditors (Continued)**

**Arkansas Development Finance Authority**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-395-01** |
| **State/Educational Agency(s):** | **Arkansas Development Finance Authority** |
| **CFDA Number(s) and Program Title(s):** | **10.415 – Rural Rental Housing Loans** |
| **Federal Award Number(s):** | **Unknown** |
| **Federal Award Year(s):** | **Unknown** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Audit Status as of June 30, 2014:**
Corrective action taken.

**Criteria:**
Management is responsible for establishing policies and procedures to ensure that reporting requirements for grants are met in a timely and accurate manner.

**Condition and Context:**
The Authority was unaware of their reporting requirement and failed to file the four quarterly federal financial reports on a timely basis.

**Questioned Costs:**
None

**Cause:**
Policies and procedures appear to not be in place to ensure the reporting requirements are identified and met.

**Effect:**
The Authority did not comply with a requirement of a federal award program.

**Recommendation:**
We recommend policies be implemented to ensure compliance with federal requirements and documented control activities be put in place to ensure policies are being followed.

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013:**
**As reported to other external auditors**: Management agrees with the finding, and subsequent to year-end the Authority filed all federal financial reports for the year. Management will implement policies and control activities to ensure compliance.

**Additional comments:** Management made the Housing Department responsible for filing future federal financial reports. The Housing Department entered the reports in its tickler system. The Accounting Department serves as backup to the Housing Department. Therefore, the reports are also on Accounting's tickler system. Internal Audit was informed of the program and has included it on the Risk & Assessment for Annual Audit Plan. In addition, the program is audited by an external public accounting firm. Management is in the process of the annual review of policies and procedures for all housing programs.

**Anticipated Completion Date:**

1. Past due federal financial reports were filed on September 17, 2013.
2. The Semi-Annual report was timely filed on January 27, 2014.
3. The next report is due July 30, 2014.

**Findings Covering Programs Audited by Other External Auditors (Continued)**

**Arkansas Development Finance Authority (Continued)**

| | |
|---|---|
| ***2013 Prior Year Finding Number*:** | **13-395-01 (Continued)** |
| **State/Educational Agency(s):** | **Arkansas Development Finance Authority** |
| **CFDA Number(s) and Program Title(s):** | **10.415 – Rural Rental Housing Loans** |
| **Federal Award Number(s):** | **Unknown** |
| **Federal Award Year(s):** | **Unknown** |
| **Compliance Requirement(s) Affected:** | **Reporting** |
| **Type of Finding:** | **Material Noncompliance and Material Weakness** |

**Views of Responsible Officials and Planned Corrective Action as of June 30, 2013 (Continued):**

**Contact Person:**

Cheryl Schluterman
VP for Finance & Administration
Arkansas Development Finance Authority
900 W. Capitol Ave, Ste 310
Little Rock, AR 72201
(501) 682-5995
Cheryl.schluterman@adfa.arkansas.gov