

State of Arkansas

Single Audit Report



For the Year Ended June 30, 2016

**State of Arkansas
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For the Year Ended June 30, 2016**

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**State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2016**

The Single Audit Act, as amended in 1996, was enacted to streamline the effectiveness of audits of federal awards. The Single Audit Act gives the Office of Management and Budget (OMB) the authority to develop government-wide guidelines and policy on performing audits to comply with the act. OMB issued Uniform Guidance (2 CFR § 200) to establish audit guidelines and policies on all aspects of managing federal awards. A Single Audit under Uniform Guidance 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 federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major programs.

The State of Arkansas Single Audit for the fiscal year ended June 30, 2016, as performed by Arkansas Legislative Audit, meets these requirements.

Federal expenditures increased slightly during fiscal year 2016 compared to the previous fiscal year. Expenditures of federal awards have generally increased over the past five years. Contributing to this trend is an increase in Medicaid funding. The chart below depicts the five-year trend of expenditures of federal awards. The 2016 Single Audit includes federal expenditures from 416 federal programs.

**Expenditures of Federal Awards
Five Year Trend**



**State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2016**

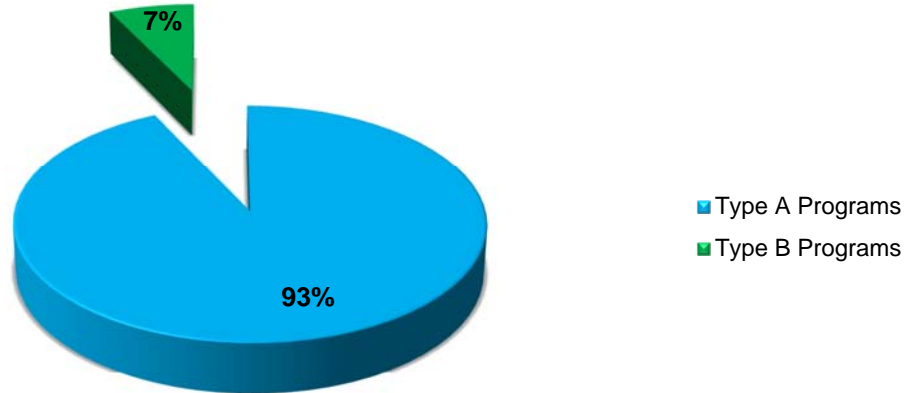
In accordance with Uniform Guidance, larger federal programs are identified and labeled as Type A. The following table outlines how the Type A programs for the State of Arkansas were identified.

Type A Program Determination

Total expenditures of federal awards	\$9,114,808,721
Three-tenths of one percent	x <u>0.003</u>
Type A threshold	<u>\$ 27,344,426</u>

All federal programs with expenditures of at least \$27,344,426 were labeled Type A. All other federal programs were labeled Type B. Of the 416 federal programs represented in the June 30, 2016, State of Arkansas Single Audit, 21 were Type A programs with expenditures totaling \$8,469,069,095, which is 93% of total expenditures, and 395 were Type B programs with expenditures totaling \$645,739,626, which is 7% of total expenditures.

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



Uniform Guidance 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 10 of the 21 were determined to be high-risk or major. The remaining 11 were identified as low-risk.

**State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2016**

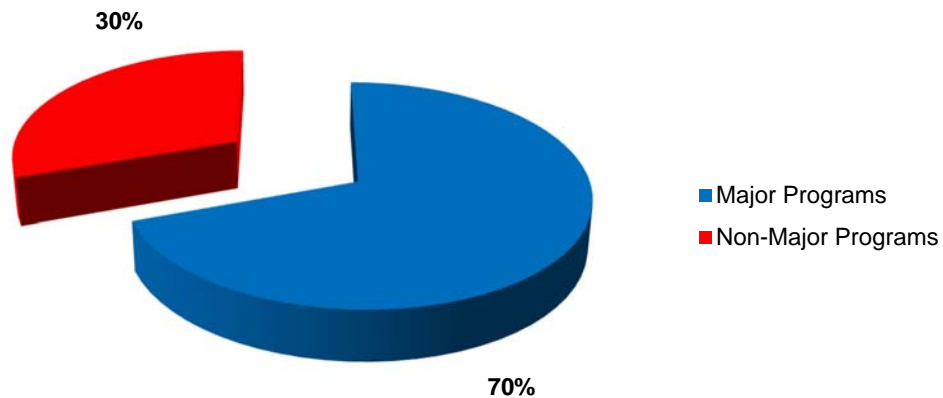
Additionally, Uniform Guidance requires the auditor to perform risk assessments on larger Type B programs and is not expected to perform risk assessments on the relatively small federal programs. Therefore, the auditor is only required to perform risk assessments on Type B programs with expenditures that exceed 25% of the Type A threshold.

Threshold for Type B Programs		
Type A Threshold		\$ 27,344,426
25%	x	0.25
Threshold of Type B programs		\$ 6,836,107

From the population of high-risk Type B programs that exceeded the 25% Type A threshold, the auditor is required to select as major the number of high-risk Type B programs totaling at least one-fourth of the Type A programs identified as low-risk. As previously noted, 11 low-risk Type A programs were identified. As a result, the auditor selected three high-risk Type B programs as major (11 x 25%).

For the year ended June 30, 2016, major program expenditures represent 70% of total expenditures of federal awards.

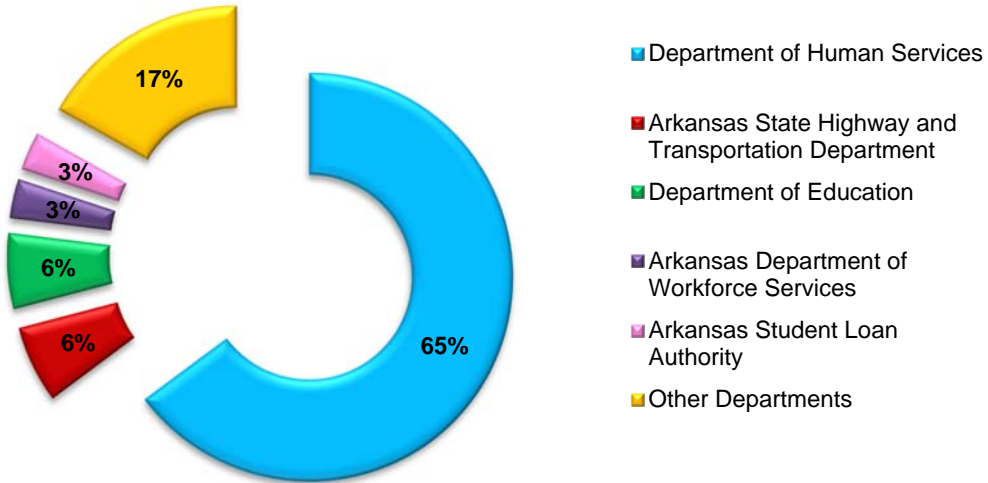
**Fiscal Year 2016
Major vs. Non-Major Programs
\$9,114,808,721**



**State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2016**

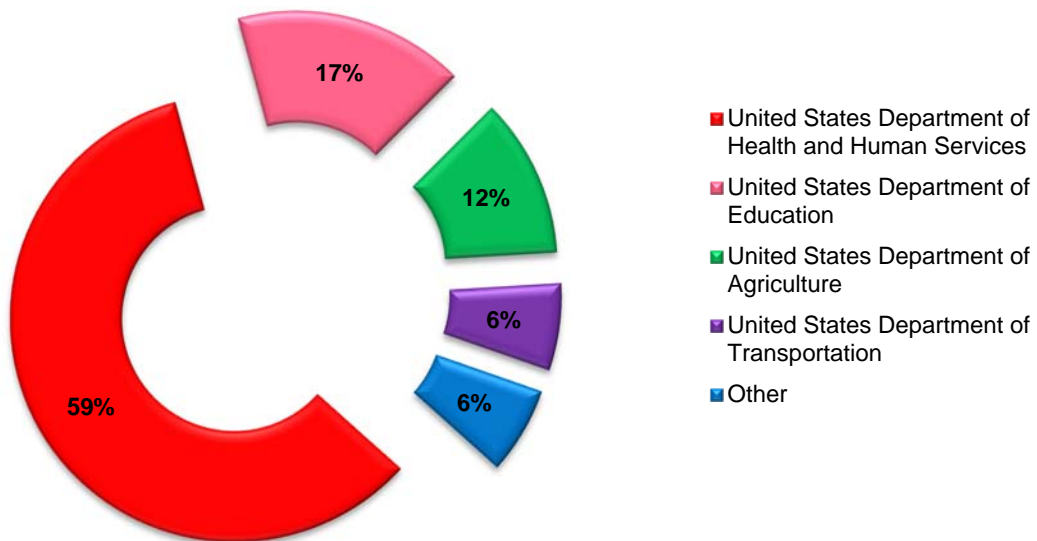
A majority (83%) of federal awards were expended by five state departments, as noted below.

**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 (94%) came from four federal agencies.

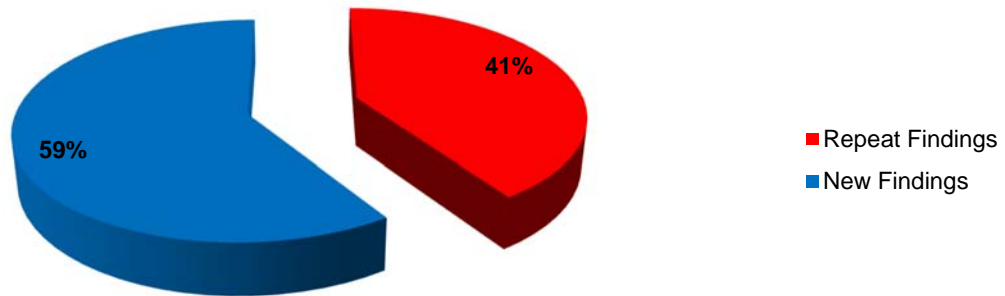
**Total Expenditures of Federal Awards by
Federal Award Agency**



**State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2016**

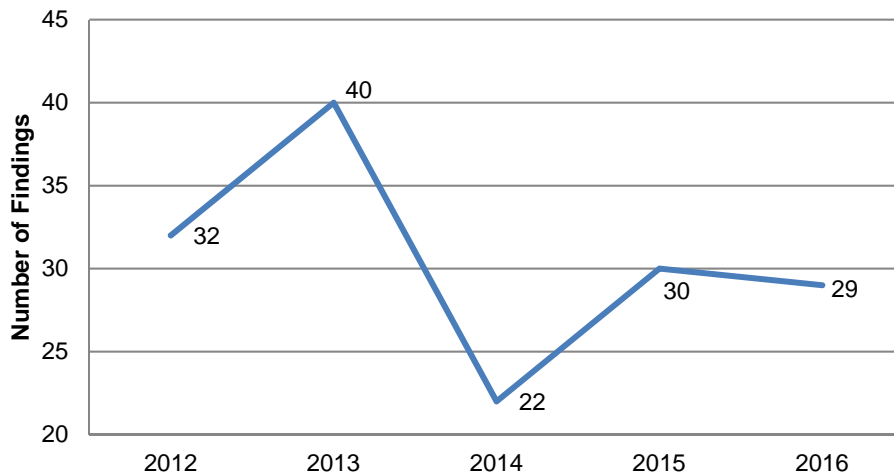
The audit resulted in **29** findings regarding non-compliance and deficiencies in internal control over compliance for **4** of the **14** major programs identified on **page 13**. As illustrated below, **12** of the **29** findings, or **41%**, were repeat findings. Repeat findings indicate that an Agency has not taken adequate measures to correct non-compliance and deficiencies in internal control over compliance reported in the previous Single Audit. The Schedule of Findings and Questioned Costs is located on **page 15**.

**Fiscal Year 2016
29 Findings
Repeat vs. New**



The number of findings reported in the Single Audit has fluctuated during the past five years as illustrated in the chart below.

Trend of Findings over Past 5 Years





State of Arkansas Single Audit

*Independent Auditor's Reports
For the Year Ended June 30, 2016*



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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS 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, 2016, 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 22, 2016. 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 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 Ark. Code Ann. § 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 22, 2016

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Lance Eads
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Mary Bentley
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS 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 the Uniform Guidance

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of federal awards.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Medical Assistance Program

As described in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with requirements regarding the Medical Assistance Program (CFDA 93.778) as described in finding number 2016-025 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Qualified Opinion on the Medical Assistance 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 the Medical Assistance Program for the year ended June 30, 2016.

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, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-003 through 2016-006, 2016-008, 2016-010 through 2016-013, 2016-018, 2016-020 through 2016-024, and 2016-028. 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 Uniform Guidance 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; 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 2016-001 through 2016-002, 2016-006, 2016-009 through 2016-010, and 2016-012 through 2016-029 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 2016-003 through 2016-005, and 2016-007 through 2016-008 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the State as of and for the year ended June 30, 2016, and have issued our report thereon dated December 22, 2016, 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 Uniform Guidance 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.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
February 13, 2017, except for the
Schedule of Expenditures of Federal
Awards, dated December 22, 2016



State of Arkansas Single Audit

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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:

- **Material Noncompliance** with the provisions of federal statutes, regulations, or terms and conditions of federal awards related to a major program. The determination of whether noncompliance is material for the purpose of reporting is in relation to one of the 12 types of compliance requirements for a major program identified in the OMB Uniform Guidance Compliance Supplement.
- **Noncompliance** with the provisions of federal statutes, regulations, or terms and conditions of federal awards related to a major program.
- **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.
- **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 \$25,000 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 statute, regulation, or terms and conditions of a federal award, 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 16 under the caption "*Views of Responsible Officials and Planned Corrective Action.*" The responses include the planned corrective action, anticipated completion date, and 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., 2016-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 15.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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 8 of this report, which was Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR § 200.516(a) X Yes No

Dollar threshold used to distinguish between Type A and Type B programs: \$27,344,426

Auditee qualified as low-risk auditee? Yes X No

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Identification of major programs:

	CFDA Number(s)	Name of Cluster or Federal Program
1.	66.458	Clean Water State Revolving Fund Cluster
2.	66.468	Drinking Water State Revolving Fund Cluster
3.	93.575, 93.596	CCDF Cluster
4.	93.775, 93.777, 93.778	Medicaid Cluster
5.	96.001, 96.006	Disability Insurance/SSI Cluster
6.	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364	Student Financial Assistance Cluster
7.	10.557	Special Supplemental Nutrition Program for Women, Infants and Children
8.	10.558	Child and Adult Care Food Program
9.	12.401	National Guard Military Operations and Maintenance (O&M) Projects
10.	14.239	Home Investment Partnerships Program
11.	84.032	Federal Family Education Loans
12.	93.658	Foster Care_Title IV-E
13.	93.738	PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds
14.	93.767	Children's Health Insurance Program

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II – Financial Statement Findings

No findings reported

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section III - Federal Award Findings and Questioned Costs

Federal/State/Educational Agency Name(s) / Program Title	CFDA Number(s) Affected	Page Number(s)
U.S. Department of Agriculture		
Arkansas Department of Human Services <i>Child and Adult Care Food Program</i>	10.558	16 - 22
U.S. Department of Education		
Arkansas Department of Career Education - Arkansas Rehabilitation Services <i>Rehabilitation Services_Vocational Rehabilitation Grants to States</i>	84.126	23 - 28
U.S. Department of Health and Human Services		
Arkansas Department of Health <i>Medicaid Cluster</i>	93.777	29 - 30
Arkansas Department of Human Services <i>Foster Care_Title IV-E</i>	93.658	31 - 40
<i>Children's Health Insurance Program</i>	93.767	41 - 54
<i>Medicaid Cluster</i>	93.778	41 - 88

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

U.S. DEPARTMENT OF AGRICULTURE

Finding Number: 2016-001
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 10.558 – Child and Adult Care Food Program
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Cash Management;
Matching, Level of Effort, Earmarking;
Period of Performance;
Reporting;
Subrecipient Monitoring
Type of Finding: Noncompliance and Material Weakness
Repeat Finding:
Not applicable

Criteria:

In accordance with 2 CFR § 200.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

2 CFR § 200.62 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

In addition, 2 CFR § 200.302(b)(6) and 2 CFR § 200.302(b)(7) state that a non-federal entity must establish written procedures to implement the requirements of cash management and to determine the allowability of costs in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements and the terms and conditions of the federal award.

Finally, 7 CFR § 226.6(m) requires a state agency to annually review at least 33.3% of all institutions, with at least 15% of the total number reviews being unannounced. A state agency must review institutions according to the following schedule:

- Independent centers and sponsoring organizations with 1 – 100 facilities (10% of total facilities) must be reviewed at least once every three years.
- Sponsoring organizations with more than 100 facilities (5% of first 1,000 facilities and 2.5% of facilities in excess of 1,000) must be reviewed at least once every two years.
- New institutions that are sponsoring organizations with five or more facilities must be reviewed within the first 90 days of program operations.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

U.S. DEPARTMENT OF AGRICULTURE (Continued)

Finding Number: 2016-001 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 10.558 – Child and Adult Care Food Program
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Cash Management;
Matching, Level of Effort, Earmarking;
Period of Performance;
Reporting;
Subrecipient Monitoring
Type of Finding: Noncompliance and Material Weakness

Condition and Context:

ALA staff's discussion with the Agency's Division of Child Care and Early Childhood Education (DCCECE) and Office of Finance and Administration (OFA) managerial accounting staff revealed that the Agency failed to develop and document procedures for internal control over compliance during the 2016 fiscal year.

ALA staff then examined 25 provider compliance reviews performed by DCCECE staff to determine if the reviews were completed according to the rotation schedule and were a timely and effective monitoring tool. The ALA examination revealed the following:

- Although the reviews were performed unannounced, the required percentages were not achieved because the Agency is currently behind in performing compliance reviews.
- Providers are not required to submit supporting documentation (receipts) to be reimbursed for a claim.
- Only the most current reimbursement claim is captured during a DCCECE compliance review.
- Procedures have not been established to notify the Agency's accounts receivable section of refunds due from providers.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

The Agency has not developed and documented procedures for internal control over compliance or developed adequate communication policies for staff, resulting in lack of notification to its providers of refunds due to the program and lack of notification to its own accounts receivable section of refunds owed from providers.

Effect:

Failure to develop, document, and implement procedures for internal control over compliance increases risk for the Agency and limits its ability to manage federal awards effectively.

Recommendation:

ALA staff recommend the Agency promptly develop and implement policies to specifically address refund notification and collection for its providers.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

U.S. DEPARTMENT OF AGRICULTURE (Continued)

Finding Number: 2016-001 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 10.558 – Child and Adult Care Food Program
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Cash Management;
Matching, Level of Effort, Earmarking;
Period of Performance;
Reporting;
Subrecipient Monitoring
Type of Finding: Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action:

Agency concurs. Agency has procured two vendors to assist with reviews and to bring the Agency current with the USDA requirements. Additionally, Agency has increased staff to perform reviews and conduct monitoring.

Anticipated Completion Date: 6/30/2017

Contact Person: Mike Britton
Deputy Chief Financial Officer
Department of Human Services
700 Main Street, Slot W401
Little Rock, AR 72203
501-682-9631
Mike.Britton@dhs.arkansas.gov

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

U.S. DEPARTMENT OF AGRICULTURE (Continued)

Finding Number: 2016-002
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 10.558 – Child and Adult Care Food Program
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Material Weakness

Repeat Finding:
Not applicable

Criteria:

In accordance with 2 CFR § 200.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Although the Agency did not develop and document procedures for internal control over compliance, as noted in finding **2016-001** on **page 16**, ALA staff discussions with Division of Child Care and Early Childhood Education (DCCECE) staff indicated that the majority of reimbursement claims are electronically submitted and are not manually reviewed for accuracy. However, DCCECE staff stated that edit checks in the Special Nutrition Program (SNP) database prevent providers from submitting claims in excess of items approved on their application (i.e., eligible participants, meals, and licensed capacity of the facility).

Condition and Context:

ALA staff review of 25 reimbursement claims to determine if the edit checks were operating effectively revealed the following:

- 18 providers claimed more eligible participants than listed on the approved application.
- 1 provider claimed more meals than listed on the approved application.
- 6 providers claimed more recipients than listed as the licensed capacity of the facility on the approved application.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

The edit checks are not effective.

Effect:

Unallowable excessive reimbursements are claimed by providers.

Recommendation:

ALA staff recommend the Agency develop and implement procedures for internal control over compliance to ensure reimbursements are made in accordance with approved applications. In addition, the Agency should define a uniform purpose for its internal database system.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

U.S. DEPARTMENT OF AGRICULTURE (Continued)

Finding Number: 2016-002 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 10.558 – Child and Adult Care Food Program
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Material Weakness

Views of Responsible Officials and Planned Corrective Action:

Agency concurs. The Agency has implemented changes to the application and are developing a manual system to compare month to month payments with investigation of material variances.

Anticipated Completion Date: 6/30/2017

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

Finding Number: 2016-003
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 10.558 – Child and Adult Care Food Program
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Subrecipient Monitoring
Type of Finding: Noncompliance and Significant Deficiency

Repeat Finding:
Not applicable

Criteria:

In accordance with 2 CFR § 200.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

In addition, 7 CFR § 226.7(b) requires a state agency to have a system in place for monitoring and reviewing the institutions' documentation of its nonprofit status to ensure that all program reimbursement funds are used (1) solely for the conduct of the food service operation or (2) to improve such food service operations, principally for the benefit of the participants.

Condition and Context:

Office of Payment, Integrity and Audit (OPIA) staff revealed that bimonthly reports are sent to all divisions and list providers approved for an extension and those whose audit report is past due. OPIA sends reminder letters every three months. The Division of Child Care and Early Childhood Education (DCCECE) is responsible for determining the providers that will remain eligible.

According to DCCECE staff, the application team notifies the Health and Nutrition Program (HNP) Unit when a provider has not submitted an audit report during the application process. If a provider's audit report is still outstanding during a compliance review, the provider is flagged as seriously deficient and is not able to submit reimbursement claims.

ALA review of 10 nonprofit institutions revealed that 1 provider was not in compliance with the Agency's audit requirements. The audit report was due on October 31, 2015. Review of the SNP database revealed that the provider's fiscal year 2017 application had not been submitted, and the last compliance review was performed on August 28, 2014. Additionally, reimbursement claims had been submitted and approved for the months subsequent to the due date of the audit report.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

The Agency has not developed, documented, or implemented procedures for internal control over compliance to ensure compliance reviews are timely and reimbursement claims are only approved for providers meeting audit requirements.

Effect:

Unallowable reimbursements claims are approved and processed for providers that failed to meet audit requirements.

Recommendation:

ALA staff recommend the Agency promptly develop, document, and implement procedures for internal control over compliance to ensure that federal awards are utilized solely for the intended purpose.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

U.S. DEPARTMENT OF AGRICULTURE (Continued)

Finding Number: 2016-003 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 10.558 – Child and Adult Care Food Program
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Subrecipient Monitoring
Type of Finding: Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action:

Agency concurs with the recommendation in this finding. Agency implemented an updated funds general ledger on January 1, 2017, to properly track Federal grants and awards. The Agency will review the policies and procedures and make the necessary changes to incorporate the inclusion of the updated funds general ledger.

Anticipated Completion Date: 6/30/2017

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

U.S. DEPARTMENT OF EDUCATION

Finding Number: 2016-004
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
Federal Award Number(s): H126A170003
Federal Award Year(s): 2017
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Repeat Finding:
Not applicable

Criteria:

Section VI-4 of the Arkansas Rehabilitation Services (ARS) Policy and Procedures Manual (Manual) states that, to ensure proper segregation of duties, field staff are required to approve and submit documentation for disbursements to the accounts payable department for review and verification. Section VI-28 of the Manual states that maintenance expenses for vocational rehabilitation (VR) services may be paid and include basic living expenses such as food, shelter, clothing, health maintenance, and other subsistence expenses essential to determine the individual's rehabilitation needs or to achieve the VR objective.

Condition and Context:

An ARS counselor approved disbursements for a VR client's rent and late fees without sufficient, appropriate evidence. A portion of the rent was being paid in advance. In addition, the Agency's accounts payable staff did not question the disbursement request. As a result, the vendor was overpaid \$1,104 as of September 28, 2016.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$1,104

Cause:

The counselor for the client was not adequately trained on the proper application of rent payments in accordance with the Manual. In addition, the accounts payable staff failed to adequately review supporting documentation to ensure proper payment.

Effect:

Failure to adhere to established procedures outlined in the Manual allows inappropriate use of the federal award.

Recommendation:

ALA staff recommend the Agency strengthen controls and procedures to ensure that employees are properly trained on policies and procedures related to maintenance payments.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

The Agency acknowledges the failure to adequately review supporting documentation for the transactions in question before releasing payment.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number: 2016-004 (Continued)
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
Federal Award Number(s): H126A170003
Federal Award Year(s): 2017
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

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

ARS Action Taken

An ARS District Manager provided training to the VR Staff on the Agency policy and procedural manual section VI-3 Segregation of Duties. The VR counselor was disciplined for the violation of policy and procedure with a counseling statement following the Agency's policy of progressive discipline.

Correction for the overpaid amount was made in December 2016 as a reduction to total rent due to the vendor under the client's plan. Per the client's plan, no rent will be paid after December 2016.

The Agency has completed training with the Accounts Payable staff on proper procedures for reviewing invoices for payment. In addition, the staff supervisor is to do periodic reviews of pending transactions awaiting payment, providing guidance on any transactions found which do not meet the criteria of proper payments.

Anticipated Completion Date: Complete

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number: 2016-005
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
Federal Award Number(s): H126A160003
Federal Award Year(s): 2016
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Repeat Finding:
Not applicable

Criteria:

Arkansas Rehabilitation Services (ARS) Policy and Procedures Manual (Manual) states that a counselor should make every effort to negotiate the least expensive transportation service for clients. In addition, case note documentation is required to justify the need for the transportation service and must include the method of calculation. Section VI-3 of the Manual mandates that transportation service invoices are not to be approved without appropriate supporting documentation that the service was performed.

Condition and Context:

The Agency authorized payments for transportation costs for VR clients as an auxiliary service. ALA review revealed that the Chief of Field Services approved a new vendor that received payment for client transportation as of June 30, 2016, for the period May 1, 2015 through **October 20, 2016**. Although in conflict with its policy, the Agency allowed:

- **Prepayment** for services totaling \$3,616 (as of October 20, 2016, services had occurred.)
- Payments for round-trip “deadhead” miles (miles driven by the vendor prior to pick-up and after drop-off of the client.)
- Payments for pickup and cancellation fees ranging from \$8 to \$40.
- Excess mileage totaling \$2,103. The vendor was paid \$0.85 per mile instead of the quoted rate of \$0.65 per mile. The quote was received and approved by the Chief of Field Services.

In addition, case note justifications for the transportation services and the method of calculating the cost of services were not always documented.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$5,719 (\$3,616 + \$2,103)

Cause:

The Chief of Field Services allowed payments in advance for transportation services.

Effect:

Failure to adhere to established procedures outlined in the Agency's Manual allows inappropriate use of the federal award.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number: 2016-005 (Continued)
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
Federal Award Number(s): H126A160003
Federal Award Year(s): 2016
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Recommendation:

ALA staff recommend the Agency strengthen controls and procedures to ensure that employees are adequately trained on policies and procedures related to transportation payments. ALA also recommends the Agency establish service agreements with transportation vendors to include the rates charged when clients are to be transported to receive services.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

ARS acknowledges the counselor errors in the prepayment of services as well as expenditures paid at 85 cents a mile in advance of an updated rate agreement. We are reviewing the audit detail related to excess mileage in order to verify with the vendor the proper amounts that should have been billed. ARS will require reimbursement from the vendor for any overpayment.

ARS Action Taken

Both counselors in question have received disciplinary action and currently require supervisor signatures for all approvals. Each counselor has also completed additional case management service training including case note justification requirements. The agency has updated the policy and procedure manual on transportation services and is in the process to submit for promulgation.

ARS Field Service and Finance senior managers are developing a standard vendor service agreement process to be used throughout the state in establishing fair rates for services rendered on behalf of our clients. In the interim, senior managers will monitor the payment processes within their respective responsibilities to insure compliance with all agency, state, and federal policies. Once standard agreement procedures are in place, dedicated training events will be conducted to ensure complete coverage of all employees tasked with client service expenditure payment responsibilities.

Anticipated Completion Date: March 2017

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number: 2016-006
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
Federal Award Number(s): H126A150003; H126A160003
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Material Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding 2015-008.

Criteria:

Section 110(d) of the Rehabilitation Act of 1973, effective July 22, 2014, requires a state to reserve, at minimum, 15% of its allotment under the grant for the provision of pre-employment transition services, which are described in Section 113 of the Act.

Condition and Context:

The minimum allotment for pre-employment transition services for the 2015 grant was calculated to be \$5,955,068 as of March 31, 2016. The 2015 grant award period is October 1, 2014 to September 30, 2015, and allowable costs for the grant must be obligated during the grant period. In addition, the Agency must draw the federal funds representing the allowable costs within 15 months from the end of the grant award period (December 31, 2016). As reported on the final SF-425 report for the 2015 grant award, pre-employment transition services expenses totaled \$426,702, resulting in a deficit in the minimum allotment for pre-employment transition services totaling \$5,528,366 (\$5,955,068 – \$426,702).

In addition, although the 2016 grant award was still active at time of audit field work, the minimum allotment required for pre-employment transition services was \$4,219,291 as of March 31, 2016. As reported on the semi-annual SF-425 report for the 2016 grant award, pre-employment transition services expenses totaled \$95,469, indicating a potential deficit in the minimum allotment for pre-employment transition services totaling \$4,123,822.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$5,528,366

Cause:

The Agency did not have adequate internal control procedures in place to ensure that the earmarking requirements were properly met and reported.

Effect:

Failure to meet earmarking requirements could jeopardize future awards.

Recommendation:

ALA staff recommend the Agency strengthen controls and procedures to ensure that earmarking requirements are properly met and reported.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number: 2016-006 (Continued)
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
Federal Award Number(s): H126A150003; H126A160003
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Material Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

Vocational rehabilitation regulations that govern implementation of the Workforce Innovation and Opportunity Act signed into law July 22, 2014, were issued by Rehabilitation Services Administration (RSA) in August of 2016. Prior to these regulations, agencies had been instructed by RSA to develop services and processes individually in order to comply with the requirements outlined in the law until comprehensive federal regulations were released. The agency reported expenditures under the pre-employment transition services requirement were in support of this direction.

ARS Action Taken

The agency has recently implemented new services and issued requests for qualified vendors throughout the state to assist in satisfying this requirement. It is anticipated that the level of required expenditures will increase significantly over the next year as more vendors apply and come online. The agency has also restructured a number of employee's duties to target pre-employment transition activities. The salaries paid to these employees will also count towards meeting this requirement. Additional procurement methods are being explored and initiated in order to better meet the provisions outlined in the law.

Anticipated Completion Date: Ongoing

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding Number: 2016-007
State/Educational Agency(s): Arkansas Department of Health
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.777 – State Survey and Certification of Healthcare Providers and Suppliers (Medicaid Cluster)
Federal Award Number(s): 05-1505-AR-5000; 05-1605-AR-5000
05-1505-AR-5001; 05-1605-AR-5001
05-1505-AR-5002; 05-1605-AR-5002
05-1605-AR-IMPACT
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Special Tests and Provisions – Provider Health and Safety Surveys
Type of Finding: Significant Deficiency

Repeat Finding:
Not applicable

Criteria:

In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

45 CFR § 75.2 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition and Context:

ALA staff discussions with Agency personnel revealed that documented procedures for internal control over compliance have not been developed. Although the Agency provided an email that outlined training requirements and a training schedule, the email is not considered adequate for meeting documentation requirements.

Statistically Valid Sample:
Not applicable

Questioned Costs:
None

Cause:
The Agency has not developed and documented procedures for internal control over compliance.

Effect:
Failure to develop and document procedures for internal control over compliance limits the Agency’s ability to manage federal awards effectively.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-007 (Continued)
State/Educational Agency(s): Arkansas Department of Health
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.777 – State Survey and Certification of
Healthcare Providers and Suppliers
(Medicaid Cluster)
Federal Award Number(s): 05-1505-AR-5000; 05-1605-AR-5000
05-1505-AR-5001; 05-1605-AR-5001
05-1505-AR-5002; 05-1605-AR-5002
05-1605-AR-IMPACT
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Special Tests and Provisions – Provider Health and Safety Surveys
Type of Finding: Significant Deficiency

Recommendation:

ALA staff recommend the Agency promptly develop, document, and implement procedures for internal control over compliance to minimize risk pertaining to managing federal awards and to ensure compliance.

Views of Responsible Officials and Planned Corrective Action:

The agency has developed specific written procedures for internal control over compliance. These procedures follow federal requirements for ensuring health and safety surveys are conducted accurately and timely and are reported to the Centers for Medicare and Medicaid Services, per federal reporting protocols. The procedures also assure that only those staff that have completed surveyor training, preceptorship, and evaluation are allowed to work independently, that they receive supervisory oversight, and review of reports and findings submitted to assure compliance with all federal requirements.

Anticipated Completion Date: 2/14/17

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-008
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.658 – Foster Care_Title IV-E
Federal Award Number(s): 1501ARFOST
Federal Award Year(s): 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Repeat Finding:
Not applicable

Criteria:

In accordance with 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 and implementing adequate controls and procedures to ensure expenses incurred are paid using the correct funding source.

In addition, 2 CFR § 225, Appendix A, states that in order to be allowable, costs must be adequately documented and be necessary and reasonable as imposed by the terms and conditions of the federal award.

Condition and Context:

ALA staff reviewed 27 of 60 specialized placement and training contracts to determine if costs represent allowable activities and costs; payments were properly calculated; and payments were supported with sufficient, appropriate evidence. The review revealed that although the Agency periodically recalculated invoices for accuracy, controls were not sufficient regarding accuracy of the information entered into the Provider Invoice Entry (PIE) billing system. As a result, an incorrect funding source was entered into PIE in error for six months, which allowed federal funds to be drawn and used to pay maintenance costs for ineligible children. Unallowable costs totaled \$13,500.

It should be noted that the State of Arkansas participates in a Title IV-E Waiver that expands eligibility requirements and allows the State to claim Title IV-E funds for children not typically determined eligible. However, as noted in finding **2016-010** on **page 35**, the State had already exceeded the capped allocation amount allowed by the Waiver and, therefore, could not claim Title IV-E for these contracted maintenance costs.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$13,500

Likely questioned costs were not extrapolated to the entire population of specialized placement contracts because of the unique nature of these contracts, which include varying daily rates and services provided for a number of children residing at various facilities. However, because of inadequate controls, it is possible that errors were made when entering information into PIE for contracts not included in ALA's review.

Cause:

The Agency did not establish adequate internal controls to ensure that contract invoices were linked to the appropriate funding source. As a result, Agency staff inadvertently linked the not eligible/not claimable service funding code to the federal funding source, instead of the non-federal funding source.

Effect:

Federal funds were used for unallowable activities and costs.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-008 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.658 – Foster Care_Title IV-E
Federal Award Number(s): 1501ARFOST
Federal Award Year(s): 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Recommendation:

ALA staff recommend the Agency promptly develop, document, and implement procedures for internal control over compliance to ensure funding sources are linked correctly in PIE. The Agency should also contact the federal awarding agency for resolution of the identified questioned costs.

Views of Responsible Officials and Planned Corrective Action:

Agency concurs with this recommendation. Agency will develop policy and procedures to ensure funding sources are linked correctly in the Provider Invoice Entry (PIE) billing system. Documentation on auditing of internal controls will be formally documented.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-009
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.658 – Foster Care_Title IV-E
Federal Award Number(s): 1501ARFOST; 1601ARFOST
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Eligibility;
Matching, Level of Effort, Earmarking;
Period of Performance;
Procurement and Suspension and Debarment;
Reporting
Type of Finding: Material Weakness
Repeat Finding: Not applicable

Criteria:

In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

In addition, 45 CFR § 75.302(b)(7) states that a non-federal entity must establish written procedures to determine the allowability of costs in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements and the terms and conditions of the federal award.

45 CFR § 75.2 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition and Context:

ALA staff discussions with Division of Children and Family Services (DCFS) and Office of Finance and Administration (OFA) managerial accounting staff revealed that procedures for internal control over compliance were not developed and documented during fiscal year 2016.

Although the Agency provided ALA with the 2016 Department of Finance and Administration (DFA) risk assessment as its documented internal controls, ALA maintains that the DFA risk assessment is not designed to function as the documented internal controls over compliance of federal awards. Adequately documented internal controls over compliance must address the following five components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. The DFA risk assessment does not meet these criteria.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-009 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.658 – Foster Care_Title IV-E
Federal Award Number(s): 1501ARFOST; 1601ARFOST
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Eligibility;
Matching, Level of Effort, Earmarking;
Period of Performance;
Procurement and Suspension and Debarment;
Reporting
Type of Finding: Material Weakness

Condition and Context (Continued):

Because the Agency asserted that the DFA risk assessment documented its procedures for internal control over compliance, ALA designed a test based on one of the risks identified by the Agency: “conducting random audits of expenditures to ensure allowability.” ALA staff requested a copy of the Agency’s process for conducting the random audits and copies of random audits performed, but the Agency could not provide documentation of its selection process or any proof that random audits had been conducted.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

Although the Agency was notified to develop and document procedures for internal control over compliance during the previous audit cycle, it failed to do so.

Effect:

Failure to develop and document procedures for internal control over compliance limits the Agency’s ability to manage federal awards effectively.

Recommendation:

ALA staff recommend the Agency promptly develop, document, and implement procedures for internal control over compliance to minimize the risk pertaining to handling and disbursing federal awards.

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with this recommendation. Policies and procedures that have been in place will be formalized. A review of the internal controls related to the handling and disbursing of federal awards will be conducted and the appropriate changes to policies and procedures will be made to minimize the risk pertaining to the handling and disbursing of federal awards.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-010
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.658 – Foster Care_Title IV-E
Federal Award Number(s): 1501ARFOST; 1601ARFOST
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Cash Management
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

ALA testing in 2015 did not result in noncompliance or a deficiency in internal control over cash management. However, the condition disclosed below was reported in the Single Audit for the fiscal year ended June 30, 2014 (2014-009).

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 proportionate share of any allowable indirect costs."

In addition, as stated in the Arkansas Title IV-E Demonstration Waiver Terms and Conditions, Title IV-E payments to the State for this demonstration will be made for amounts in accordance with the capped allocation quarterly schedule of payments. The capped allocation for federal maintenance payments totaled \$10,357,450 in 2016.

Condition and Context:

ALA staff reviewed federal draws recorded in the Payment Management System (PMS) to determine if draws were made for actual program expenditures and met the immediate cash needs of the program. The 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. The review revealed federal draws exceeded actual program expenditures by \$1,913,317. Contributing to the excessive draw, testing revealed that the actual federal maintenance draws totaled \$12,790,795, which is \$2,433,345 above the capped allocation for the year.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$1,913,317

Cause:

The Agency's reconciliation contained several keying errors that were not corrected by management. In addition, the reconciliation was not appropriately utilized because it indicated draws were in excess of actual expenditures for the quarters ended on March 31, 2016, and June 30, 2016, and the Agency did not take appropriate action to adjust the subsequent draw.

Effect:

The Agency was unable to ensure federal draws represented the immediate cash needs of the program. As a result, the Agency had draws in excess of actual program expenditures.

Recommendation:

ALA staff 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 and cash management criteria are met.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-010 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.658 – Foster Care_Title IV-E
Federal Award Number(s): 1501ARFOST; 1601ARFOST
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Cash Management
Type of Finding: Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with the recommendations made in this finding. The Agency will be analyzing the internal controls related to the draws from the Payment Management System (PMS) and revising policies and procedures to ensure that federal draws do not exceed actual program expenditures and supervisory review of reconciliations and reports is strengthened with an emphasis on training staff to perform and understand their duties to ensure cash management criteria are met.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-011
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.658 – Foster Care_Title IV-E
Federal Award Number(s): 1501ARFOST; 1601ARFOST
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Noncompliance

Repeat Finding:
Not applicable

Criteria:

42 USC § 671(a)(20)(A) provides procedures for criminal records checks, including fingerprint-based checks of national crime information databases, for any prospective foster parent before the foster parent may be finally approved for placement of a child. The standard criminal records checks are provided by the Arkansas State Police (ASP), and the fingerprint-based checks are provided by the Federal Bureau of Investigation (FBI).

Condition and Context:

To determine compliance, it was necessary for ALA staff to approach the review using two methods: (1) a review of the actual ASP document and (2) a review of information entered into the Agency's Children's Reporting and Information System (CHRIS) that represented the FBI fingerprint-based check but not the actual hard copy of the document. Access to the hard copy of the fingerprint-based check is restricted; therefore, ALA relies on information entered into CHRIS by Agency personnel.

The review of 68 foster family home providers, with payments totaling \$280,248, revealed the following:

- For one foster family home provider, the hard copy of the ASP criminal record check could not be provided. Questioned costs totaled \$4,752.
- For one foster family home provider, the criminal record information entered into CHRIS was not clear because CHRIS contained two identification client numbers for the provider. The first client number indicated the provider had failed the ASP record check and the Agency never received the results from the FBI fingerprint-based check. The second client number indicated the provider had passed the ASP record check and had also passed the FBI fingerprint-based check. It should be noted that the Agency was also unable to provide a hard copy of the ASP record check. Questioned costs totaled \$2,137.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$6,889

Cause:

Adequate staff and internal control procedures to ensure required criminal record checks, including fingerprint-based checks, for foster family home providers are properly performed and documented were lacking.

Effect:

Foster children could be placed in foster family homes that do not meet criminal record checks, which could put foster children at risk.

Recommendation:

ALA staff recommend the Agency promptly develop and implement procedures for internal control over compliance to ensure required criminal record checks are performed and documented.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-011 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.658 – Foster Care_Title IV-E
Federal Award Number(s): 1501ARFOST; 1601ARFOST
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Noncompliance

Views of Responsible Officials and Planned Corrective Action:

Agency concurs with this recommendation. Agency will strengthen policies and procedures related to compliance and education of staff on required criminal record checks that are performed and documented.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-012
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.658 – Foster Care_Title IV-E
Federal Award Number(s): 1501ARFOST; 1601ARFOST
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding **2015-012**.

Criteria:

In accordance with 45 CFR § 75.341, financial reporting is required within the frequency stated in the terms and conditions of the federal award. The terms and conditions of the Title IV-E award state that quarterly reports are required to be submitted within 30 days after the end of each fiscal quarter.

Condition and Context:

ALA staff reviewed the Agency's internal control procedures regarding the review and submission of the Quarterly CB-496 Foster Care financial reports. As previously noted in finding **2016-009** on **page 33**, the Agency did not develop and document procedures for internal control over compliance. However, discussions with Agency staff indicated that a supervisory review was being performed prior to submission. ALA review of all four quarters revealed sufficient, appropriate evidence of a supervisory review (e.g., signature/email of the reviewer) could not be provided for the quarter ended June 30, 2016.

Our review also included confirming that the Agency's Title IV-E program quarterly financial reports were submitted timely. Our review revealed the Agency had not submitted three of the four quarterly reports timely as follows:

- The September 30, 2015, report, due for submission on October 30, 2015, was submitted on November 6, 2015.
- The December 31, 2015, report, due for submission on January 31, 2016, was submitted on March 11, 2016.
- The June 30, 2016, report, due for submission on July 30, 2016, was submitted on August 29, 2016.

It should be noted that compliance testing performed on these reports indicated the data submitted agreed with the Agency's financial records.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

The Agency did not establish adequate internal controls to ensure documented evidence was maintained supporting the supervisory review of the CB-496 Quarterly Financial Reports or that the reports were submitted timely. Furthermore, the Agency experienced turnover in personnel in the fourth quarter of fiscal year 2016, contributing to the deficiency.

Effect:

A deficiency in the design of controls regarding inadequate documented reviews of reports could result in inaccurate reporting to the federal awarding agency. In addition, failure to submit reports timely could jeopardize future awards.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-012 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.658 – Foster Care_Title IV-E
Federal Award Number(s): 1501ARFOST; 1601ARFOST
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Material Weakness

Recommendation:

ALA staff recommend the Agency review and strengthen control procedures to ensure that Agency personnel responsible for reviewing reports adequately document their review and reports are submitted timely.

Views of Responsible Officials and Planned Corrective Action:

Agency concurs with this recommendation. Agency will take steps to strengthen internal controls to ensure reports are submitted timely and properly review.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-013
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR021; 05-1505AR1081;
05-1605AR502105
(Children’s Health Insurance Program)
1505AR5MAP; 05-1605AR5MAP
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings 2015-014 and 2015-016.

Criteria:

In accordance with 42 CFR § 457.310(b)(2), a targeted low-income child must not be found eligible or potentially eligible for Medicaid or covered under a group health plan.

In addition, 45 CFR § 75.303 requires a non-federal entity to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

45 CFR § 75.2 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition and Context:

ALA staff selected 60 Children’s Health Insurance Program (CHIP) recipients to determine if claims were allowable in accordance with the CHIP state plan. The Agency provided a list of claims, and ALA staff sorted the list by state aid category to ensure accuracy. The review revealed multiple discrepancies and instances of noncompliance as noted below:

- 1) Claims for 12 of the 60 recipients were paid outside program eligibility date ranges for the following:
 - For one recipient, Medicaid eligibility expired on July 31, 2015, but 25 Medicaid claims were paid for service dates from September 4, 2015 through February 8, 2016. Questioned costs totaled \$2,076.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-013 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR021; 05-1505AR1081;
05-1605AR502105
(Children’s Health Insurance Program)
1505AR5MAP; 05-1605AR5MAP
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Material Weakness

Condition and Context (Continued):

- For one recipient, CHIP eligibility expired on February 29, 2016, but 1 CHIP claim was paid for a March 16, 2016, service date. Questioned costs totaled \$107.
In addition, Medicaid eligibility for this recipient began on March 1, 2016, but 5 Medicaid claims were paid for service dates from April 28, 2015 through October 16, 2015. Questioned costs totaled \$333.
- For one recipient, CHIP eligibility began on September 1, 2015, but 18 CHIP claims were paid for service dates from March 27, 2015 through August 24, 2015. Questioned costs totaled \$2,296.
- For one recipient, CHIP eligibility expired on June 30, 2015, but 50 CHIP claims were paid for service dates from July 21, 2015 through March 20, 2016. Questioned costs totaled \$47,394.
In addition, Medicaid eligibility for this recipient began on July 1, 2015, but 7 Medicaid claims were paid for service dates from June 18, 2015 through June 30, 2015. Questioned costs totaled \$912.
- For one recipient, Medicaid eligibility began on August 1, 2016, but 10 Medicaid claims were paid for service dates from July 22, 2015 through December 17, 2015. Questioned costs totaled \$911.
- For one recipient, Medicaid eligibility began on March 1, 2016, but 11 Medicaid claims were paid for service dates from June 22, 2015 through January 26, 2016. Questioned costs totaled \$1,116.
- For one recipient, CHIP eligibility expired on August 31, 2014, but 14 CHIP claims were paid for service dates from July 10, 2015 through March 10, 2016. Questioned costs totaled \$2,133.
- For one recipient, CHIP eligibility began on September 30, 2016, but 16 CHIP claims were paid for service dates from July 17, 2015 through March 31, 2016. Questioned costs totaled \$1,778.
- For one recipient, Medicaid eligibility began on February 29, 2016, but 2 Medicaid claims were paid for service dates from June 29, 2015 through December 9, 2015. Questioned costs totaled \$219.
- For one recipient, CHIP eligibility expired on October 5, 2015, but 7 CHIP claims were paid for service dates from October 15, 2015 through February 1, 2016. Questioned costs totaled \$261.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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

Finding Number: 2016-013 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR021; 05-1505AR1081;
05-1605AR502105
(Children’s Health Insurance Program)
1505AR5MAP; 05-1605AR5MAP
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Material Weakness

Condition and Context (Continued):

- For one recipient, Medicaid eligibility expired on June 30, 2015, but 16 Medicaid claims were paid for service dates from September 4, 2015 through December 19, 2015. Questioned costs totaled \$835.
 - For one recipient, CHIP eligibility expired on July 16, 2015, but 2 CHIP claims were paid for service dates of October 15 – 16, 2015. Questioned costs totaled \$26.
- 2) Regulations do not allow recipients to be eligible for CHIP and Medicaid simultaneously. However, during the review, two recipients were discovered in the “system” with identical eligibility date ranges as follows:
- 8 CHIP claims and 1 Medicaid claim, totaling \$541, were paid on behalf of one recipient.
 - 1 CHIP claim and 3 Medicaid claims, totaling \$60, were paid on behalf of one recipient.
- 3) Three recipients were discovered in the system with eligibility date ranges that intersected as follows:
- 2 CHIP claims, totaling \$281, were questioned.
 - 21 Medicaid claims, totaling \$1,805, were questioned.
- 4) For one recipient, 14 CHIP claims totaling \$1,121 were coded to an incorrect CHIP aid category.

The Agency stated that due to the large number of CHIP and Medicaid recipients that were coded incorrectly in fiscal year 2015, the cleanup process is still in effect.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$64,204

Cause:

Adequate system controls have not been designed or implemented to ensure recipient eligibility for CHIP and Medicaid are accurately classified prior to claim payment.

Effect:

Claims cannot be confirmed as accurately reported to the federal awarding agency or as funded at the appropriate federal rate.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-013 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR021; 05-1505AR1081;
05-1605AR502105
(Children’s Health Insurance Program)
1505AR5MAP; 05-1605AR5MAP
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Material Weakness

Recommendation:

ALA staff recommend the Agency develop and implement procedures for internal control over compliance to ensure that CHIP and Medicaid recipients are not enrolled in multiple federal health insurance programs.

Views of Responsible Officials and Planned Corrective Action:

The Agency agrees with the recommendation for this finding. The Agency is working with its IT partners to develop a process to ensure that overlapping segments are not created. Policies and procedures will be developed to manually review CHIP and Medicaid recipients to ensure that they are not enrolled in multiple federal health insurance programs. The Agency will work with the Centers for Medicare & Medicaid Services to determine if any federal funds should be returned.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-014
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR021; 05-1505AR1081;
05-1605AR5021
(Children’s Health Insurance Program)
05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Cash Management
Type of Finding: Material Weakness

Repeat Finding:
Not applicable

Criteria:

In accordance with 45 CFR § 75.302(b)(6), a non-federal entity must establish written procedures to implement the requirements of cash management.

In addition, 45 CFR § 75.303 states a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

45 CFR § 75.2 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition and Context:

ALA staff requested a copy of the Agency’s documented procedures for internal control over cash management to determine if controls had been established and were operating as designed. The Agency was unable to provide documented procedures.

Statistically Valid Sample:

Not applicable.

Questioned Costs:

None

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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

Finding Number: 2016-014 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR021; 05-1505AR1081;
05-1605AR5021
(Children’s Health Insurance Program)
05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Cash Management
Type of Finding: Material Weakness

Cause:

The Agency failed to develop and document procedures for internal control over compliance for cash management.

Effect:

Failure to develop and document procedures for internal control over compliance limits the Agency’s ability to manage federal awards effectively.

Recommendation:

ALA staff recommend the Agency develop, document, and implement procedures for internal control over compliance for cash management to ensure compliance with the Treasury-State (CMIA) agreement.

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with this recommendation. Policies and procedures that have been in place will be formalized. A review of the internal controls related to the handling and disbursing of federal awards will be conducted and the appropriate changes to policies and procedures will be made to minimize the risk pertaining to the handling and disbursing of federal awards.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-015
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021;
05-1605AR5021; 05-1501AR1081
(Children’s Health Insurance Program)
05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARIMPL; 05-1605ARIMPL;
05-1505ARBIPP
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Matching. Level of Effort, Earmarking
Type of Finding: Material Weakness

Repeat Finding:
Not applicable

Criteria:

In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

45 CFR § 75.2 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition and Context:

ALA staff discussions with Agency personnel revealed that procedures for internal control over compliance were not developed and documented during fiscal year 2016.

Although the Agency provided ALA with the 2016 Department of Finance and Administration (DFA) risk assessment as its documented internal controls, ALA maintains that the DFA risk assessment is not designed to function as the documented internal controls over compliance of federal awards. Adequately documented internal controls over compliance must address the following five components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. The DFA risk assessment does not meet these criteria.

Statistically Valid Sample:

Not applicable

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-015 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021;
05-1605AR5021; 05-1501AR1081
(Children’s Health Insurance Program)
05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARIMPL; 05-1605ARIMPL;
05-1505ARBIPP
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Matching. Level of Effort, Earmarking
Type of Finding: Material Weakness

Questioned Costs:
None

Cause:
Although the Agency was notified to develop and document procedures for internal control over compliance during the previous audit cycle, it failed to do so.

Effect:
Failure to develop and document procedures for internal control over compliance limits the Agency’s ability to manage federal awards effectively.

Recommendation:
ALA staff recommend the Agency promptly develop, document, and implement procedures for internal control over compliance to minimize the risk pertaining to managing federal awards.

Views of Responsible Officials and Planned Corrective Action:
The Agency concurs with this recommendation. Policies and procedures that have been in place will be formalized. A review of the internal controls related to the handling and disbursing of federal awards will be conducted and the appropriate changes to policies and procedures will be made to minimize the risk pertaining to the handling and disbursing of federal awards.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-016
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021;
05-1605AR5021; 05-1505AR1081
(Children’s Health Insurance Program)
05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARIMPL; 05-1605ARIMPL
(Medicaid Cluster)
Federal Award Year(s): 2014, 2015, and 2016
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings 2015-015 and 2014-010.

Criteria:

The State is responsible for a portion of the costs or match of the Medical Assistance Program (MAP) and the Children’s Health Insurance Program (CHIP).

As previously noted in finding 2016-015 on page 47, the Agency did not develop or document internal control procedures over compliance for this requirement. However, the Agency stated that reviews are performed quarterly to ensure the appropriate match rate is maintained. The reviews are included in the Agency’s reporting reconciliations for the CMS-64, *Quarterly Medicaid Statement of Expenditures for MAP*, and the CMS-21, *Quarterly Children’s Health Insurance Program Statement of Expenditures for Title XXI*.

Condition and Context:

ALA staff reviewed the reporting reconciliations for two quarters to determine if the Agency was matching federal costs where appropriate.

The review of the reconciliation for the quarter ended September 30, 2015, revealed the following:

- MAP draws (revenue) exceeded expenditures totaling \$19,551,093. The Agency only provided an explanation for a portion of the variance, leaving an unexplained variance totaling \$9,911,672. Revenues exceeding expenditures could result in a refund to the federal awarding agency.
- CHIP draws (revenue) exceeded expenditures totaling \$5,494,928. Again, the Agency only provided an explanation for a portion of the variance, leaving an unexplained variance totaling \$1,258,247. Revenues exceeding expenditures could result in a refund to the federal awarding agency.
- MAP administrative expenditures exceeded draws (revenues) totaling \$20,152,085. Again, the Agency only addressed a portion of the variance, leaving \$6,134,237 unexplained. In this instance, because expenditures exceeded federal draws (revenues), it is possible that state revenues absorbed the federal costs.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-016 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021;
05-1605AR5021; 05-1505AR1081
(Children’s Health Insurance Program)
05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARIMPL; 05-1605ARIMPL
(Medicaid Cluster)
Federal Award Year(s): 2014, 2015, and 2016
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Material Weakness

Condition and Context (Continued):

The review of the reconciliation for the quarter ended June 30, 2016, revealed the following:

- MAP draws (revenue) exceeded expenditures totaling \$3,815,983. However, the Agency’s explanation increased the unexplained variance to \$19,569,830. Revenues exceeding expenditures could result in a refund to the federal awarding agency.
- CHIP draws (revenue) exceeded expenditures totaling \$30,837,792. The Agency only provided an explanation for a portion of the variance, leaving an unexplained variance totaling \$5,609,700. Revenues exceeding expenditures could result in a refund to the federal awarding agency
- MAP administrative expenditures exceeded draws (revenues) totaling \$11,906,199. The Agency’s explanation resulted in a variance of revenues exceeding expenditures totaling \$853,160 and could result in a refund to the federal awarding agency.

In addition, the reconciliations were reviewed to determine if they were completed timely. The September 30, 2015, reconciliation was not dated, and the June 30, 2016, reconciliation was dated 26 days after certification and submission of quarterly reports.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

Unknown

Cause:

The number of staff with adequate knowledge and training was not sufficient for timely completion of reconciliations.

Effect:

Failure to correctly identify and adequately address 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:

ALA staff again recommend the Agency review and strengthen existing procedures and implement immediate corrective action to ensure reconciliations are performed correctly and completed timely and to ensure all variances identified are adequately addressed.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-016 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021;
05-1605AR5021; 05-1505AR1081
(Children’s Health Insurance Program)
05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARIMPL; 05-1605ARIMPL
(Medicaid Cluster)
Federal Award Year(s): 2014, 2015, and 2016
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Material Weakness

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with this recommendation. Policies and procedures that have been in place will be formalized. A review of the internal controls related to the handling and disbursing of federal awards will be conducted and the appropriate changes to policies and procedures will be made to minimize the risk pertaining to the handling and disbursing of federal awards. Additionally, the Agency has adopted new procedures and internal controls related to the reporting of expenditures on the CMS-64 and CMS-21 forms.

Anticipated Completion Date: 6/30/2017

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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

Finding Number: 2016-017
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021;
05-1605AR5021; 05-1505AR1081
(Children’s Health Insurance Program)
05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARIMPL; 05-1605ARIMPL
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Reporting
Type of Finding: Material Weakness

Repeat Finding:
Not applicable

Criteria:

In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

45 CFR § 75.2 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition and Context:

ALA staff discussions with Agency personnel revealed that internal control procedures over compliance were not developed and documented during fiscal year 2016.

Although the Agency provided ALA with the 2016 Department of Finance and Administration (DFA) risk assessment as its documented internal controls, ALA maintains that the DFA risk assessment is not designed to function as the documented internal controls over compliance of federal awards. Adequately documented internal controls over compliance must address the following five components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. The DFA risk assessment does not meet these criteria.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-017 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021;
05-1605AR5021; 05-1505AR1081
(Children’s Health Insurance Program)
05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARIMPL; 05-1605ARIMPL
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Reporting
Type of Finding: Material Weakness

Condition and Context (Continued):

ALA staff also reviewed documentation to determine if a supervisory-level review had been performed by grants management staff prior to the certification of the CMS-21 Base and CMS64.211U reports. ALA staff discussion with Division of Medical Services (DMS) staff revealed that the review process was informal, and as a result, documentation supporting a review could not be provided.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

According to Agency staff, time constraints in the grants management section do not permit assigned staff adequate time to review supporting documentation of the data entered on the federal reports prior to the submission deadline, which is 30 days after the end of each quarter. If errors are discovered after submission, corrections are made on the subsequent quarterly report as a prior period adjustment.

Effect:

Lack of supervisory-level review prior to the certification of federal reports can lead to costs being inappropriately reported.

Recommendation:

ALA staff recommend the Agency promptly develop and document internal control policies and procedures over compliance. In addition, the Agency should ensure that appropriate supervisory staff review federal reports prior to certification and submission to ensure adequate oversight.

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with this recommendation. Policies and procedures that have been in place will be formalized. The Agency has adopted new procedures and internal controls related to the reporting of expenditures on the CMS-21 forms which include proper supervisory review.

Anticipated Completion Date: 6/30/2017

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-017 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021;
05-1605AR5021; 05-1505AR1081
(Children’s Health Insurance Program)
05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARIMPL; 05-1605ARIMPL
(Medicaid Cluster)
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Reporting
Type of Finding: Material Weakness

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

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-018
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Claims Payments
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings 2015-019, 2014-014, and 13-710-09.

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 (MTP). The MTP 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 MTP.
- 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 service dates prior to December 1, 2012).

Condition and Context:

ALA staff selected 60 beneficiary files from 24 providers throughout the State to determine if the providers maintained sufficient, appropriate documentation as required. The procedures used to obtain the claims supporting information allowed the providers three full days to produce the requested documentation in accordance with Provider Manual § 142.300(D). Even so, the review revealed a continued deficiency, with 19 providers not maintaining sufficient, appropriate evidence supporting claims as follows:

- Bost, Inc. – One recipient file with 50 claims totaling \$2,816 did not contain an MTP, affecting 1 claim. Questioned costs totaled \$29.
- Community Counseling Services, Inc. – One recipient file with 60 claims totaling \$4,727 did not contain an MTP, affecting 11 claims. Questioned costs totaled \$610.**
- Counseling Associates, Inc. – Three recipient files with 23 claims totaling \$1,392 did not contain an MTP, affecting 6 claims. Questioned costs totaled \$388.**
- Families Incorporated of Arkansas – One recipient file with 2 claims totaling \$109 did not contain an MTP, affecting 2 claims. Questioned costs totaled \$77.**
- Heber Springs Counseling Clinic – One recipient file with 12 claims totaling \$574 did not contain an MTP, affecting 10 claims. Questioned costs totaled \$335.
- Life Strategies of Arkansas, LLC – Two recipient files with 83 claims totaling \$7,452 did not contain an MTP, affecting 33 claims. Questioned costs totaled \$1,781.**

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-018 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Claims Payments
Type of Finding: Noncompliance and Material Weakness

Condition and Context (Continued):

- Living Hope Southeast, LLC – One recipient file with 184 claims totaling \$12,716 did not contain an MTP, affecting 131 claims. Questioned costs totaled \$6,422.
- Mid South Health Systems, Inc. – One recipient file with 8 claims totaling \$710 did not contain an MTP, affecting 4 claims. Questioned costs totaled \$259.**
- Ozark Guidance Center, Inc. – One recipient file with 2 claims totaling \$77 did not contain an MTP, affecting 2 claims. Questioned costs totaled \$55.**
- Perspectives Behavioral Health Management, LLC – One recipient file with 8 claims totaling \$597 did not contain an MTP, affecting 1 claim. Questioned costs totaled \$49.**
- Preferred Family Healthcare, Inc. – One recipient file with 21 claims totaling \$1,785 did not contain an MTP, affecting 15 claims. Questioned costs totaled \$854.
- Professional Counseling Associates – One recipient file with 2 claims totaling \$111 did not contain an MTP, affecting 1 claim. Questioned costs totaled \$58.
- Riverview Behavioral Health – Two recipient files with 78 claims totaling \$7,356 did not contain an MTP, affecting 60 claims. Questioned costs totaled \$3,123. In addition, supporting documentation for two claims did not include the setting where the service was provided, and there was no supporting documentation for an additional 3 claims. Questioned costs totaled \$475.
- South Arkansas Regional Health Center – Two recipient files with 42 claims totaling \$2,940 did not contain an MTP, affecting 6 claims. Questioned costs totaled \$326.**
- South Arkansas Youth Services, Inc. – One recipient file with 50 claims totaling \$4,339, did not contain an MTP, affecting 5 claims. Questioned costs totaled \$412.
- Southeast Arkansas Behavioral – Two recipient files with 278 claims totaling \$11,996 did not contain an MTP, affecting 57 claims. Questioned costs totaled \$1,772. In addition, documentation was not provided to support 1 claim. Questioned costs totaled \$18.
- The Pointe Outpatient Behavioral – One recipient file with 56 claims totaling \$5,056 did not contain an MTP, affecting 5 claims. Questioned costs totaled \$345. In addition, supporting documentation for 1 claim did not include the name and credentials of the person who performed the service or the physical location where the service was provided. There was no supporting documentation for 1 additional claim. Questioned costs totaled \$167.
- Vantage Point of Northwest Arkansas – One recipient file with 11 claims totaling \$1,251 did not contain documentation of the setting where the service was provided, affecting 4 claims. Additionally, no documentation was received for 2 claims. Questioned costs totaled \$558.**
- Western Arkansas Counseling and Guidance – Five recipient files with 38 claims totaling \$2,864 did not contain an MTP, affecting 30 claims. Questioned costs totaled \$1,574.

*Note: Providers identified with asterisks (**)* also had questioned costs noted in prior-year finding **2015-019**. See page **167** for prior-year finding details.

Statistically Valid Sample:
Not a statistically valid sample

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-018 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Claims Payments
Type of Finding: Noncompliance and Material Weakness

Questioned Costs:
\$19,687

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:

For the fourth consecutive year, ALA staff recommend the Agency review its policies and procedures and take necessary corrective action to ensure all providers are maintaining the required RSPMI documentation in the beneficiary files.

Views of Responsible Officials and Planned Corrective Action:

The Agency agrees that additional work needs to be performed with providers to ensure proper documentation related required under the Arkansas Medicaid Provider Manual Section II – Rehabilitative Services for Persons with Mental Illness (RSPMI) is included in beneficiary files. The Agency will continue its current training system that was begun at the end of State Fiscal Year 2014 and strengthen communication with providers to ensure that they understand what training is available to them.

Anticipated Completion Date: Ongoing

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-019
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
Type of Finding: Material Weakness

Repeat Finding:

Not applicable

Criteria:

In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

45 CFR § 75.2 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

This would include documenting the performance of reviews by the Agency’s Division of Medical Services Quality Assurance (DMS QA) staff to determine if services billed are in agreement with services allowed by the recipient’s plan of care. The Agency indicated it uses a quality management monitoring form to document reviews.

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 web page in the Special Fraud Alerts section.

Condition and Context:

To determine if adequate controls were in place and operating effectively, ALA staff obtained a list of reviews conducted by DMS QA and selected 60 recipient files to determine if sufficient, appropriate evidence supporting the review was maintained. According to the Agency, a Quality Management Monitoring (QMM) form is required to be maintained in the recipient file as evidence of the DMS QA review. The ALA review revealed that 13 of the 60 files did not contain a QMM as required; therefore, ALA staff could not determine if the DMS QA review had been performed for these 13 recipient files.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

Unknown

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-019 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
Type of Finding: Material Weakness

Cause:

Although the Agency designed internal control procedures to specifically address risks associated with Home and Community-Based programs, deficiencies exist that render controls ineffective.

Effect:

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

Recommendation:

ALA staff 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:

Agency concurs. Although the Quality Management Monitoring (QMM) forms are not a requirement under the waiver but an internal practice utilized by the Agency to ensure that a desk review has been completed, the Agency will strengthen internal controls through a review of policies and procedures to provide the necessary documentation to demonstrate desk reviews have been completed.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-020
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(DDS ACS Waiver)
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings 2015-022, 2014-017, 13-710-11, and 12-710-05.

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 web 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 Services (DDS) Alternative Community Services (ACS) Waiver.
2. AR Choices in Homecare.
3. Alternatives for Adults with Physical Disabilities (APD) Waiver.
4. Living Choices Assisted Living.
5. Autism.

ALA staff reviewed the DDS ACS Waiver 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 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.

ALA staff 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:

ALA staff selected 60 beneficiary files from 27 providers throughout the State to determine if the providers maintained sufficient, appropriate documentation as required. The procedures used to obtain the claims supporting information allowed the providers three full days to produce the requested documentation in accordance with Provider Manual § 142.300(D). Even so, the review revealed a continued deficiency, with 17 providers not maintaining sufficient, appropriate evidence supporting claims.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-020 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP; 05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)
Type of Finding: Noncompliance and Material Weakness

Condition and Context (Continued):

Of the 4,303 claims reviewed, the following discrepancies were noted:

- For 1,828 claims, the person-centered service plan was missing or incomplete.
- For 155 claims, documentation describing the goods or services provided was not included or was incomplete.
- For 18 claims, documentation did not include the date and/or time the goods or services were provided.
- For 76 claims, daily progress notes were missing or incomplete.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$787,683

A summary of questioned costs by provider follows:

- Abilities Unlimited Jonesboro, Inc. – Two recipient files with 144 claims totaling \$70,999. Questioned costs totaled \$49,388.**
- Above & Beyond Care, Inc. – One recipient file with 52 claims totaling \$115,813. Questioned costs totaled \$81,338.
- Arkansas Support Network – Two recipient files with 120 claims totaling \$32,100. Questioned costs totaled \$17,164.
- Bost, Inc. – Six recipient files with 388 claims totaling \$507,646. Questioned costs totaled \$110,983.**
- Civitan Services – One recipient file with 72 claims totaling \$144,720. Questioned costs totaled \$102,524.**
- Friendship Community Care, Inc. – Three recipient files with 177 claims totaling \$128,467. Questioned costs totaled \$57,148.**
- Independent Case Management, Inc. – Nine recipient files with 1,927 claims totaling \$314,434. Questioned costs totaled \$126,972.**
- Jenkins Memorial Center – One recipient file with 40 claims totaling \$33,547. Questioned costs totaled \$12,749.**
- Life Styles, Inc. – One recipient file with 344 claims totaling \$95,634. Questioned costs totaled \$67,245.**
- Network of Community Options, Inc. – Two recipient files with 114 claims totaling \$181,502. Questioned costs totaled \$78,718.**
- Ouachita Industries, Inc. – One recipient file with 38 claims totaling \$62,979. Questioned costs totaled \$8,681.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-020 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP; 05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)
Type of Finding: Noncompliance and Material Weakness

Questioned Costs (Continued):

- Pathfinder, Inc. – Three recipient files with 15 claims totaling \$7,760. Questioned costs totaled \$2,332.**
- Prescott Nevada County – One recipient file with 36 claims totaling \$21,939. Questioned costs totaled \$3,205.
- Sevier County Developmental – One recipient file with 12 claims totaling \$35,345. Questioned costs totaled \$25,007.
- South Arkansas Developmental Center – One recipient file with 9 claims totaling \$1,079. Questioned costs totaled \$763.
- St. Francis Area Developmental Center – One recipient file with 60 claims totaling \$25,561. Questioned costs totaled \$593.**
- United Cerebral Palsy of Central Arkansas – Three recipient files with 128 claims totaling \$326,973. Questioned costs totaled \$42,873.**

*Note: Providers identified with asterisks (**) also had questioned costs noted in prior-year finding 2015-022. See page 174 for prior-year finding details.*

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:

For the fifth consecutive year, ALA staff recommend the Agency review its policies and procedures and take necessary corrective action to ensure all providers are maintaining the required DDS ACS Waiver documentation in the beneficiary files.

Views of Responsible Officials and Planned Corrective Action:

Agency concurs with the recommendation in this finding. The Agency believes the first two discrepancies were a result of the DDS providers supplying the Person Centered Service Plan (PCSP) in effect at the time of the services being reviewed and did not supply all PCSPs for the client. The Agency will prepare additional guidance and training to DDS providers related to documentation required for external reviews. The Agency will work with the Centers for Medicare & Medicaid Services to determine if any federal funds should be returned.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-020 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(DDS ACS Waiver)
Type of Finding: Noncompliance and Material Weakness

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

Anticipated Completion Date: Ongoing

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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

Finding Number: 2016-021
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Living Choices Assisted Living)
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings 2015-020, 2014-015, and 13-710-10.

Criteria:

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

- 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 provided.
 - 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, to be performed at least quarterly 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.
- 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.

Condition and Context:

ALA staff selected 30 beneficiary files from 23 providers throughout the State to determine if the providers maintained sufficient, appropriate documentation as required. The procedures used to obtain the claims supporting information allowed the providers three full days to produce the requested documentation in accordance with Provider Manual § 142.300(D). Even so, the review revealed a continued deficiency, with 22 providers not maintaining sufficient, appropriate evidence supporting claims.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-021 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP; 05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Home and Community-Based Services (Living Choices Assisted Living)
Type of Finding: Noncompliance and Material Weakness

Condition and Context (Continued):

Of the 813 claims reviewed, the following discrepancies were noted:

- For 326 claims, a plan of care was not provided.
- For 11 claims, the beneficiary's attending or primary care physician's contact information was not documented.
- For 241 claims, written instructions to attendant care staff were not documented.
- For 112 claims, written instructions to attendant care staff did not agree with the plan of care.
- For 149 claims, attendant care staff did not document the services provided.
- For 299 claims, attendant care staff service documentation did not agree with the plan of care.
- For 2 claims, attendant care staff signature and/or date was missing.
- For 325 claims, quarterly monitoring forms were missing.
- For 76 claims, quarterly nursing evaluations were not documented.
- For 51 claims, nursing documentation was incomplete.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$335,456

A summary of questioned costs by provider follows:

- Autumn Home Care Facilities, Inc. – One recipient file with 43 claims totaling \$25,191. Questioned costs totaled \$10,485.**
- Dalton's Place at Fordyce – One recipient file with 29 claims totaling \$10,523. Questioned costs totaled \$7,366.
- Eagle Mountain Assisted Living – One recipient file with 13 claims totaling \$24,042. Questioned costs totaled \$16,998.
- Four Seasons Assisted Living – Two recipient files with 119 claims totaling \$53,707. Questioned costs totaled \$37,959.
- Garden Pointe – Two recipient files with 70 claims totaling \$31,392. Questioned costs totaled \$22,153.
- Green Acre Lodge of Holiday – One recipient file with 10 claims totaling \$20,588. Questioned costs totaled \$14,412.**
- Hope's Creek, Inc. – One recipient file with 16 claims totaling \$28,913. Questioned costs totaled \$2,668.**
- Legacy Village Greenhouse Corporation – Three recipient files with 128 claims totaling \$72,822. Questioned costs totaled \$50,975.**

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-021 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP; 05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Home and Community-Based Services (Living Choices Assisted Living)
Type of Finding: Noncompliance and Material Weakness

Questioned Costs (Continued):

- Magnolia Manor Assisted Living – One recipient file with 35 claims totaling \$40,157. Questioned costs totaled \$28,677.
- Maple Esplanade Assisted Living – One recipient file with 49 claims totaling \$23,357. Questioned costs totaled \$16,422.**
- Memory Lane, Inc. – One recipient file with 3 claims totaling \$5,219. Questioned costs totaled \$1,238.
- Peachtree Mena, LLC – One recipient file with 43 claims totaling \$17,617. Questioned costs totaled \$1,143.
- River Lodge Assisted Living, LLC – One recipient file with 17 claims totaling \$27,718. Questioned costs totaled \$4,414.**
- Southridge Village Cabot Management – One recipient file with 9 claims totaling \$13,887. Questioned costs totaled \$9,859.
- St. Francis Assisted Living Community – Two recipient files with 21 claims totaling \$46,966. Questioned costs totaled \$33,141.
- The Crossing at Malvern – One recipient file with 8 claims totaling \$15,951. Questioned costs totaled \$461.**
- The Gardens at Osage Terrace – One recipient file with 11 claims totaling \$13,777. Questioned costs totaled \$9,644.**
- The Gardens at Whispering Knoll – Two recipient files with 92 claims totaling \$36,810. Questioned costs totaled \$25,903.**
- The Manor, LLC – One recipient file with 7 claims totaling \$8,535. Questioned costs totaled \$5,975.**
- The Pillars of the Community – One recipient file with 15 claims totaling \$6,529. Questioned costs totaled \$4,718.
- Village Park of Conway, Inc. – One recipient file with 14 claims totaling \$23,284. Questioned costs totaled \$16,511.
- Whispering Knoll – One recipient file with 52 claims totaling \$20,102. Questioned costs totaled \$14,334.

*Note: Providers identified with asterisks (**)* also had questioned costs noted in prior-year finding **2015-020**. See page **169** for prior-year finding details.

Cause:

The Agency failed to ensure that providers maintained all required documentation.

Effect:

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

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-021 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Living Choices Assisted Living)
Type of Finding: Noncompliance and Material Weakness

Recommendation:

For the fourth consecutive year, ALA staff recommend the Agency review its policies and procedures and take necessary corrective action to ensure all providers are maintaining the required Living Choices Assisted Living documentation in the beneficiary files.

Views of Responsible Officials and Planned Corrective Action:

Agency concurs with the recommendation in this finding. Agency will reinforce the Medicaid policy requirements to focus specifically in these areas. The Agency will contact providers who did not attend at least one of the bi-annual workshops and remind them of the policy requirement. Desk reviews will continue to ensure compliance. The Agency will work with the Centers for Medicare & Medicaid Services to determine if any federal funds should be returned.

Anticipated Completion Date: Ongoing

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-022
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Personal Care)
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings 2015-021, 2014-016, 13-710-11, and 12-710-05.

Criteria:

The purpose in reviewing this program was to determine if adequate supporting documentation was being maintained in beneficiary case files as required by the Personal Care Provider Manual (Manual). The Manual dictates the information that must be documented and maintained in these files to support the services billed.

Section 220.110(D) of the Manual dictates the following information be maintained in the files:

- Date of service.
- Routines performed on that date of service.
- Time of day the aide begins the beneficiary's services.
- 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.
- Justification for any emergency unscheduled tasks and documentation of the prior-approval or post-approval of the unscheduled tasks.
- 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.

Condition and Context:

ALA staff selected 12 beneficiary files from 9 providers throughout the State to determine if the provider maintained sufficient, appropriate evidence to support services billed. The procedures used to obtain the claims supporting information allowed the providers three days to provide the requested documentation in accordance with Provider Manual § 142.300(D). Even so, the review revealed a continued deficiency, with two providers not maintaining sufficient, appropriate evidence supporting claims.

The following discrepancies were discovered regarding the two providers:

- Amcare Senior Life Partners, Inc. – No information was provided for one recipient file with 62 claims totaling \$12,341. Questioned costs totaled \$8,713.
- Hope School District – One recipient file with 3 claims totaling \$2,053 did not contain an aid log, affecting all 3 claims. Questioned costs totaled \$1,437.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$10,150

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-022 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Personal Care)
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:

For the fifth consecutive year, ALA staff recommend the Agency review its policies and procedures and take necessary corrective action to ensure all providers are maintaining the required Personal Care documentation in the beneficiary files.

Views of Responsible Officials and Planned Corrective Action:

The Agency agrees with the recommendation in this finding. The Agency in conjunction with the Office of Medical Inspector General (OMIG) has conducted provider education workshops over the past year to resolve this issue. DMS will be implementing retrospective reviews beginning during the second half of fiscal year 2017 to identify documentation deficiencies and require the provider to submit a Corrective Action Plan for evaluation and approval.

Anticipated Completion Date: Ongoing

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-023
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Period of Performance
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:
Not applicable

Criteria:

In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over a federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the term and conditions of the federal award.

45 CFR § 75.2 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition and Context:

ALA staff reviewed 713 claims for 85 recipients to determine if the Agency had adequate internal controls over compliance, ensuring claims were appropriately reviewed and processed in accordance with timely filing requirements. The claims reviewed represented Private Option premium adjustments that were made one year or more from the claim paid date.

The review revealed that 520 claims representing 59 recipients were incorrect because the date of birth (DOB) for the recipients had been modified and the data were contaminated during the transfer process from CURAM to MMIS due to inconsistencies in both systems.

The review also noted the DOBs for some recipients were changed multiple times, and in numerous instances, the DOB modifications were substantial, as summarized below:

- In 4 instances, the DOB modifications were greater than 25 years.
- In 9 instances, the DOB modifications were 5 to 25 years.
- In 10 instances, the DOB modifications were 1 to 5 years.
- In 36 instances, the DOB modifications were less than 1 year.

In addition, the premium adjustments were system-generated and, as a result, do not require manual review by Agency personnel.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-023 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Period of Performance
Type of Finding: Noncompliance and Material Weakness

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The Agency has not developed or implemented effective internal controls over data modifications in CURAM or MMIS to ensure consistency and accuracy for system-generated claims.

Effect:
Failure to develop and implement internal controls places limits on the Agency's ability to manage grants effectively.

Recommendation:
ALA staff recommend the Agency promptly develop and implement internal controls over data modifications in CURAM and MMIS to ensure consistency and accuracy. The Agency should also establish a process to manually review system-generated claim adjustments.

Views of Responsible Officials and Planned Corrective Action:
The Agency concurs with this recommendation. The Agency will establish a process to manually review system generated claim adjustments for data modifications to ensure consistency and accuracy.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-024
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5ADM; 05-1605AR5ADM
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Cash Management;
Period of Performance
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:
Not applicable

Criteria:

In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over a federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the term and conditions of the federal award.

45 CFR § 75.2 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition and Context:

ALA staff reviewed draws representing five weeks of administrative costs to determine if supervisory review was documented. The review revealed that although supervisory review was documented, administrative costs for the month of September 2015 were drawn from a grant award prior to the effective date of October 1, 2015.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$12,877,790

Cause:

The Agency had depleted the funds available from the grant award that was in effect when the September 2015 administrative costs were incurred.

Effect:

Although supervisory review was documented, the oversight resulted in administrative costs being inappropriately charged to a future grant award.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-024 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5ADM; 05-1605AR5ADM
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Cash Management;
Period of Performance
Type of Finding: Noncompliance and Material Weakness

Recommendation:

ALA staff recommend the Agency reinforce supervisory review procedures to ensure grant award draws are representative of costs incurred during the time period the grant award is effective. In addition, the Agency should contact the federal award agency to determine the corrective action required.

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with this recommendation. Policies and procedures that have been in place will be formalized. A review of the internal controls related to the handling and disbursing of federal awards will be conducted and the appropriate changes to policies and procedures will be made to minimize the risk pertaining to the handling and disbursing of federal awards. Appropriate supervisory review will be included in any changes to policies and procedures.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-025
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP;
05-1605AR5MAP;05-1505ARBIPP
Federal Award Year(s): 2014, 2015 and 2016
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings 2015-023 and 2014-020.

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. The MS manual is specific to Medicaid eligibility policies and procedures and is in addition to the approved State Plan required in accordance with 45 CFR § 75.206.

In addition, case documentation is governed by 42 CFR § 435.913, which states, "The Agency must include in each applicant's case record facts to support the Agency's decision...."

Guidance for timely eligibility determinations is outlined in 42 CFR § 435.912, which states that initial determinations should be made within 45 days unless the applicant is applying upon the basis of disability; in that case, the initial determination should be made within 90 days. Also, 42 CFR § 435.916 states that eligibility redeterminations are to be performed at least once every 12 months.

Condition and Context:

ALA staff reviewed 60 traditional Medicaid recipient files in the ANSWER system to ensure sufficient, appropriate evidence was provided to support the Agency's determination of eligibility. After the initial review of recipient files, Division of County Operations (DCO) and Division of Aging and Adult Services (DAAS) staff were provided with a list of deficiencies and given an additional three weeks to provide further evidence supporting eligibility. The list was provided to DCO and DAAS staff on Tuesday, October 25, 2016, with the understanding that ALA would accept additional evidence until the close of business on Wednesday, November 16, 2016. ALA staff provided a separate spreadsheet with all eligibility requirements listed for each Medicaid recipient included in the deficiency list. DCO and DAAS staff could indicate agreement or provide the information noted as missing or deficient. Additionally, DCO and DAAS were made aware that ALA staff would be available to clarify any questions. During the additional three-week time frame, DCO or DAAS staff did not contact ALA staff with questions. DCO provided its additional evidence on November 16, but DAAS did not provide its additional evidence until the following day, November 17, 2016. ALA review of the additional evidence noted that DAAS did not address all deficiencies on the list.

The review revealed deficiencies as summarized below:

- One client file, with 826 claims totaling \$80,456, did not contain a DCO-109 MRT report verifying categorical relatedness, affecting 686 claims. *Questioned costs totaled \$49,474* (Aid to the Disabled).
- One client file, with 54 claims totaling \$194,726, did not contain a DCO-662 Third Party Resource form verifying assignment of rights, affecting 32 claims. *Questioned costs totaled \$58,256*. Additionally, the annual reevaluation was not completed timely, as it was due in November 2015 but was not completed until December 28, 2015 (Aid to the Disabled).
- One client file, with 58 claims totaling \$2,221, did not contain a DCO-109 MRT report verifying categorical relatedness, affecting 17 claims. *Questioned costs totaled \$585* (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child).

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-025 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP;
05-1605AR5MAP;05-1505ARBIPP
Federal Award Year(s): 2014, 2015 and 2016
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Condition and Context (Continued):

- One client file, with 70 claims totaling \$38,276, did not contain documentation supporting the resource criteria, affecting 6 claims. Questioned costs totaled \$2,224. Additionally, the annual reevaluation was not completed timely, as it was due in March 2016 but was not completed until June 15, 2016 (Aid to the Aged).
- One client file, with 67 claims totaling \$18,798, did not contain documentation supporting the resources or income criteria, affecting 34 claims. Questioned costs totaled \$7,330. Additionally, the annual reevaluation was not completed timely, as it was due in September 2015 and had not been completed at the conclusion of audit fieldwork (Aid to the Disabled).
- One client file, with 47 claims totaling \$1,628, did not contain a DCO-704 signed by a registered nurse verifying medical necessity or a DCO-662 Third Party Resource form verifying assignment of rights, affecting 31 claims. Questioned costs totaled \$431. Additionally, the annual reevaluation was not completed timely, as it was due in February 2016 but was not completed until April 6, 2016 (Aid to the Aged).
- One client file, with 78 claims totaling \$32,640, did not contain documentation supporting the resources or income criteria, affecting 1 claim. Questioned costs totaled \$14. Additionally, the annual reevaluation was not completed timely, as it was due in June 2016 and had not been completed at the conclusion of audit fieldwork (Aid to the Aged).
- One client file, with 179 claims totaling \$13,574, did not contain a DCO-704 signed by a registered nurse verifying medical necessity or a DCO-662 Third Party Resource form verifying assignment of rights, affecting 41 claims. Questioned costs totaled \$3,093 (Aid to the Aged).
- One client file, with 75 claims totaling \$35,856, did not contain documentation supporting the resources or income criteria, affecting 17 claims. Questioned costs totaled \$5,168. Additionally, the annual reevaluation was not completed timely. It was due in April 2016 and had not been completed at the conclusion of audit fieldwork. The 2015 reevaluation was completed on November 3, 2016, after the recipient's file was selected for review (Aid to the Aged).
- One client file, with 367 claims totaling \$30,145, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, a DCO-2602 verifying appropriateness of care, or a DCO-2603 verifying cost effectiveness. Additionally, the payment of TEFRA premiums, health insurance attribute, and resources and income were not verified, affecting all 367 claims. Questioned costs totaled \$21,249. In addition, 169 claims paid in 2015 and 2014 were also affected. Questioned costs totaled \$10,458 and \$897, respectively. The annual reevaluation was also not completed timely. The 2014 reevaluation, due in April 2014, had not been completed at the conclusion of audit fieldwork, and there were no reevaluations for 2015 or 2016 (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child).
- One client file, with 204 claims totaling \$52,227, did not contain a DCO-109 MRT report verifying categorical relatedness or a DCO-662 Third Party Resource form verifying assignment of rights, affecting 178 claims. Questioned costs totaled \$34,408 (Aid to the Disabled).
- One client file, with 127 claims totaling \$61,088, did not contain documentation supporting the resource criteria, affecting 22 claims. Questioned costs totaled \$6,835. Additionally, the annual reevaluation was not completed timely, as it was due in November 2015 but was not completed until March 22, 2016 (Aid to the Aged).

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-025 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP;
05-1605AR5MAP;05-1505ARBIPP
Federal Award Year(s): 2014, 2015 and 2016
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Condition and Context (Continued):

- One client filed, with 56 claims totaling \$57,451, did not contain documentation supporting the resources or income criteria, affecting 46 claims. Questioned costs totaled \$31,554. Additionally, the annual reevaluation was not completed timely, as it was due in August 2015 but had not been completed at the conclusion of audit fieldwork (Aid to the Aged).
- One client file, with 32 claims totaling \$10,410, did not contain documentation supporting the resources or income criteria, affecting all 32 claims. Questioned costs totaled \$7,335. In addition, 58 claims paid in 2015 were also affected. Questioned costs totaled \$22,265. The annual reevaluation was also not completed timely. The 2015 reevaluation, due December 2014, had not been completed at the conclusion of audit fieldwork, and there was no reevaluation for 2016 (Aid to the Aged).
- One client file, with 145 claims totaling \$51,099, did not contain documentation supporting the resources or income criteria, affecting 75 claims. Questioned costs totaled \$14,962. The annual reevaluation was also not completed timely. It was due in January 2016 and had not been completed at the conclusion of audit fieldwork (Aid to the Aged).
- One client file, with 72 claims totaling \$27,051, did not contain documentation supporting the resources or income criteria, affecting 17 claims. Questioned costs totaled \$5,014. The annual reevaluation was also not completed timely, as it was due in December 2015 and had not been completed at the conclusion of audit fieldwork (Aid to the Disabled).
- One client file, with 221 claims totaling \$33,807, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 213 claims. Questioned costs totaled \$23,253. In addition, 62 claims paid in 2015 were also affected. Questioned costs totaled \$6,499. The annual reevaluation was also not completed timely. The 2015 and 2016 reevaluations were not completed until November 8, 2016, after the recipient's file was selected for review (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child).
- One client file, with 44 claims totaling \$3,325, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 5 claims. Questioned costs totaled \$364 (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child).
- One client file, with 104 claims totaling \$58,063, did not contain a DCO-662 Third Party Resource form verifying assignment of rights, affecting 17 claims. Questioned costs totaled \$9,270. The annual reevaluation was also not completed timely, as it was due in April 2016 but was not completed until November 9, 2016, after the recipient's file was selected for review (Aid to the Aged).
- One client file, with 18 claims totaling \$34,513, did not contain documentation supporting the income criteria, affecting all 18 claims. Questioned costs totaled \$24,159. The initial eligibility determination was also not completed timely. The application, received on August 28, 2015, was not approved until February 4, 2016, exceeding the 45-day limit (Aid to the Aged).
- One client file, with 55 claims totaling \$3,546, did not contain documentation supporting the resources or income criteria, affecting 23 claims. Questioned costs totaled \$993. The annual reevaluation was also not completed timely, as it was due in December 2015 but had not been completed at the conclusion of audit fieldwork (Aid to the Aged).
- One client file, with 2 claims totaling \$26, indicated the client had private health insurance, which made the client ineligible, affecting both claims. Questioned costs totaled \$18 (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child).

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-025 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP;
05-1605AR5MAP;05-1505ARBIPP
Federal Award Year(s): 2014, 2015 and 2016
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Condition and Context (Continued):

- One client file, with 17 claims totaling \$23,647, did not contain documentation supporting the resources criteria, affecting 5 claims. Questioned costs totaled \$3,026. The initial eligibility determination was also not completed timely. The application, received on January 29, 2016, was not approved until April 4, 2016, exceeding the 45-day limit (Aid to the Aged).
- One client file, with 4 claims totaling \$2,252, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, a DCO-2603 verifying cost effectiveness, or a DCO-109 MRT report verifying disability, affecting all 4 claims. Questioned costs totaled \$1,577. In addition, 22 claims paid in 2015 were also affected. Questioned costs totaled \$1,688 (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child).
- One client file, with 38 claims totaling \$185,940, did not contain a DCO-662 Third Party Resource form verifying assignment of rights, affecting 25 claims. Questioned costs totaled \$85,243. The annual reevaluation was also not completed timely, as it was due in July 2015 but was not completed until August 18, 2015 (Aid to the Disabled).
- One client file, with 137 claims totaling \$18,365, did not contain documentation supporting the resources or income criteria, affecting all 137 claims. Questioned costs totaled \$13,020. In addition, 89 claims paid in 2015 were also affected. Questioned costs totaled \$8,150. The annual reevaluation was also not completed timely, as it was due in January 2015 and had not been completed at the conclusion of audit fieldwork (Aid to the Aged).
- One client file, with 24 claims totaling \$1,900, did not contain documentation supporting the resources criteria, affecting all 24 claims. Questioned costs totaled \$1,368. In addition, 145 claims paid in 2015 were also affected. Questioned costs totaled \$16,310 (Aid to the Disabled).
- One client file, with 80 claims totaling \$56,056, did not contain documentation supporting the resources criteria, affecting 6 claims. Questioned costs totaled \$2,557. The annual reevaluation was also not completed timely, as it was due in June 2016 but was not completed until September 29, 2016 (Aid to the Aged).
- One client file, with 120 claims totaling \$12,659, did not contain a DCO-662 Third Party Resource form verifying assignment of rights, affecting 3 claims. Questioned costs totaled \$405 (Aid to the Disabled).
- One client file, with 83 claims totaling \$55,500, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 58 claims. Questioned costs totaled \$28,536 (Aid to the Aged).
- One client file, with 64 claims totaling \$40,980, did not contain documentation supporting the resources criteria, affecting all 64 claims. Questioned costs totaled \$28,794. In addition, 14 claims paid in 2015 were also affected. Questioned costs totaled \$6,944 (Aid to the Aged).
- One client file, with 36 claims totaling \$118,238, did not contain a DCO-662 Third Party Resource form verifying assignment of rights, affecting 6 claims. Questioned costs totaled \$207. The annual reevaluation was also not completed timely, as it was due in January 2016 but was not completed until February 11, 2016 (Aid to the Disabled).

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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

Finding Number: 2016-025 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP;
05-1605AR5MAP;05-1505ARBIPP
Federal Award Year(s): 2014, 2015 and 2016
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Condition and Context (Continued):

Deficiencies related to eligible recipients with late initial determinations (no questioned costs):

- One client file did not have a timely initial eligibility determination. The application was received on December 10, 2015, but was not approved until February 2, 2016, exceeding the 45-day limit (Aid to the Aged).
- One client file did not have a timely initial eligibility determination. The application was received on May 11, 2015, but was not approved until October 27, 2015, exceeding the 90-day limit for disability determinations (Aid to the Disabled).
- One client file did not have a timely initial eligibility determination. The application was received on May 7, 2015, but was not approved until March 1, 2016, exceeding the 90-day limit for disability determinations (Aid to the Disabled).
- One client file did not have a timely initial eligibility determination. The application was received on April 23, 2014, but was not approved until October 21, 2014, exceeding the 45-day limit (Aid to the Aged).
- One client file did not have a timely initial eligibility determination. The application was received on January 15, 2016, but was not approved until May 12, 2016, exceeding the 45-day limit (Aid to the Aged).

Deficiencies related to eligible recipients with late redeterminations (no questioned costs). Although there are no questioned costs associated with these recipients, the total amount of claims paid (state and federal) as of fieldwork date of December 19, 2016, for dates of services between the time the reevaluation was due and the day before it was performed is noted below to show what could have been paid in error if the recipient had ultimately been deemed ineligible:

- One client file did not have a timely reevaluation, as it was due in March 2016 but was not completed until May 5, 2016. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$4,305 in state fiscal year 2016 and \$7 in state fiscal year 2017 (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in April 2016 but was not completed until November 10, 2016, after the recipient's file was selected for review. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$885 in state fiscal year 2016 and \$4,384 in state fiscal year 2017 (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in June 2016 but was not completed until July 6, 2016. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$45 in state fiscal year 2016 and \$2,352 in state fiscal year 2017 (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in November 2015 but was not completed until January 19, 2016. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$186 in state fiscal year 2016 and \$11,391 in state fiscal year 2017 (Aid to the Aged).

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-025 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP;
05-1605AR5MAP;05-1505ARBIPP
Federal Award Year(s): 2014, 2015 and 2016
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Condition and Context (Continued):

- One client file did not have a timely reevaluation, as it was due in June 2016 but was not completed until August 18, 2016. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$2,928 in state fiscal year 2016 and \$8,376 in state fiscal year 2017 (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in October 2015 but was not completed until November 10, 2016, after the client was selected for testing. The claims paid for dates of service between when the reevaluation was due and the day before it was performed totaled \$41,976 in state fiscal year 2016 and \$56,383 in state fiscal year 2017 (Aid to the Disabled).
- One client file did not have a timely reevaluation, as it was due in January 2016 but was not completed until March 17, 2016. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$8,646 in state fiscal year 2016 (Aid to the Aged).

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

SFY14 - \$897
SFY15 - \$72,314
SFY16 - \$470,722

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:

ALA staff 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:

Agency concurs with the recommendation of this finding. Agency will strengthen training of staff and procedures to ensure that documentation related to determination of eligibility and redeterminations are proper and timely. The Agency will work with the Centers for Medicare & Medicaid Services to determine if any federal funds should be returned.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-025 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP;
05-1605AR5MAP;05-1505ARBIPP
Federal Award Year(s): 2014, 2015 and 2016
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Material Noncompliance and Material Weakness

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

Anticipated Completion Date: Ongoing

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-026
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARIMPL; 05-1605ARIMPL;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Period of Performance;
Procurement and Suspension and Debarment
Type of Finding: Material Weakness
Repeat Finding:
Not applicable

Criteria:

In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over a federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the term and conditions of the federal award.

45 CFR § 75.2 defines “internal control over compliance” as a process implemented by a non-federal entity designed to ensure achievement of the objectives of a federal award to include the following:

- 1) Transactions are properly recorded and accounted for to:
 - a) Permit the preparation of reliable financial statements and reports.
 - b) Maintain accountability over assets.
 - c) Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- 2) Transactions are executed in compliance with:
 - a) Federal statutes, regulations, and the terms and conditions of the award.
 - b) Federal statutes and regulations identified in the compliance supplement.
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition and Context:

ALA staff discussions with Division of Medical Services (DMS) personnel revealed that internal control procedures over compliance were not developed and documented during fiscal year 2016.

Although the Agency provided ALA with the 2016 Department of Finance and Administration (DFA) risk assessment as its documented internal controls, ALA maintains that the DFA risk assessment is not designed to function as the documented internal controls over compliance of federal awards. Adequately documented internal controls over compliance must address the following five components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. The DFA risk assessment does not meet these criteria.

Statistically Valid Sample:

Not applicable

Questioned Costs:

None

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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

Finding Number: 2016-026 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505AR5ADM; 05-1605AR5ADM;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARIMPL; 05-1605ARIMPL;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Period of Performance;
Procurement and Suspension and Debarment
Type of Finding: Material Weakness

Cause:

Although the Agency was notified to develop written policies and procedures for internal controls over compliance during the previous audit cycle, it failed to do so.

Effect:

Failure to develop and document procedures for internal control over compliance limits the Agency's ability to manage federal awards effectively.

Recommendation:

ALA staff recommend the Agency promptly develop, document, and implement procedures for internal control over compliance to minimize the risk pertaining to handling and disbursing federal awards.

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with this recommendation. Policies and procedures that have been in place will be formalized. A review of the internal controls related to the handling and disbursing of federal awards will be conducted and the appropriate changes to policies and procedures will be made to minimize the risk pertaining to the handling and disbursing of federal awards.

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-027
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Procurement and Suspension and Debarment
Type of Finding: Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding **2015-024**.

Criteria:

In accordance with 2 CFR § 180.415(a), if a participant in the Medicaid Program is excluded by a federal agency after entering into covered transactions, the federal agency should make a decision about whether to terminate and the type of termination action, if any, only after a thorough review to ensure that the action is proper.

In addition, 2 CFR § 180.310 states covered transactions may be continued with an excluded person if the transactions were in existence when the federal agency excluded the person.

Condition and Context:

According to Division of Medical Services (DMS) staff, HP Enterprises is contracted to ensure that enrolled providers in the Medicaid Program are not suspended or debarred or otherwise excluded from participating in the Medicaid Program. The contractor accomplishes this verification process by working with LexisNexis to perform monthly checks against various federal databases, such as the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and the List of Excluded Individuals and Entities (LEIE) maintained by the U.S. Office of Inspector General. Each month, HP provides an electronic copy of the reports generated by LexisNexis to the Agency. These reports identify providers who have been flagged by one of the exclusion databases. Once the Agency receives the reports, DMS staff are responsible for determining whether an identified provider remains eligible to participate in the Medicaid Program.

ALA staff requested Agency documentation for the monthly suspension and debarment reviews performed by DMS staff to determine if the Agency was reviewing the monthly LexisNexis suspension and debarment reports to ensure the status of enrolled providers flagged by one of the exclusion databases is adequately researched in accordance with DHS policy 1088. The review revealed that the Agency failed to perform reviews of the LexisNexis search result reports provided by HP Enterprises during the entire 2016 fiscal year. As a result, Medicaid Program providers listed as potentially excluded parties were not adequately researched to determine if they should continue to be eligible to participate in the Medicaid Program.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

The Agency failed to develop and document internal control procedures over compliance, resulting in the failure to provide adequate review of the LexisNexis reports.

Effect:

Failure to review the LexisNexis search result reports could result in continued enrollment of providers who have been excluded from participation in the Medicaid Program.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-027 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505ARINCT; 05-1605ARINCT;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Procurement and Suspension and Debarment
Type of Finding: Material Weakness

Recommendation:

ALA staff recommend the Agency begin reviewing the monthly LexisNexis search result reports to ensure that enrolled providers in the Arkansas Medicaid Program are not suspended, debarred, or otherwise excluded from participating in the Medicaid Program.

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with the recommendation for this finding. The Agency will review its current policies and procedures to determine what additional changes need to be made to ensure that enrolled providers in the Arkansas Medicaid program are not prohibited to participate in the Medicaid program based on 42 CFR §455.400 through 42 CFR §455.470

Anticipated Completion Date: 6/30/2017

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-028
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar finding was reported in prior-year findings 2015-025 and 2014-021.

Criteria:

42 CFR 430.30(c) requires submission of a quarterly statement of expenditures report (CMS-64) for the Medical Assistance Program (MAP). The Agency maintains policies and procedures for the preparation of the CMS-64 report. Specifically, the procedures state that 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.

Finally, individuals enrolled under Arkansas' Medicaid expansion programs are classified as "newly eligible" or "oldly eligible," depending on their eligibility status prior to the expansion. The Agency must be able to separately identify individuals in these categories because of the difference in funding at the federal level. "Newly" eligible individuals are 100% federally funded, while "oldly" eligible individuals are limited to the regular FMAP rates of approximately 70%.

Condition and Context:

ALA staff performed follow-up procedures from a prior-year finding to determine if the Agency had updated its procedure document for preparing the CMS-64 report and found it still contained outdated information and did not appear complete. The example cited in prior-year finding 2015-025 remains relevant for 2016 and includes an observation by ALA staff that program changes specific to the Private Option were not reflected in the procedures, and program contacts still included individuals who have terminated employment.

ALA staff also reviewed the Agency's workbooks to determine if reconciliations between expenditures recorded in its financial management system and expenditures reported to the federal awarding agency were adequately reviewed and approved to ensure accuracy and completeness. Review of the quarter ended June 30, 2016, revealed that sufficient, appropriate evidence was not available to document adequate review and approval.

To determine if the Agency could separately identify "newly" and "oldly" enrolled individuals, ALA staff requested information regarding the assigned indicator that was designed by the Agency to separately identify "newly" and "oldly" enrolled individuals. The documentation provided revealed that the indicator was not used as designed until after June 30, 2016. As a result, "oldly" enrolled individuals were reimbursed at the 100% federal rate instead of the 70% federal rate for the entire 2016 fiscal year.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

Unknown

Cause:

Unknown

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-028 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1505ARBIPP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Material Weakness

Effect:

The Agency was reimbursed at a higher federal rate than allowable, which could result in a refund due to the federal awarding agency.

Recommendation:

ALA staff recommend the Agency develop and document internal control policies and procedures over compliance and update existing procedures for preparation of the CMS-64 report. In addition, the Agency should review the affected “newly” and “oldly” indicators to determine the appropriate corrective action. The Agency should also contact the federal awarding agency to determine resolution for the reimbursements collected at the higher, incorrect federal rate.

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with this recommendation and will perform an analysis of the affected “newly” and “oldly” indicators. The Agency will work with the Centers for Medicare & Medicaid Services to determine if any federal funds should be returned.

Anticipated Completion Date: Ongoing

Contact Person: Mike Britton
Deputy Chief Financial Officer
Department of Human Services
700 Main Street, Slot W401
Little Rock, AR 72203
501-682-9631
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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-029
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Special Tests and Provisions – Provider Eligibility
Type of Finding: Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding **2015-027**.

Criteria:

In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over federal awards to provide reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the award.

The Arkansas Medicaid Program contracts with a third party vendor, Hewlett Packard (HP), to oversee the provider enrollment process. To address the risk that newly enrolled providers may not actually be eligible, the Division of Medical Services (DMS) follows guidance contained in its Provider Enrollment Monitoring policy and performs quarterly reviews by sampling newly enrolled providers to ensure providers meet all eligibility requirements.

Condition and Context:

ALA staff requested documentation for the quarterly reviews performed by DMS to determine if the Agency was providing adequate oversight in accordance with its monitoring policy. The DMS monitoring policy states that the Agency will perform quarterly reviews within 30 business days of receiving the HP list of newly enrolled providers. As of fieldwork date, August 29, 2016, the Agency had not performed any quarterly reviews in state fiscal year 2016.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

Unknown

Cause:

The Agency is not adhering to its Provider Enrollment Monitoring policy that requires the Agency to perform quarterly reviews within 30 business days of receiving the HP report listing the newly enrolled providers.

Effect:

Failure to adhere to the monitoring policy could delay discovering ineligible providers that are receiving payments for services provided to Medicaid beneficiaries.

Recommendation:

ALA staff recommend the Agency adhere to its Provider Enrollment Monitoring policy and perform timely quarterly reviews of newly enrolled providers as required by its policy.

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with the recommendation in this finding. A review of Provider Enrollment Monitoring policy will be performed and additional steps will be implemented to ensure that quarterly reviews of new enrolled providers are done in a timely manner.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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

Finding Number: 2016-029 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Special Tests and Provisions – Provider Eligibility
Type of Finding: Material Weakness

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

Anticipated Completion Date: Ongoing

Contact Person: Mike Britton
Deputy Chief Financial Officer
Department of Human Services
700 Main Street, Slot W401
Little Rock, AR 72203
501-682-9631
Mike.Britton@dhs.arkansas.gov



State of Arkansas Single Audit

***Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016***

**State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
SNAP CLUSTER					
United States Department of Agriculture					
Supplemental Nutrition Assistance Program	10.551			\$ 603,175,981	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			<u>41,735,590</u>	
Total United States Department of Agriculture				<u>644,911,571</u>	
Total SNAP CLUSTER				<u>644,911,571</u>	
CHILD NUTRITION CLUSTER					
United States Department of Agriculture					
School Breakfast Program	10.553			57,757,994 \$	56,763,152
National School Lunch Program	10.555			147,089,145	145,060,891
National School Lunch Program (Non-Monetary Assistance)	10.555			16,653,554	
Summer Food Service Program for Children	10.559			7,502,284	
Summer Food Service Program for Children (Non-Monetary Assistance)	10.559			<u>10,194</u>	
Total United States Department of Agriculture				<u>229,013,171</u>	<u>201,824,043</u>
Total CHILD NUTRITION CLUSTER				<u>229,013,171</u>	<u>201,824,043</u>
FOOD DISTRIBUTION CLUSTER					
United States Department of Agriculture					
Commodity Supplemental Food Program	10.565			229,133	221,875
Emergency Food Assistance Program (Administrative Costs)	10.568			728,634	510,492
Emergency Food Assistance Program (Food Commodities)	10.569			<u>5,800,538</u>	
Total United States Department of Agriculture				<u>6,758,305</u>	<u>732,367</u>
Total FOOD DISTRIBUTION CLUSTER				<u>6,758,305</u>	<u>732,367</u>
FOREST SERVICE SCHOOLS AND ROADS CLUSTER					
United States Department of Agriculture					
Schools and Roads - Grants to States	10.665			<u>5,725,412</u>	<u>5,725,412</u>
Total United States Department of Agriculture				<u>5,725,412</u>	<u>5,725,412</u>
Total FOREST SERVICE SCHOOLS AND ROADS CLUSTER				<u>5,725,412</u>	<u>5,725,412</u>

**State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
ECONOMIC DEVELOPMENT CLUSTER					
United States Department of Commerce					
Economic Adjustment Assistance	11.307			\$ 639,932	
Pass-Through from Central Arkansas Planning & Development Commission	11.307		08-79-04980	30,580	
Total United States Department of Commerce				<u>670,512</u>	
Total ECONOMIC DEVELOPMENT CLUSTER				<u>670,512</u>	
CDBG-ENTITLEMENT GRANTS CLUSTER					
United States Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants	14.218			3,006,651	\$ 2,950,629
Pass-Through from City of Jonesboro	14.218		B-15-MC-05-0012	8,800	
Total United States Department of Housing and Urban Development				<u>3,015,451</u>	<u>2,950,629</u>
Total CDBG-ENTITLEMENT GRANTS CLUSTER				<u>3,015,451</u>	<u>2,950,629</u>
FISH AND WILDLIFE CLUSTER					
United States Department of the Interior					
Sport Fish Restoration Program	15.605			8,056,319	3,684
Wildlife Restoration and Basic Hunter Education	15.611			12,502,755	7,837
Total United States Department of the Interior				<u>20,559,074</u>	<u>11,521</u>
Total FISH AND WILDLIFE CLUSTER				<u>20,559,074</u>	<u>11,521</u>
EMPLOYMENT SERVICE CLUSTER					
United States Department of Labor					
Employment Service/Wagner-Peyser Funded Activities	17.207			5,166,611	
Disabled Veterans' Outreach Program (DVOP)	17.801			1,037,086	
Local Veterans' Employment Representative Program	17.804			489,591	
Total United States Department of Labor				<u>6,693,288</u>	
Total EMPLOYMENT SERVICE CLUSTER				<u>6,693,288</u>	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
WIA/WIOA CLUSTER					
United States Department of Labor					
WIA/WIOA Adult Program	17.258			\$ 8,349,682	\$ 7,110,354
WIA/WIOA Youth Activities	17.259			6,515,756	5,182,345
WIA/WIOA Dislocated Worker Formula Grants	17.278			4,569,930	4,065,392
Total United States Department of Labor				<u>19,435,368</u>	<u>16,358,091</u>
Total WIA/WIOA CLUSTER				<u>19,435,368</u>	<u>16,358,091</u>
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER					
United States Department of Transportation					
Highway Planning and Construction	20.205			534,033,552	11,898,084
Recreational Trails Program	20.219			688,970	681,690
Total United States Department of Transportation				<u>534,722,522</u>	<u>12,579,774</u>
Total HIGHWAY PLANNING AND CONSTRUCTION CLUSTER				<u>534,722,522</u>	<u>12,579,774</u>
FEDERAL TRANSIT CLUSTER					
United States Department of Transportation					
Federal Transit_Capital Investment Grants	20.500			238,446	
Federal Transit_Formula Grants	20.507			774,441	
Bus and Bus Facilities Formula Program	20.526			541,311	2,887
Total United States Department of Transportation				<u>1,554,198</u>	<u>2,887</u>
Total FEDERAL TRANSIT CLUSTER				<u>1,554,198</u>	<u>2,887</u>
TRANSIT SERVICES PROGRAMS CLUSTER					
United States Department of Transportation					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			998,643	
Job Access and Reverse Commute Program	20.516			743,472	743,472
New Freedom Program	20.521			14,357	14,357
Total United States Department of Transportation				<u>1,756,472</u>	<u>757,829</u>
Total TRANSIT SERVICES PROGRAMS CLUSTER				<u>1,756,472</u>	<u>757,829</u>

**State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
HIGHWAY SAFETY CLUSTER					
United States Department of Transportation					
State and Community Highway Safety	20.600			\$ 2,623,023	\$ 603,050
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601			1,029,203	
Safety Belt Performance Grants	20.609			1,215,120	148,008
State Traffic Safety Information System Improvement Grants	20.610			90,458	
Incentive Grant Program to Increase Motorcyclist Safety	20.612			69,554	
National Priority Safety Programs	20.616			2,966,347	444,426
Total United States Department of Transportation				<u>7,993,705</u>	<u>1,195,484</u>
Total HIGHWAY SAFETY CLUSTER				<u>7,993,705</u>	<u>1,195,484</u>
CLEAN WATER STATE REVOLVING FUND CLUSTER					
Environmental Protection Agency					
Capitalization Grants for Clean Water State Revolving Funds	66.458			12,851,963	12,548,770
Total Environmental Protection Agency				<u>12,851,963</u>	<u>12,548,770</u>
Total CLEAN WATER STATE REVOLVING FUND CLUSTER				<u>12,851,963</u>	<u>12,548,770</u>
DRINKING WATER STATE REVOLVING FUND CLUSTER					
Environmental Protection Agency					
Capitalization Grants for Drinking Water State Revolving Funds	66.468			12,147,634	7,730,812
Total Environmental Protection Agency				<u>12,147,634</u>	<u>7,730,812</u>
Total DRINKING WATER STATE REVOLVING FUND CLUSTER				<u>12,147,634</u>	<u>7,730,812</u>
SPECIAL EDUCATION CLUSTER (IDEA)					
United States Department of Education					
Special Education_Grants to States	84.027			112,184,913	108,276,045
Special Education_Preschool Grants	84.173			3,039,360	3,039,361
Total United States Department of Education				<u>115,224,273</u>	<u>111,315,406</u>
Total SPECIAL EDUCATION CLUSTER (IDEA)				<u>115,224,273</u>	<u>111,315,406</u>

**State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
TRIO CLUSTER					
United States Department of Education					
TRIO_Student Support Services	84.042			\$ 6,765,599	
TRIO_Talent Search	84.044			3,575,884	
TRIO_Upward Bound	84.047			6,439,958	
TRIO_Educational Opportunity Centers	84.066			1,743,980	
TRIO_McNair Post-Baccalaureate Achievement	84.217			444,854	
Total United States Department of Education				<u>18,970,275</u>	
Total TRIO CLUSTER				<u>18,970,275</u>	
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			4,069,698 \$	3,631,151
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045			5,757,270	5,757,269
Nutrition Services Incentive Program	93.053			2,457,348	2,457,348
Total United States Department of Health and Human Services				<u>12,284,316</u>	<u>11,845,768</u>
Total AGING CLUSTER				<u>12,284,316</u>	<u>11,845,768</u>
TANF CLUSTER					
United States Department of Health and Human Services					
Temporary Assistance for Needy Families	93.558			55,177,338	7,892,136
Total United States Department of Health and Human Services				<u>55,177,338</u>	<u>7,892,136</u>
Total TANF CLUSTER				<u>55,177,338</u>	<u>7,892,136</u>
CCDF CLUSTER					
United States Department of Health and Human Services					
Child Care and Development Block Grant	93.575			34,350,593	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			21,967,928	
Total United States Department of Health and Human Services				<u>56,318,521</u>	
Total CCDF CLUSTER				<u>56,318,521</u>	

**State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
MEDICAID CLUSTER					
United States Department of Health and Human Services					
State Medicaid Fraud Control Units	93.775			\$ 1,795,092	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777			11,865,776	
Medical Assistance Program	93.778			<u>4,713,273,933</u>	
Total United States Department of Health and Human Services				<u>4,726,934,801</u>	
Total MEDICAID CLUSTER				<u>4,726,934,801</u>	
FOSTER GRANTPARENT/SENIOR COMPANION CLUSTER					
United States Department of Health and Human Services					
Foster Grandparent Program	94.011			<u>209,173</u>	
Total United States Department of Health and Human Services				<u>209,173</u>	
Total FOSTER GRANTPARENT/SENIOR COMPANION CLUSTER				<u>209,173</u>	
DISABILITY INSURANCE/SSI CLUSTER					
Social Security Administration					
Social Security_Disability Insurance	96.001			45,358,279	
Supplemental Security Income	96.006			<u>295,930</u>	
Total Social Security Administration				<u>45,654,209</u>	
Total DISABILITY INSURANCE/SSI CLUSTER				<u>45,654,209</u>	
RESEARCH AND DEVELOPMENT CLUSTER					
United States Department of Agriculture					
Agricultural Research_Basic and Applied Research	10.001			2,043,109	\$ 214,404
Pass-Through from National Sheep Industry Improvement Center, Inc.	10.001		N/A	1,330	
Pass-Through from Washington State University	10.001		123629-G003429	2,116	
Plant and Animal Disease, Pest Control, and Animal Care	10.025			278,138	
Agriculture Risk Coverage Program	10.113			(1,338)	
Specialty Crop Block Grant Program - Farm Bill	10.170			52,798	
Grants for Agricultural Research, Special Research Grants	10.200			111,776	
Pass-Through from University of Florida	10.200		1500343408	3,285	
Pass-Through from University of Florida	10.200		1500367053	6,482	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of Agriculture (Continued)					
Grants for Agricultural Research, Special Research Grants (Continued)					
Pass-Through from University of Florida	10.200		1500384407	\$ 8,511	
Pass-Through from University of Florida	10.200		1600411194	68,241	
Pass-Through from University of Florida	10.200		VARIOUS PO'S	2,391	
Pass-Through from University of Georgia	10.200		LS12-250	57,324	
Pass-Through from University of Georgia	10.200		RD309-129/S000830	78	
Cooperative Forestry Research	10.202			1,071,854	
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203			4,305,073	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205			2,210,026	
Animal Health and Disease Research	10.207			83,293	
Small Business Innovation Research					
Pass-Through from Applied Food Technologies, Inc.	10.212		USDA 2012-33610-19967	35,167	
Sustainable Agriculture Research and Education	10.215			9,367	
Pass-Through from Texas A&M University	10.215		RD309-129/S001035	3,727	
Pass-Through from University of Georgia	10.215		RD309-122/4944876	13	
1890 Institution Capacity Building Grants	10.216			458,782	\$ 95,880
Pass-Through from Fort Valley State University	10.216		CANFVSU-12-005	8,056	
Higher Education - Institution Challenge Grants Program	10.217			3,200	
Pass-Through from Oklahoma State University	10.217		AA-5-46243-UARK	21,383	
Biotechnology Risk Assessment Research	10.219			4,356	
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250			20,297	12,500
Agricultural Market and Economic Research	10.290			6,000	
Pass-Through from University of Missouri	10.290		C00043742-1	2,081	
Pass-Through from University of Missouri	10.290		C00046324-1	44,226	
Pass-Through from University of Missouri	10.290		C00052286-1	28,359	
Integrated Programs	10.303			226,190	119,733
Organic Agriculture Research and Extension Initiative					
Pass-Through from Texas A&M University	10.307		06-S160648	1,299	
Pass-Through from University of Georgia	10.307		RC293-636/S000869	10,367	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of Agriculture (Continued)					
Specialty Crop Research Initiative	10.309			\$ 201,707	\$ 84,762
Pass-Through from Michigan State University	10.309		RC104285E	32,178	
Agriculture and Food Research Initiative (AFRI)	10.310			3,456,734	1,329,598
Pass-Through from Iowa State University	10.310		416-41-07E	21,584	
Pass-Through from Kansas State University	10.310		S13168	202,608	
Pass-Through from Louisiana State University	10.310		55135	32,285	
Pass-Through from North Carolina State University	10.310		2011-0494-24	8,897	
Pass-Through from Purdue University	10.310		8000053330-AG	158,386	
Pass-Through from Texas A&M University	10.310		06-S160693	32,011	
Pass-Through from University of Arizona	10.310		297505	4,287	
Beginning Farmer and Rancher Development Program	10.311			270,470	66,731
Sun Grant Program					
Pass-Through from Oklahoma State University	10.320		AB-5-68280	7,209	
Pass-Through from Oklahoma State University	10.320		AB-5-68990	21,984	
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326			261,429	99,599
Crop Protection and Pest Management Competitive Grants program					
Pass-Through from Texas A&M University	10.329		06-S150637	56,195	
Risk Management Education Partnerships	10.460			34,160	
Cooperative Extension Service	10.500			17,294	
Pass-Through from Oklahoma State University	10.500		AC-5-25930-UA	12,352	
Pass-Through from Oklahoma State University	10.500		AC-5-25940-UA	6,520	
Pass-Through from Texas A&M University	10.500		07-S150726	740	
Child and Adult Care Food Program	10.558			34,680	
Forestry Research	10.652			426,851	
Forest Health Protection	10.680			80,170	
Rural Business Opportunity Grants	10.773			36,118	
Soil and Water Conservation	10.902			200	
Soil Survey	10.903			79	
Environmental Quality Incentives Program	10.912			330,053	
Pass-Through from North Carolina State University	10.912		2012-1632-07	3,842	
Conservation Stewardship Program	10.924			8,499	

**State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of Agriculture (Continued)					
Cochran Fellowship Program-International Training-Foreign Participant	10.962			\$ 220	
Other United States Department of Agriculture Assistance	10.RD	10-CS-11080900-011		5,098	
Other United States Department of Agriculture Assistance	10.RD	15-JV-11330129-032		19,971	
Other United States Department of Agriculture Assistance	10.RD	12-DG-11083150-012		19,020	
Other United States Department of Agriculture Assistance	10.RD	13-8130-0293-CA		24,068	
Other United States Department of Agriculture Assistance	10.RD	13-8130-1325-CA		1,697	
Other United States Department of Agriculture Assistance	10.RD	14-8130-0403-CA		88,206	
Other United States Department of Agriculture Assistance	10.RD	14-8130-0404-CA		45,620	
Other United States Department of Agriculture Assistance	10.RD	14-8130-0420-CA		89,265	
Other United States Department of Agriculture Assistance	10.RD	15-CS-11081000-012		37,677	
Other United States Department of Agriculture Assistance	10.RD	15-JV-11242305-104		38,542	
Other United States Department of Agriculture Assistance	10.RD	15LFPPAR0009		1,936	\$ 1,724
Other United States Department of Agriculture Assistance	10.RD	RBS-14-04		123,111	
Other United States Department of Agriculture Assistance	10.RD	RG979		4,406	
Pass-Through from Eastern Iowa Community Colleges	10.RD		2014-38414-22247	22,804	
Pass-Through from Poinsett County	10.RD		AESG-04	22,478	
Pass-Through from Proton Energy Systems	10.RD		EC-105996-02	26,184	
Pass-Through from Wildy Farms	10.RD		NRCS-CPA-1155	7,847	
Total United States Department of Agriculture				<u>17,525,029</u>	<u>2,024,931</u>
United States Department of Commerce					
Economic Development_Technical Assistance	11.303			97,170	
Sea Grant Support					
Pass-Through from University of Puerto Rico	11.417		NA14OAR4170068	30,558	22,992
Measurement and Engineering Research and Standards	11.609			144,305	
Total United States Department of Commerce				<u>272,033</u>	<u>22,992</u>
United States Department of Defense					
Collaborative Research and Development	12.114			10,154	
Pass-Through from Battelle Memorial Institute	12.114		297329	6,386	
Basic and Applied Scientific Research	12.300			365,007	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of Defense (Continued)					
Basic Scientific Research - Combating Weapons of Mass Destruction	12.351			\$ 22,757	
Military Medical Research and Development	12.420			1,357,173	\$ 117,993
Pass-Through from Brainscope, Inc.	12.420		DN42032	73,467	
Pass-Through from Laureate Institute	12.420		13-102-B	4,823	
Pass-Through from University of Tennessee	12.420		W81XWH-12-2-0020	21,330	
Basic Scientific Research	12.431			242,734	
Pass-Through from Missouri University of Science and Technology	12.431		46362-01	25,000	
Pass-Through from Mott Physics	12.431		W911NF-11-1-0200	124,526	
Pass-Through from University of Tennessee	12.431		A15-0125-S001	16,729	
Pass-Through from Intelligent Automation, Inc.	12.431		2178-1	23,227	
DOD, NDEP, DOTC-STEM Education Outreach Implementation	12.560			6,000	
Basic, Applied, and Advanced Research in Science and Engineering					
Pass-Through from Davidson College	12.630		2013-37	3,173	
Air Force Defense Research Sciences Program	12.800			280,924	
Pass-Through from Embry-Riddle Aeronautical University	12.800		61382	2,058	
Research and Technology Development	12.910			214,342	
Issue of Department of Defense excess equipment	12.RD	FA8601-15-P-0052		54,722	
Pass-Through from Arktronics	12.RD		FA9650-16C-0016	28,788	
Pass-Through from Battelle Memorial Institute	12.RD		W911NF-11-D-0001	52,644	
Pass-Through from General Dynamics	12.RD		FA8650-11-D-5702	277	
Pass-Through from University of Washington	12.RD		W81XWH-16-2-004	4,339	
Total United States Department of Defense				<u>2,940,580</u>	<u>117,993</u>
United States Department of the Interior					
Wildlife Restoration and Basic Hunter Education	15.611			15,834	
Pass-Through from American Library Association	15.611		4100067137	16,613	
Cooperative Endangered Species Conservation Fund	15.615			12,385	
Asian Elephant Conservation Fund	15.621			1,629	
State Wildlife Grants	15.634			231,424	4,516
Migratory Bird Joint Ventures	15.637			15	
Research Grants (Generic)	15.650			34,888	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of the Interior (Continued)					
Assistance to State Water Resources Research Institutes	15.805			\$ 95,113	
U.S. Geological Survey_ Research and Data Collection	15.808			39,213	
Pass-Through from American View	15.808		AV13-AR01	619	
Cooperative Research Units Program	15.812			71,976	
Preservation of Japanese American Confinement Sites	15.933			93,488	
Natural Resource Stewardship	15.944			11,367	
Cooperative Research and Training Programs Resources of the National Park System	15.945			12,005	
Other Department of the Interior Assistance	15.RD	G11AP20066		279	
Other Department of the Interior Assistance	15.RD	P14AC00219		9,807	
Other Department of the Interior Assistance	15.RD	P14AC00945		15,337	
Other Department of the Interior Assistance	15.RD	P14AP00353		23,086	
Other Department of the Interior Assistance	15.RD	P15AC01596		31,381	
Other Department of the Interior Assistance	15.RD	P16AC00543		3,169	
Total United States Department of the Interior				<u>719,628</u>	<u>\$ 4,516</u>
United States Department of Justice					
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560			564,414	142,051
Pass-Through from Mississippi State University	16.560		038900-361824.01	6,230	
Total United States Department of Justice				<u>570,644</u>	<u>142,051</u>
United States Department of Labor					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282			77,273	
United States Department of Labor				<u>77,273</u>	
United States Department of State					
Academic Exchange Programs - Special Academic Exchange Programs	19.011			883	
Other United States Department of State Assistance	19.RD	ASOR-2016-022		11,866	
Total United States Department of State				<u>12,749</u>	

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RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of Transportation					
Highway Planning and Construction	20.205			\$ 739,596	\$ 39,781
University Transportation Centers Program	20.701			981,713	505,323
Pass-Through from Louisiana Tech University	20.701		32-4117-59250C:ASU; SPTC14.1-80	26,595	
Pass-Through from University of Oklahoma	20.701		2014-29	139,306	
Pass-Through from University of Oklahoma	20.701		2015-15	33,434	
Pass-Through from University of Texas	20.701		SPTC 14.1-30	47,055	
Biobased Transportation Research					
Pass-Through from University of Missouri	20.761		C00034065-3	1,613	
Transportation Planning, Research and Education	20.931			142,700	31,048
Total United States Department of Transportation				<u>2,112,012</u>	<u>576,152</u>
National Aeronautics and Space Administration					
Science	43.001			624,667	42,732
Pass-Through from Massachusetts Institute of Technology	43.001		5710003043904	14,500	
Pass-Through from Smithsonian Astrophysical Observatory	43.001		G04-15090D	20,390	
Space Operations	43.007			38,958	
Education	43.008			647,486	28,975
Cross Agency Support	43.009			174,577	17,067
Other National Aeronautics and Space Administration Assistance	43.RD	RNNX15AP98G		47,480	
Other National Aeronautics and Space Administration Assistance	43.RD	NNX10AE10G		52,060	
Pass-Through from National Space Biomedical Research Institute	43.RD		RE03701/RE04001	1,024,273	
Pass-Through from Loma Linda University Medical Center	43.RD		607195-3102	596	
Pass-Through from Ozark Integrated Circuits, Inc.	43.RD		NNX15CC44P-UARK 1	29,268	
Pass-Through from University Space Research Association	43.RD		06816-01	6,910	
Total National Aeronautics and Space Administration				<u>2,681,165</u>	<u>88,774</u>
National Endowment for the Humanities					
Promotion of the Humanities_Division of Preservation and Access	45.149			26,026	
Promotion of the Humanities_Office of Digital Humanities	45.169			2,737	
Total National Endowment for the Humanities				<u>28,763</u>	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
National Science Foundation					
Engineering Grants	47.041			\$ 2,937,009	\$ 285,573
Pass-Through from University of Illinois	47.041		2014-00555-04	238,404	
Pass-Through from University of New York	47.041		73033	63,563	
Mathematical and Physical Sciences	47.049			958,584	
Pass-Through from University of Akron	47.049		DMR-1411046	42,725	
Geosciences	47.050			524,511	
Computer and Information Science and Engineering	47.070			1,779,033	144,746
Biological Sciences	47.074			1,237,268	
Pass-Through from Cornell University	47.074		IOS1026555	34,401	
Pass-Through from University of Massachusetts	47.074		110996231 A 00	41,201	
Pass-Through from University of Massachusetts	47.074		12-006231 A 04	38,798	
Pass-Through from University of Nebraska, Lincoln	47.074		25-6222-0527-002	48,930	
Pass-Through from University of Nebraska, Lincoln	47.074		25-622-0527-002	5,700	
Pass-Through from Virginia Tech	47.074		478491-19102	4,588	
Pass-Through from Virginia Tech	47.074		478510-19102	26,482	
Social, Behavioral, and Economic Sciences	47.075			206,472	127
Education and Human Resources	47.076			1,651,992	
Pass-Through from Mathematical Association of America	47.076		3-8-710-914	1,080	
Office of International Science and Engineering	47.079			3,974,526	
Office of Cyberinfrastructure	47.080			76,720	
Office of Experimental Program to Stimulate Competitive Research	47.081			1,856,853	
Other National Science Foundation Assistance	47.RD	ECCS-1346939		40,858	
Other National Science Foundation Assistance	47.RD	EEC-1260301		192,171	
Other National Science Foundation Assistance	47.RD	RG1512		275,279	
Other National Science Foundation Assistance	47.RD	RGA-48695		3,787	
Other National Science Foundation Assistance	47.RD	RSSP-20324		3,000	
Total National Science Foundation				16,263,935	430,446
Environmental Protection Agency					
Region 3 Environmental Priority Projects					
Pass-Through from Tetra Tech, Inc.	66.113		1035367	668	

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RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
Environmental Protection Agency (Continued)					
Nonpoint Source Implementation Grants	66.460			\$ 351,644	
Gulf of Mexico Program	66.475			47,971	
P3 Award: National Student Design Competition for Sustainability	66.516			4,578	
Other Environmental Protection Agency Assistance	66.RD	CD-00F-74101-1		10,955	
Total Environmental Protection Agency				<u>415,816</u>	
United States Department of Energy					
Office of Science Financial Assistance Program	81.049			126,128	
Pass-Through from Pennsylvania State University	81.049		5063-UA-DOE-2375	40,230	
Conservation Research and Development	81.086			84,834	
Pass-Through from Arkansas Power Electronics Intl, Inc.	81.086		DOE-EE6429	21,867	
Renewable Energy Research and Development					
Pass-Through from Sinewatts, Inc.	81.087		RG1153	33,355	
Pass-Through from University of Central Florida	81.087		DE-EE0006340	5,725	
Pass-Through from University of Central Florida	81.087		RG672	24,751	
State Energy Program Special Projects	81.119			36,660	
Nuclear Energy Research, Development and Demonstration	81.121			210,012	\$ 110,519
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122			1,085,724	328,387
Other United States Department of Energy Assistance					
Pass-Through from Argonne National Labs	81.RD		SF-31822	10,000	
Pass-Through from Honeywell	81.RD		PO N000189678	53,839	
Pass-Through from Houston Advanced Research Center	81.RD		EFDTP2-TIP210	11,276	
Pass-Through from Lawrence Livermore National Laboratory	81.RD		DE-AC52-07NA27344	59,772	
Pass-Through from United Technologies Research Center	81.RD		PO2603161	29,097	
Total United States Department of Energy				<u>1,833,270</u>	<u>438,906</u>
United States Department of Education					
Special Education_Grants to States	84.027			444,211	
Tech-Prep Education	84.243			44,999	
Charter Schools	84.282			79,819	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of Education (Continued)					
Education Research, Development and Dissemination	84.305			\$ 349,368	\$ 226,600
Pass-Through from Rand Corporation	84.305		9920140164	12,868	
Mathematics and Science Partnerships	84.366			430,158	
Promoting Readiness of Minors in Supplemental Security Income	84.418			6,360,805	
Other Department of Education Assistance	84.RD	H418P130007		84,909	
Total United States Department of Education				<u>7,807,137</u>	<u>226,600</u>
United States Department of Health and Human Services					
Public Health and Social Services Emergency Fund	93.003			21,843	
Birth Defects and Developmental Disabilities - Prevention and Surveillance					
Pass-Through from University of Missouri	93.073		C00048194-1	19,328	
Maternal and Child Health Federal Consolidated Programs	93.110			53,296	
Environmental Health	93.113			603,073	19,803
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135			633,478	7,396
Research Related to Deafness and Communication Disorders	93.173			73,125	
Pass-Through from Appalachian State University	93.173		15-0031 (UAMS)	18,464	
Pass-Through from Rochester Institute of Technology	93.173		31578-01	10,954	
Research on Healthcare Costs, Quality and Outcomes					
Pass-Through from University of Alabama, Birmingham	93.226		1R01HS023345- 0/000504400-001	32,127	
Mental Health Research Grants	93.242			369,361	52,010
Pass-Through from Brown University	93.242		823	37,775	
Pass-Through from Electrical Geodesics, Inc.	93.242		R44 MH106421	27,697	
Pass-Through from University of Massachusetts	93.242		6121802/RFS2011038	306	
Pass-Through from University of Massachusetts	93.242		WA00318975RFS201600	26,085	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243			406,372	
Pass-Through from Benton County Drug Court	93.243		5 H79 TI02125-03	44,751	
Occupational Safety and Health Program	93.262			831,339	
Pass-Through from University of Texas Health Center, Tyler	93.262		SC16-02	14,748	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of Health and Human Services (Continued)					
Alcohol Research Programs	93.273			\$ 407,716	
Drug Abuse and Addiction Research Programs	93.279			2,458,524	\$ 172,907
Pass-Through from InterVexion Therapeutics, LLC	93.279		40665/401779	361,882	
Pass-Through from RTI International	93.279		R01DA034627/888-14-16-45 7 R01 DA026837-04; 3048110037-13-138; 3048111525-15-034	203,563	
Pass-Through from University of Kentucky Research Foundation	93.279			139,495	
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			939,557	41,418
National Health Service Corps Scholarship Program	93.288			4,388	
Minority Health and Health Disparities Research	93.307			1,435,312	254,306
Trans-NIH Research Support					
Pass-Through from Brown University	93.310		U24AA022000/740	50,465	
Pass-Through from Emory University	93.310		U01NS038455/T088976	76,891	
National Center for Advancing Translational Sciences	93.350			127,368	
Research Infrastructure Programs	93.351			491,528	
Nursing Research					
Pass-Through from University of Alabama	93.361		1R01NR016151	1,322	
National Center for Research Resources	93.389			65,928	
Cancer Cause and Prevention Research	93.393			732,459	
Pass-Through from Association of American Medical Colleges	93.393		1R21CA182874-01	22,319	
Pass-Through from University of Minnesota	93.393		R01CA122320/P004057501	(54,771)	
Cancer Detection and Diagnosis Research	93.394			1,180,783	275,382
Cancer Treatment Research	93.395			2,092,455	121,573
Pass-Through from Arkansas Research Alliance	93.395		HHSF223201510172C	10,001	
Pass-Through from Arkansas Research Alliance	93.395		HHSF223201510172	91,178	
Pass-Through from CTSU-CALGB	93.395		CALGB 90601	(519)	
Pass-Through from Emmes Corporation	93.395		U01CA121947-04/168GNA643	44,939	
Pass-Through from Gynecologic Oncology Group	93.395		202890	12,298	
Pass-Through from Oregon Health & Science University	93.395		1UGCA189974	13,507	
Pass-Through from Southwest Oncology Group	93.395		SWOG 0709, s0931, 203056	(1,240)	

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RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of Health and Human Services (Continued)					
Cancer Treatment Research (Continued)					
Pass-Through from University of Alabama, Birmingham	93.395		000401263-001	\$ 7,364	
Pass-Through from University of Arizona	93.395		1R01CA197178-01A1	8,478	
Pass-Through from University of California, Los Angeles	93.395		1568 G TA614	255,239	
Pass-Through from Washington University	93.395		WU-16-331	19,234	
Cancer Biology Research	93.396			265,409	
Pass-Through from Yale University	93.396		U01CA16067/M15A11872(A09908)	4,783	
Cancer Centers Support Grants					
Pass-Through from Mayo Clinic	93.397		UNI-208331	32,948	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program					
Pass-Through from Arkansas Children's Hospital	93.505		018287-3	812,611	
Health Care Innovation Awards	93.610			60,602	\$ 24,412
Cardiovascular Diseases Research	93.837			139,456	
Lung Diseases Research	93.838			20,299	
Blood Diseases and Resources Research	93.839			546,526	10,780
Pass-Through from University of Iowa	93.839		W000732411	196,246	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			1,200,938	
Pass-Through from Biostrategies, LLC	93.846		1 R43 AR066388-01	1,596	
Pass-Through from University of Memphis	93.846		5-40387	3,146	
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			1,312,988	10,012
Pass-Through from Jaeb Center for Health Research	93.847		Protocol R	(704)	
Pass-Through from Jaeb Center for Health Research	93.847		202426	(51)	
Pass-Through from Mount Sinai Medical Center	93.847		0255-8161-4609	74,027	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			260,665	
Pass-Through from SFC Fluidics	93.853		SFC 2015-01	86,109	
Pass-Through from University of Alabama, Birmingham	93.853		5 U01 NS041588/000426787-006	469	
Pass-Through from University of Texas Health Center, Tyler	93.853		R01 NS38384	7,729	
Allergy and Infectious Diseases Research	93.855			1,944,200	
Pass-Through from Boston University	93.855		4500001387	3,545	

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RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of Health and Human Services (Continued)					
Allergy and Infectious Diseases Research (Continued)					
Pass-Through from Boston University	93.855		4500001889	\$ 26,598	
Pass-Through from Duke Clinical Research	93.855		5 U19 UAI067798	16,420	
Pass-Through from HIV Prevention Trials Network	93.855		UM1 AI068619/0080.0182/980	(279)	
Pass-Through from Indiana University	93.855		1 R01 AI099278/IN-4689724-UA	99,242	
Pass-Through from University of Alabama, Birmingham	93.855		5 R01 AI093692/000410050-001	15,680	
Pass-Through from University of Alabama, Birmingham	93.855		U011AI08509/000504111-001	99,960	
Pass-Through from University of Alabama, Birmingham	93.855		U48DP005037/000504191-005	9,845	
Pass-Through from University of California, San Diego	93.855		S3451909	120,197	
Microbiology and Infectious Diseases Research					
Pass-Through from University of Alabama, Birmingham	93.856		HHSN26620040073C; 000209764-026	2,934	
Biomedical Research and Research Training	93.859			12,761,711	\$ 984,235
Pass-Through from Johns Hopkins University	93.859		2002965188	61,724	
Pass-Through from University of Oregon	93.859		215250E	42,208	
Child Health and Human Development Extramural Research	93.865			100,401	
Pass-Through from University of Alabama, Birmingham	93.865		1R01HD0824124	41,778	
Aging Research	93.866			2,617,200	74,724
Pass-Through from Essential Blends	93.866		R41AG050375	48,024	
Pass-Through from Medical University of South Carolina	93.866		R01AG046543/MUSC14-076	47,488	
Vision Research	93.867			260,881	
Medical Library Assistance	93.879			48,000	
Pass-Through from University of Pittsburgh	93.879		0040478 124095	39,683	
Pass-Through from University of Washington	93.879		R01 LM012222	114,016	
Other Department of Health and Human Services Assistance	93.RD	RG1128		9,612	
Other Department of Health and Human Services Assistance	93.RD	HHS010020111000-45C		2,556,960	1,444,985
Other Department of Health and Human Services Assistance	93.RD	HHSN27520130009		223,806	
Other Department of Health and Human Services Assistance	93.RD	HHSF223201400183C		385,564	42,815
Pass-Through from Arkansas Research Alliance	93.RD		N/A	12,384	
Pass-Through from Arkansas Research Alliance	93.RD		RG1124	76,150	
Pass-Through from Arkansas Research Alliance	93.RD		RSSP18026	51,983	

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RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
United States Department of Health and Human Services (Continued)					
Other Department of Health and Human Services Assistance (Continued)					
Pass-Through from Arkansas Research Alliance	93.RD		HHSF223201210189C	\$ 103,315	
Pass-Through from Arkansas Research Alliance	93.RD		HHSF223201400079	46,239	
Pass-Through from Arkansas Research Alliance	93.RD		HHSF223201400079C	141,266	
Pass-Through from Case Western Reserve University	93.RD		CDC 200-2009-32598	37,205	
			HHSN27200006;		
Pass-Through from University of Alabama, Birmingham	93.RD		000500918-T005-SC01	47,200	
Pass-Through from University of Alabama, Birmingham	93.RD		500918-T009-SC01	16,974	
Pass-Through from University of Alabama, Birmingham	93.RD		000500918-T010-SC00	9,156	
Pass-Through from University of Arizona	93.RD		Advance Account	8,478	
Pass-Through from University of California, San Diego	93.RD		7399sc	5,304	
Pass-Through from Washington University	93.RD		WU-16-223	22,212	
Pass-Through from Washington/Madison County Drug Court	93.RD		1H79T1024160-01/2012-125	54,749	
Total United States Department of Health and Human Services				41,777,590	\$ 3,536,758
United States Department of Homeland Security					
Centers for Homeland Security					
Pass-Through from University of Maryland	97.061		000107-0001	49,739	
Pass-Through from University of Maryland	97.061		27332-Z9058102	94,274	
Pass-Through from University of Maryland	97.061		38470-Z9058101	97,876	
Pass-Through from University of Maryland	97.061		Z941901	67,915	
Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection	97.077			106,939	
Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies					
Pass-Through from University of Maryland	97.108		19586	13,794	
Other Department of Homeland Security Assistance	97.RD	VTP-15-002		7,349	
Other Department of Homeland Security Assistance	97.RD	5487		8,238	
Total United States Department of Homeland Security				446,124	

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RESEARCH AND DEVELOPMENT CLUSTER Cluster (Continued)					
Agency for International Development					
USAID Foreign Assistance for Programs Overseas	98.001			\$ 18,278	\$ 18,170
Total Agency for International Development				<u>18,278</u>	<u>18,170</u>
Total RESEARCH AND DEVELOPMENT CLUSTER				<u>95,502,026</u>	<u>7,628,289</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER					
United States Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007			4,247,211	
Federal Work-Study Program	84.033			5,474,362	
Federal Perkins Loan Program_Federal Capital Contributions	84.038			36,458,328	
Federal Pell Grant Program	84.063			236,120,498	
Federal Direct Student Loans	84.268			525,427,061	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379			<u>1,231,389</u>	
Total United States Department of Education				<u>808,958,849</u>	
United States Department of Health and Human Services					
Nurse Faculty Loan Program (NFLP)	93.264			32,452	
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342			4,639,863	
Nursing Student Loans	93.364			<u>357,455</u>	
Total United States Department of Health and Human Services				<u>5,029,770</u>	
Total STUDENT FINANCIAL ASSISTANCE CLUSTER				<u>813,988,619</u>	
United States Department of Agriculture					
Agricultural Research_Basic and Applied Research	10.001			91,239	
Plant and Animal Disease, Pest Control, and Animal Care	10.025			1,115,549	
Conservation Reserve Program	10.069			77,532	
Wetlands Reserve Program	10.072			25,138	
Market News	10.153			5,000	
Federal-State Marketing Improvement Program	10.156			35,650	35,650
Market Protection and Promotion	10.163			60,367	

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United States Department of Agriculture (Continued)					
Specialty Crop Block Grant Program - Farm Bill	10.170			\$ 15,813	\$ 6,315
Organic Certification Cost Share Programs	10.171			14,319	14,319
Grants for Agricultural Research, Special Research Grants	10.200				
Pass-Through from University of North Carolina, Chapel Hill	10.200		5102290	21,658	
Sustainable Agriculture Research and Education	10.215			952	
Pass-Through from University of Georgia	10.215		RD309-134/S001104	2,688	
Pass-Through from University of Georgia	10.215		RD309-129/8644697	22,222	
Pass-Through from University of Georgia	10.215		RD309-129/5054606	1,396	
1890 Institution Capacity Building Grants	10.216			319,116	
Homeland Security_Agricultural					
Pass-Through from University of Florida	10.304		UFDSP00010241	26,415	
Beginning Farmer and Rancher Development Program	10.311			6,863	
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326			92,238	
Crop Protection and Pest Management Competitive Grants program	10.329			83,720	
Pass-Through from University of Tennessee	10.329		8500046812	14,636	
Pass-Through from Oklahoma State University	10.329		2-562180-UAEX	2,818	
Rural Business Development Grant	10.351			13,178	
Rural Rental Housing Loans	10.415			2,480,000	460,187
State Mediation Grants	10.435			82,022	
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443			226,235	
Rural Community Development Initiative	10.446			10,935	
Pass-Through from WinRock International	10.446		6703-16-AM-01	226	
Risk Management Education Partnerships	10.460			103,255	52,764
Cooperative Extension Service	10.500			9,161,598	551,576
Pass-Through from Kansas State University	10.500		S16125	386	
Pass-Through from Pennsylvania State University	10.500		5360-UACES-USDA-4341	17,152	
Pass-Through from Pennsylvania State University	10.500		5130-UACES-USDA-2628	1,115	
Pass-Through from University of Nebraska	10.500		25-6365-0040-702	8,880	
Pass-Through from University of Wyoming	10.500		1001349	4,176	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			62,401,251	216,437

State of Arkansas
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For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture (Continued)					
Child and Adult Care Food Program	10.558			\$ 60,844,639	
State Administrative Expenses for Child Nutrition	10.560			3,588,269	
WIC Farmers' Market Nutrition Program (FMNP)	10.572			106,798	
Senior Farmers Market Nutrition Program	10.576			93,469	\$ 93,469
WIC Grants To States (WGS)	10.578			113,682	
Child Nutrition Discretionary Grants Limited Availability	10.579			450,191	290,306
Fresh Fruit and Vegetable Program	10.582			2,928,337	2,876,127
Child Nutrition Direct Certification Performance Awards	10.589			148,728	
Forestry Research	10.652			19,956	
Cooperative Forestry Assistance	10.664			2,505,292	222,251
Forest Legacy Program	10.676			10,062	
Forest Stewardship Program	10.678			71,560	
Forest Health Protection	10.680			239,651	170,256
Rural Business Enterprise Grants	10.769			2,500	
Rural Business Opportunity Grants	10.773			97,264	
Distance Learning and Telemedicine Loans and Grants	10.855			54,828	
Socially-Disadvantaged Groups Grant	10.871			59,972	
Delta Health Care Services Grant Program	10.874			14,291	
Soil and Water Conservation	10.902			826,715	448,720
Soil Survey	10.903			25,690	
Environmental Quality Incentives Program	10.912			341,407	86,517
Wildlife Habitat Incentive Program	10.914			2,524	
Agricultural Conservation Easement Program	10.931			10,471	
Other Department of Agriculture Assistance	10.U01	58-0510-4-007 N		13,001	
Other Department of Agriculture Assistance	10.U02	15-CR-11330110-071		4,030	798
Total United States Department of Agriculture				149,119,065	5,525,692
United States Department of Commerce					
Cluster Grants	11.020			8,000	
Economic Development_Support for Planning Organizations	11.302			39,296	
Economic Development_Technical Assistance	11.303			58,650	
State and Local Implementation Grant Program	11.549			406,543	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Commerce (Continued)					
Manufacturing Extension Partnership	11.611			\$ 909,640	\$ 595,718
Total United States Department of Commerce				<u>1,422,129</u>	<u>595,718</u>
United States Department of Defense					
Procurement Technical Assistance For Business Firms	12.002			294,180	
Law Enforcement Support Office - 1033 Program	12.005			5,827,889	
Flood Control Projects	12.106			8,586	
Payments to States in Lieu of Real Estate Taxes	12.112			1,055,058	1,055,058
Military Construction, National Guard	12.400			200,576	
National Guard Military Operations and Maintenance (O&M) Projects	12.401			40,170,070	
National Guard ChalleNGe Program	12.404			2,790,758	
Basic, Applied, and Advanced Research in Science and Engineering					
Pass-Through from Academy of Applied Science	12.630		W911NF-10-2-0076	10,802	
Issue of Department of Defense excess equipment	12.U01	HQ0147-15-1-0001		5,000	
Other Department of Defense Assistance	12.U02	2016		854	
Total United States Department of Defense				<u>50,363,773</u>	<u>1,055,058</u>
United States Department of Housing and Urban Development					
Housing Counseling Assistance Program	14.169			35,587	35,587
Manufactured Home Dispute Resolution	14.171			89,875	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228			15,352,179	14,947,621
Emergency Solutions Grant Program	14.231			1,690,411	1,563,073
Shelter Plus Care	14.238			1,680,986	1,680,985
Home Investment Partnerships Program	14.239			6,887,220	6,236,179
Housing Opportunities for Persons with AIDS	14.241			531,334	519,277
Fair Housing Assistance Program_State and Local	14.401			422,316	
Sustainable Communities Regional Planning Grant Program	14.703			4,970	
Total United States Department of Housing and Urban Development				<u>26,694,878</u>	<u>24,982,722</u>

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For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of the Interior					
Indian Education_Higher Education Grant Program	15.114			\$ 226,309	
Distribution of Receipts to State and Local Governments	15.227			837,542	\$ 329,730
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250			134,586	
Abandoned Mine Land Reclamation (AMLR) Program	15.252			1,722,150	
Fish and Wildlife Management Assistance	15.608			21,451	
Cooperative Endangered Species Conservation Fund	15.615			996,818	49,321
Clean Vessel Act Program	15.616			988,998	957,251
Sportfishing and Boating Safety Act	15.622			100,000	100,000
North American Wetlands Conservation Fund	15.623			1,000,000	164,000
Enhanced Hunter Education and Safety Program	15.626			153,978	
Multistate Conservation Grant Program	15.628			49,130	43,513
State Wildlife Grants	15.634			462,835	56,847
Federal Junior Duck Stamp Conservation and Design	15.644			1,600	
Endangered Species Conservation Recovery Implementation Funds	15.657			47,150	26,998
U.S. Geological Survey_ Research and Data Collection	15.808			29,412	
National Cooperative Geologic Mapping Program	15.810			45,335	
National Geological and Geophysical Data Preservation Program	15.814			15,593	
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	15.819			6,695	
Historic Preservation Fund Grants-In-Aid	15.904			751,942	87,420
Outdoor Recreation_Acquisition, Development and Planning	15.916			482,318	288,047
Civil War Battlefield Land Acquisition Grants	15.928			486,542	486,542
Preservation of Japanese American Confinement Sites	15.933			308,448	
Total United States Department of the Interior				8,868,832	2,589,669
United States Department of Justice					
Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001			23,424	
Violence Against Women Act Court Training and Improvement Grants	16.013			38,278	
Sexual Assault Services Formula Program	16.017			279,002	279,002
Juvenile Accountability Block Grants	16.523			279,932	158,935

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Justice (Continued)					
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528			\$ (55)	
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540			373,378	\$ 271,410
Missing Children's Assistance	16.543			407,109	95,298
National Criminal History Improvement Program (NCHIP)	16.554			4,434	
Crime Victim Assistance	16.575			5,600,882	5,279,693
Crime Victim Compensation	16.576			1,029,116	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			14,560	
Crime Victim Assistance/Discretionary Grants	16.582			7,809	
Drug Court Discretionary Grant Program	16.585			391,283	
Violence Against Women Formula Grants	16.588			1,618,486	1,171,339
Residential Substance Abuse Treatment for State Prisoners	16.593			287,673	62,359
State Criminal Alien Assistance Program	16.606			261,109	
Juvenile Mentoring Program	16.726			172,055	
Edward Byrne Memorial Justice Assistance Grant Program	16.738			1,758,474	1,544,799
Statewide Automated Victim Information Notification (SAVIN) Program	16.740			16,504	
DNA Backlog Reduction Program	16.741			683,860	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			104,086	
Edward Byrne Memorial Competitive Grant Program	16.751			116,708	1,391
Harold Rogers Prescription Drug Monitoring Program	16.754			223,174	
Second Chance Act Reentry Initiative	16.812			331,465	
John R. Justice Prosecutors and Defenders Incentive Act	16.816			32,541	
Equitable Sharing Program	16.922			1,239,879	
Other Department of Justice Assistance	16.U01	2009-CK-WX-0636		17,343	
Other Department of Justice Assistance	16.U02	2010CKWX0432		117,342	
Other Department of Justice Assistance	16.U03	2010DI-BX-K005		167,881	
Other Department of Justice Assistance	16.U04	CK-WX-0381		119,327	
Total United States Department of Justice				15,717,059	8,864,226

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Labor					
Labor Force Statistics	17.002			\$ 871,450	
Compensation and Working Conditions	17.005			69,737	
Unemployment Insurance	17.225			227,800,755	
Senior Community Service Employment Program	17.235			1,532,001	\$ 1,509,135
Trade Adjustment Assistance	17.245			6,940,276	
WIA Dislocated Workers	17.260			73,134	
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261			304,795	
Incentive Grants - WIA Section 503	17.267			69,905	
H-1B Job Training Grants	17.268			2,484,168	342,253
Pass-Through from Arkansas Community Colleges	17.268		HG-22696-12-60-A-5	17,821	
Pass-Through from AAC	17.268		N/A	40,235	
Reintegration of Ex-Offenders	17.270			264,550	
Work Opportunity Tax Credit Program (WOTC)	17.271			219,428	
Temporary Labor Certification for Foreign Workers	17.273			95,919	
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277			3,680,032	2,655,711
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281			9,310	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282			7,276,460	1,627,402
Pass-Through from Ann Arundel University	17.282		TC-22520-11-60-A-24	51,650	
Consultation Agreements	17.504			1,202,531	
Mine Health and Safety Grants	17.600			99,929	
Veterans' Employment Program	17.802			18,352	15,432
Other Department of Labor Assistance	17.U01	16W-0656400		42,115	
Total United States Department of Labor				<u>253,164,553</u>	<u>6,149,933</u>
United States Department of State					
Other Department of State Assistance	19.U01	RG1605		2,000	
Other Department of State Assistance	19.U02	S-ECAGD-15-CA-1015		119,694	52,575
Total United States Department of State				<u>121,694</u>	<u>52,575</u>

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Transportation					
Airport Improvement Program	20.106			\$ 102,458	\$ 102,458
Highway Training and Education	20.215			50,452	
National Motor Carrier Safety	20.218			3,028,400	
Performance and Registration Information Systems Management	20.231			2,070	
Commercial Driver's License Program Improvement Grant	20.232			3,178	
Commercial Vehicle Information Systems and Networks	20.237			233,174	
Railroad Development	20.314			88,880	
Rail Line Relocation and Improvement	20.320			1,535,429	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505			1,651,050	1,629,807
Formula Grants for Rural Areas	20.509			10,865,424	9,739,006
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528			1,355	
Alcohol Open Container Requirements	20.607			3,283,933	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608			647,955	
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614			130,826	
Pipeline Safety Program State Base Grant	20.700			603,713	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			264,035	40,000
National Infrastructure Investments	20.933			1,667,453	559,251
Total United States Department of Transportation				<u>24,159,785</u>	<u>12,070,522</u>
United States Department of the Treasury					
Low-Income Taxpayer Clinics	21.008			83,840	
Total United States Department of the Treasury				<u>83,840</u>	
General Services Administration					
Donation of Federal Surplus Personal Property	39.003			6,800,321	
Total General Services Administration				<u>6,800,321</u>	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
National Aeronautics and Space Administration					
Education	43.008			\$ 59,582	
Other National Aeronautics and Space Administration Assistance	43.U01	RE04001		75,003	
Other National Aeronautics and Space Administration Assistance	43.U02	2016		6,811	
Total National Aeronautics and Space Administration				<u>141,396</u>	
Institute of Museum and Library Services					
Museums for America	45.301			33,756	
Grants to States	45.310			1,527,616	
Total Institute of Museum and Library Services				<u>1,561,372</u>	
National Endowment for the Arts					
Promotion of the Arts_Grants to Organizations and Individuals	45.024			22,607	
Pass-Through from American Folklore Society	45.024		15-5500-7061	3,000	
Pass-Through from City of Freeman, South Dakota	45.024		14-4292-7064	21,588	
Promotion of the Arts_Partnership Agreements	45.025			614,963	\$ 430,622
Promotion of the Humanities_Federal/State Partnership	45.129			17,888	
Total National Endowment for the Arts				<u>680,046</u>	<u>430,622</u>
National Endowment for the Humanities					
Promotion of the Humanities_Federal/State Partnership					
Pass-Through from Arkansas Humanities Council	45.129		AHC-15-013	6,415	
Pass-Through from Arkansas Humanities Council	45.129		AHC-15-037	1,419	
Pass-Through from Arkansas Humanities Council	45.129		AHC-15-003	10,454	
Pass-Through from Arkansas Humanities Council	45.129		AHC-15-017	8,639	
Promotion of the Humanities_Challenge Grants	45.130			14,347	
Promotion of the Humanities_Public Programs					
Pass-Through from American Library Association	45.164		LA 105632	3,000	
Pass-Through from The Gilder Lehrman Institute of American History	45.164		N/A	200	
Other National Endowment for the Humanities Assistance	45.U01	AHC-16014		1,404	
Other National Endowment for the Humanities Assistance	45.U02	FY16-6-4217		12,367	
Other National Endowment for the Humanities Assistance	45.U03	4217		1,000	
Total National Endowment for the Humanities				<u>59,245</u>	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
National Science Foundation					
Computer and Information Science and Engineering	47.070			\$ 7,300	
Biological Sciences					
Pass-Through from University of California, Davis	47.074		27522	44,483	
Education and Human Resources	47.076			1,108,854	\$ 74,099
Pass-Through from Missouri State University	47.076		11052-001	9,207	
Office of International Science and Engineering	47.079			345,345	97,953
Office of Experimental Program to Stimulate Competitive Research	47.081			337,343	
ARRA - Trans-NSF Recovery Act Research Support	47.082			24,248	
Other National Science Foundation Assistance	47.U01	16-TRK2-0012		6,880	
Total National Science Foundation				<u>1,883,660</u>	<u>172,052</u>
Small Business Administration					
Small Business Development Centers	59.037			1,341,802	
Federal and State Technology Partnership Program	59.058			77,791	
State Trade and Export Promotion Pilot Grant Program	59.061			34,823	
Total Small Business Administration				<u>1,454,416</u>	
United States Department of Veterans Affairs					
Grants to States for Construction of State Home Facilities	64.005			10,199,663	
Veterans State Nursing Home Care	64.015			4,455,397	
ARRA - Post-9/11 Veterans Educational Assistance	64.027			774	
Post-9/11 Veterans Educational Assistance	64.027			198,972	
Burial Expenses Allowance for Veterans	64.101			357,103	
Vocational Rehabilitation for Disabled Veterans	64.116			18,580	
Post-Vietnam Era Veterans' Educational Assistance	64.120			19,379	
All-Volunteer Force Educational Assistance	64.124			313,906	
State Cemetery Grants	64.203			907,651	
Other Department of Veterans Affairs Assistance	64.U01	2139345		81,885	
Total United States Department of Veterans Affairs				<u>16,553,310</u>	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
Environmental Protection Agency					
Air Pollution Control Program Support	66.001			\$ 1,059,806	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			273,852	
State Clean Diesel Grant Program	66.040			88,827	\$ 88,827
Congressionally Mandated Projects	66.202			14,821	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			1,815,153	
State Public Water System Supervision	66.432			870,352	
State Underground Water Source Protection	66.433			68,309	
Water Quality Management Planning	66.454			100,000	
Nonpoint Source Implementation Grants	66.460			2,744,772	1,848,743
Regional Wetland Program Development Grants	66.461			32,644	
Greater Research Opportunities (GRO) Fellowships For Undergraduate Environmental Study	66.513			14,720	
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			489,713	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			197,864	
Pollution Prevention Grants Program	66.708			57,533	
Hazardous Waste Management State Program Support	66.801			909,756	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			417,521	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804			387,458	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			612,487	
State and Tribal Response Program Grants	66.817			203,320	
Environmental Education Grants	66.951			18,028	
Total Environmental Protection Agency				<u>10,376,936</u>	<u>1,937,570</u>
United States Department of Energy					
ARRA - State Energy Program	81.041			184,203	
State Energy Program	81.041			54,824	22,534
Weatherization Assistance for Low-Income Persons	81.042			2,183,673	1,847,943

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Energy (Continued)					
Renewable Energy Research and Development	81.087			\$ 73,992	
State Energy Program Special Projects	81.119			375,095	\$ 184,861
Total United States Department of Energy				<u>2,871,787</u>	<u>2,055,338</u>
United States Department of Education					
Adult Education - Basic Grants to States	84.002			5,185,791	2,572,686
Title I Grants to Local Educational Agencies	84.010			153,015,651	151,968,078
Migrant Education_State Grant Program	84.011			5,628,882	5,371,334
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013			429,622	166,369
Higher Education_Institution Aid	84.031			4,718,952	
Federal Family Education Loans	84.032			279,612,809	
Career and Technical Education -- Basic Grants to States	84.048			10,535,628	6,879,489
Pass-Through from Arkansas STEM Coalition	84.048		V048A150004	4,650	
Pass-Through from Arkansas STEM Coalition	84.048		V048A140004	1,301	
Pass-Through from Arkansas STEM Coalition	84.048		N/A	4,650	
Minority Science and Engineering Improvement	84.120			180,874	
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126			42,752,230	
Rehabilitation Long-Term Training	84.129			350,132	
Migrant Education_Coordination Program	84.144			60,500	60,500
Migrant Education_College Assistance Migrant Program	84.149			2,674	
Independent Living_State Grants	84.169			(121)	
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177			330,739	317,349
Special Education-Grants for Infants and Families	84.181			3,071,926	
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			314,706	
Education for Homeless Children and Youth	84.196			665,774	560,984
Javits Gifted and Talented Students Education	84.206			378,996	

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United States Department of Education (Continued)					
Rehabilitation Training_Continuing Education					
Pass-Through from George Washington University	84.264		13-S41	\$ 15,994	
Pass-Through from San Diego State University	84.264		SA0000490	159,456	
Pass-Through from University of Massachusetts	84.264		S2015-29486-001	314,569	
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265			446,374	
Charter Schools	84.282			4,487,970	\$ 4,389,470
Twenty-First Century Community Learning Centers	84.287			8,402,734	7,939,258
Special Education - State Personnel Development	84.323			1,162,242	1,157,459
Pass-Through from Great Rivers Education Coop	84.323		H323A150013	77,568	
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			132,086	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			1,162,348	
Child Care Access Means Parents in School	84.335			18,564	
Teacher Quality Partnership Grants	84.336			87,774	
Transition to Teaching	84.350			348,379	
Rural Education	84.358			3,357,960	3,164,064
English Language Acquisition State Grants	84.365			2,933,482	2,757,090
Mathematics and Science Partnerships	84.366			1,632,872	372,552
Improving Teacher Quality State Grants	84.367			21,390,028	20,302,952
Pass-Through from National Writing Project	84.367		09-AR04 SEED 2012 2A	5,561	
Pass-Through from National Writing Project	84.367		U367D150004	4,589	
Pass-Through from National Writing Project	84.367		97-AR02-SEED2012	10,769	
School Improvement Grants	84.377			5,025,462	4,710,528
College Access Challenge Grant Program	84.378			1,251,923	12,356
Strengthening Minority-Serving Institutions	84.382			1,244,409	
ARRA - State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act					
Pass-Through from Ohio State University	84.396		U396A100027	1,520	

**State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Education (Continued)					
Investing in Innovation (i3) Fund					
Pass-Through from Jacksonville State University	84.411		U411B130037	\$ 16,344	
Pass-Through from National Writing Project	84.411		97-AR03-I32013	13,621	
Pass-Through from National Writing Project	84.411		97-AR03-I3DP2015	90,917	
Preschool Development Grants	84.419			12,526,107	
American Printing House for the Blind	84.906			52,755	
Other Department of Education Assistance	84.U01	P408A151088		5,353	
Other Department of Education Assistance	84.U02	2016		3,716	
Total United States Department of Education				<u>573,629,812</u>	<u>\$ 212,702,518</u>
National Archives and Records Administration					
National Historical Publications and Records Grants	89.003			72,080	
Total National Archives and Records Administration				<u>72,080</u>	
Delta Regional Authority					
Delta Regional Development	90.200			266,684	
Total Delta Regional Authority				<u>266,684</u>	
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			6,323	
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042			146,876	146,328
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043			143,563	143,563
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048			309,828	16,901
National Family Caregiver Support, Title III, Part E	93.052			1,225,481	1,225,481
Public Health Emergency Preparedness	93.069			6,140,220	38,092
Medicare Enrollment Assistance Program	93.071			361,174	151,618
Lifespan Respite Care Program	93.072			49,381	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services (Continued)					
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			\$ 419,371	
Pass-Through from Arkansas Research Alliance	93.073		C00044330-1	170	
Pass-Through from University of Missouri	93.073		C00046615-1	6,473	
Pass-Through from University of Missouri	93.073		C00052152	16,237	
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074			557,703	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			389,405	\$ 164,596
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			407,701	288,551
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094			100	
Food and Drug Administration_Research	93.103			174,622	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104			335,143	61,794
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107			142,473	
Pass-Through from Arizona State University	93.107		15U77HP03035	669,528	
Maternal and Child Health Federal Consolidated Programs	93.110			942,103	145,509
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			582,333	
Nurse Anesthetist Traineeships	93.124			67,188	
Emergency Medical Services for Children	93.127			78,435	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			189,028	
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135			(25,918)	
Injury Prevention and Control Research and State and Community Based Programs	93.136			335,350	16,487
AIDS Education and Training Centers	93.145			(1,273)	
Projects for Assistance in Transition from Homelessness (PATH)	93.150			294,974	293,270
Nursing Workforce Diversity	93.178			375,744	
Disabilities Prevention	93.184			286,014	
Telehealth Programs	93.211			524,387	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services (Continued)					
Family Planning_Services	93.217			\$ 4,055,267	
Affordable Care Act (ACA) Abstinence Education Program	93.235			657,378	\$ 627,912
State Capacity Building	93.240			243,886	
State Rural Hospital Flexibility Program	93.241			462,591	49,917
Mental Health Research Grants	93.242			31,253	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243			2,788,450	2,272,098
Pass-Through from Craighead County	93.243		1H79SM061699-01	42,403	
Pass-Through from Mid South Health Systems Inc	93.243		1H79SM061557-01	128,602	
Advanced Nursing Education Grant Program	93.247			763,207	
Universal Newborn Hearing Screening	93.251			246,950	425
Poison Center Support and Enhancement Grant Program	93.253			165,415	
Children's Hospitals Graduate Medical Education Payment Program	93.255			380,096	
Immunization Cooperative Agreements	93.268			40,956,202	
Alcohol Research Programs	93.273			31,373	
Substance Abuse and Mental Health Services-Access to Recovery	93.275			(712)	
Drug-Free Communities Support Program Grants	93.276			70,038	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283			2,696,409	120,506
State Partnership Grant Program to Improve Minority Health	93.296			136,889	
Small Rural Hospital Improvement Grant Program	93.301			425,046	366,044
National State Based Tobacco Control Programs	93.305			891,822	
Minority Health and Health Disparities Research	93.307			10,235	
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314			142,309	
Outreach Programs to Reduce the Prevalence of Obesity in High Risk Rural Areas	93.319			273,983	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			597,314	
State Health Insurance Assistance Program	93.324			575,868	
Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	93.332			718,132	66,583
Behavioral Risk Factor Surveillance System	93.336			183,068	

**State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services (Continued)					
ACL Independent Living State Grants	93.369			\$ 251,384	
National Center for Research Resources	93.389			1,011	
Cancer Treatment Research	93.395				
Pass-Through from Oregon Health & Science University			9009627_UARMS	21,186	
Cancer Centers Support Grants	93.397				
Pass-Through from Washington University			1U54CA199092	32,186	
ACL National Institute on Disability, Independent Living, and Rehabilitation Research					
Pass-Through from Memorial Herman Health	93.433		RG1886	8,657	
Food Safety and Security Monitoring Project	93.448			326,743	
ACL Assistive Technology	93.464			400,195	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505			7,679,966	
Pass-Through from Arkansas Children's Hospital	93.505		D809MC23141-02	441,030	
Pass-Through from Arkansas Children's Hospital	93.505		N/A	192,500	
Affordable Care Act (ACA) Primary Care Residency Expansion Program	93.510			527,982	
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511			2,407,297	
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			775,898	
State Planning and Establishment Grants for the Affordable Care Act (ACA)s Exchanges	93.525			216,017	
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539			524,866	
Promoting Safe and Stable Families	93.556			3,662,587	
Child Support Enforcement	93.563			27,714,318	
Refugee and Entrant Assistance_State Administered Programs	93.566			3,686	
Low-Income Home Energy Assistance	93.568			26,786,147	\$ 26,150,105
Community Services Block Grant	93.569			8,912,753	8,619,330

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services (Continued)					
State Court Improvement Program	93.586			\$ 458,883	
Community-Based Child Abuse Prevention Grants	93.590			90,723	\$ 27,690
Grants to States for Access and Visitation Programs	93.597			107,939	
Chafee Education and Training Vouchers Program (ETV)	93.599			185,347	
Head Start	93.600			8,657,525	610,683
Adoption and Legal Guardianship Incentive Payments	93.603			829,834	
The Affordable Care Act Medicaid Adult Quality Grants	93.609			28,134	
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624			3,833,333	
Developmental Disabilities Basic Support and Advocacy Grants	93.630			232,652	1,846
University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632			501,974	
Children's Justice Grants to States	93.643			173,023	
Stephanie Tubbs Jones Child Welfare Services Program	93.645			2,995,870	
Adoption Opportunities	93.652			404,281	
Foster Care_Title IV-E	93.658			42,004,706	
Adoption Assistance	93.659			20,300,861	
Social Services Block Grant	93.667			22,313,193	17,211,352
Child Abuse and Neglect State Grants	93.669			102,580	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			1,095,552	1,048,593
Chafee Foster Care Independence Program	93.674			374,785	
ARRA - Temporary Assistance for Needy Families (TANF) Supplemental Grants	93.716			18,895	
ARRA - State Grants to Promote Health Information Technology	93.719			1,710,034	
State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	93.735			185,182	
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738			1,065,378	110,495
PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745			33,397	

State of Arkansas
Schedule of Expenditures of Federal Awards
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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services (Continued)					
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding (PPHF)	93.757			\$ 916,667	
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758			1,078,624	\$ 201,047
Children's Health Insurance Program	93.767			174,349,413	
Money Follows the Person Rebalancing Demonstration	93.791			5,709,103	
Organized Approaches to Increase Colorectal Cancer Screening	93.800			100,332	
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815			489,310	
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817			543,795	263,677
Biomedical Research and Research Training	93.859			37,772	
Grants for Primary Care Training and Enhancements	93.884			(3,836)	
National Bioterrorism Hospital Preparedness Program	93.889			2,008,417	1,281,269
Grants to States for Operation of Offices of Rural Health	93.913			168,188	
HIV Care Formula Grants	93.917			5,929,164	2,079,166
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938			1	
HIV Prevention Activities_Health Department Based	93.940			1,488,662	183,945
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			299,727	
Assistance Programs for Chronic Disease Prevention and Control	93.945			803,019	126,230
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			106,873	
Block Grants for Community Mental Health Services	93.958			4,230,145	4,210,667
Block Grants for Prevention and Treatment of Substance Abuse	93.959			13,839,100	12,234,506
PPHF Geriatric Education Centers	93.969			606,092	14,580
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977			1,117,126	
Preventive Health and Health Services Block Grant	93.991			69,401	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services (Continued)					
Maternal and Child Health Services Block Grant to the States	93.994			\$ 7,930,597	\$ 2,533
Other Department of Health and Human Services Assistance	93.U01	HHSF223201400121C		563,857	
Other Department of Health and Human Services Assistance	93.U02	Drug Subsidies		5,667,036	
Other Department of Health and Human Services Assistance	93.U03	2016		51,231	
Pass-Through from Houston Academy of Medicine - Texas Medical Center	93.U04		HHSN-276-2011-00007	3,263	
Pass-Through from Leidos Biomedical Research, Inc.	93.U05		16X011-#1 - #4	456,552	6,929
Total United States Department of Health and Human Services				<u>489,973,732</u>	<u>80,580,318</u>
Corporation for National and Community Service					
State Commissions	94.003			262,849	
AmeriCorps	94.006			2,047,379	1,842,764
Total Corporation for National and Community Service				<u>2,310,228</u>	<u>1,842,764</u>
United States Department of Homeland Security					
State and Local Homeland Security National Training Program					
Pass-Through from Center for Rural Development	97.005		EMW-2013-CA-K00155-S01	223,170	
Pass-Through from Center for Rural Development	97.005		EMW-2014-CA-0092-S01	166,007	
Pass-Through from Center for Rural Development	97.005		EMW-2015-CA-00190-S01	8,950	
Pass-Through from Norwich University	97.005		SA 2015-013	140,714	
Homeland Security Preparedness Technical Assistance Program	97.007			26,616	
Boating Safety Financial Assistance	97.012			1,728,551	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			255,110	3,000
Flood Mitigation Assistance	97.029			38,592	19,070
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			11,666,547	11,214,843
Hazard Mitigation Grant	97.039			3,545,275	2,939,016
National Dam Safety Program	97.041			129,417	
Emergency Management Performance Grants	97.042			3,679,332	1,504,036
State Fire Training Systems Grants	97.043			21,425	
Cooperating Technical Partners	97.045			827,596	
Pre-Disaster Mitigation	97.047			2,427,195	2,302,001

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Homeland Security (Continued)					
Homeland Security Grant Program	97.067			\$ 3,243,933	\$ 2,690,760
Other Department of Homeland Security Assistance	97.U01	EMW-2015-CA-00152		44,346	17,620
Other Department of Homeland Security Assistance	97.U02	8259		44,208	
Pass-Through from University of Texas, San Antonio	97.U03		26-0800-0561	168,907	
Total United States Department of Homeland Security				<u>28,385,891</u>	<u>20,690,346</u>
Total Expenditures of Federal Awards				<u>\$ 9,114,808,721</u>	<u>\$ 783,396,861</u>



State of Arkansas Single Audit

***Notes to Schedule of Expenditures
of Federal Awards
For the Year Ended June 30, 2016***

State of Arkansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

(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 major federal programs listed below. This report, insofar as it relates to these entities, is based solely on the report of other auditors.

<u>State/Educational Agency and Program Name</u>	<u>CFDA Number(s)</u>	<u>Expenditures</u>
Arkansas Development Finance Authority:		
HOME Investment Partnership Program	14.239	\$ 6,887,220
State of Arkansas Construction Assistance Revolving Loan Fund:		
Clean Water State Revolving Fund Cluster	66.458	12,851,963
State of Arkansas Drinking Water Revolving Loan Fund:		
Drinking Water State Revolving Fund Cluster	66.468	12,398,653
Arkansas Student Loan Authority:		
Federal Family Education Loans	84.032-L	279,612,809
University of Arkansas for Medical Sciences:		
Student Financial Assistance Cluster	various	60,504,751
PPHF: Racial and Ethnic Approaches to Community Health Program finance solely by Public Prevention and Health Funds	93.738	1,065,378
Social Security Determination:		
Disability Insurance/SSI Cluster	96.001	45,364,830

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

State of Arkansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

(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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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. Uniform Guidance 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 \$27,344,426 in disbursements, expenditures, or distributions. Major and nonmajor programs are determined using the risk-based approach outlined in Uniform Guidance.

(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. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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.

(d) Indirect Cost Rate

The State has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(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, 2016, 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	\$36,458,328
93.264	Nurse Faculty Loan Program (NFLP)	32,452
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	4,639,863
93.364	Nursing Student Loans	357,455
	Total	<u>\$41,488,098</u>

State of Arkansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

(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 Program (FFEL), 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. New loans were made to students enrolled at state universities for \$525,427,061 for Direct and \$0 for FFEL during the year ended June 30, 2016; accordingly, these amounts are included in the Schedule.

Education loans made or purchased by the Arkansas Student Loan Authority (the Authority) are guaranteed by the Great Lakes Higher Education Guaranty Corporation (Great Lakes), United Student Aid Fund (USAF), or U.S. Department of Education (USDE). Student loans guaranteed by USDE are considered non-cash awards and amounted to \$278,161,041 at July 1, 2015. The Great Lakes, USAF, and USDE guarantees are contingent upon the loans being serviced within the diligence requirements of the guarantors.

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 sources for these loans are two \$2,125,000 promissory notes executed between Arkansas Development Finance Authority and USDA Rural Development during fiscal years 2013 and 2016. When received, these funds will be used to make new loans for program activities. The outstanding loan receivable balance from subrecipients for the year ended June 30, 2016, was \$2,337,274. Total disbursements for loans made to subrecipients during fiscal year 2016 totaled \$460,187.

The federal loan programs listed subsequently are administered directly by the Authority, and balances and transactions relating to the programs are included in the Authority's basic financial statements. Notes payable outstanding at the beginning of the year and federal expenditures during the year are included in the federal expenditures presented in the Schedule. The balance of the notes payable outstanding at June 30, 2016, consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2016
10.415	Rural Rental Housing Loans	\$ 2,410,328

Expenditures reflected in CFDA 14.218, Community Development Block Grants/Entitlement Grants, include loans to contractors for development or redevelopment of affordable rental housing. The funding source for these loans is federal grant funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable from subrecipients for the year ended June 30, 2016, was \$7,700,000. No disbursements were made for new loans during the year ended June 30, 2016.

Expenditures reflected in CFDA 14.239, HOME Investment Partnerships Program, include loans to contractors and borrowers for development of single-family and multi-family housing. The funding sources for these loans include federal grant funds and revolving program funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance from subrecipients for the year ended June 30, 2016, was \$108,057,731. Total disbursements of federal funds for loans made to subrecipients during fiscal year 2016 totaled \$2,768,701.

State of Arkansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

(3) Federally-Funded Loan Programs (Continued)

Expenditures reflected in CFDA 66.458, Capitalization Grants for Clean Water State Revolving Funds, include loans to municipalities or other public entities for 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 the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance for the year ended June 30, 2016, was \$235,527,678. Total disbursements for new loans made during fiscal year 2016 totaled \$981,809. For the year ended June 30, 2016, the Program received \$303,193 in federal funds for administrative costs.

Expenditures reflected in CFDA 66.468, Capitalization Grants for Drinking Water State Revolving Funds, include loans to counties, municipalities or other tax-exempt water system entities for construction of new water systems, expansion or repair of existing water systems and/or consolidation of new or existing water systems. The funding sources for these loans include federal grant funds, state match funds, and revolving Program funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance for the year ended June 30, 2016, was 170,151,667. Total disbursements for new loans made during fiscal year 2016 totaled 2,105,544. Total loans forgiven during fiscal year 2016, totaled \$4,356,422. For the year ended June 30, 2016, the Program received 4,667,841 in federal funds for administrative costs.

The U.S. Department of Energy allowed the State of Arkansas to use ARRA-State Energy Program (CFDA 81.041) funds to create the Energy Revolving Loan Program. The loan program was created to encourage the development, implementation, and deployment of cost-effective energy efficiency and renewable energy projects in the State and to support the creation of additional employment opportunities and other economic development benefits. Of the total amount of program funds expended and reported on the accompanying SEFA for fiscal years 2011 and 2012, \$11,370,000 was transferred to the revolving loan fund and made available for future loans. There were no program funds transferred to the revolving loan fund for fiscal year 2016. The outstanding loan receivable balance from subrecipients for the year ended June 30, 2016, totaled \$7,889,614. Total disbursements for new loans made during fiscal year 2016 totaled \$1,338,339.

(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:

10.555	National School Lunch Program	\$16,653,554
10.558	Child and Adult Care Food Program	88,722
10.559	Summer Food Service Program	10,194
10.569	Emergency Food Assistance Program (Food Commodities)	5,800,538
12.005	Law Enforcement Support Office 1033 Program	5,827,889
16.001	Law Enforcement Assistance – Narcotics and Dangerous Drugs – Laboratory Analysis	23,424
39.003	Donation of Federal Surplus Personal Property	6,800,321
84.906	American Printing House for the Blind	52,755
93.268	Immunization Grants	<u>38,102,945</u>
	Total	<u>\$73,360,342</u>

State of Arkansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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

During fiscal year 2016, the State received cash rebates totaling \$24,750,571 from infant formula manufacturers on sales of formula to participants in the WIC program (CFDA 10.557) that 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 361,045 more persons than could be served this fiscal year in the absence of the rebate contract.

(6) Disability Determination for Social Security

Reported expenditures for benefits under the Social Security Disability Insurance program are not audited by Arkansas Legislative Audit but by a private firm. That audit is based on the federal fiscal year, which ends September 30. For the period ended September 30, 2015, the audit firm was Stan Parks, CPA, which issued an audit report for the period October 1, 2014 through September 30, 2015.

(7) Unemployment Insurance

The unemployment compensation system is a unique federal-state partnership that is founded upon federal law but implemented through state law. Expenditures reported for the Unemployment Insurance Program (CFDA No. 17.225) include unemployment benefits from the State Unemployment Compensation Fund totaling \$183,210,531.



State of Arkansas Single Audit

***Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016***

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

State/Educational Agency Name(s) / Program Title	CFDA Number(s) Affected	Page Number(s)
<u>University of Arkansas at Monticello</u> <i>Student Financial Assistance Cluster</i>	84.063; 84.268	135 - 136
<u>Phillips Community College of the University of Arkansas</u> <i>Student Financial Assistance Cluster</i>	84.063	137
<u>Arkansas Department of Career Education -</u> <u>Arkansas Rehabilitation Services</u> <i>Rehabilitation Services_Vocational Rehabilitation</i> <i>Grants to States</i>	84.126	138 - 147
<u>Arkansas Department of Human Services</u> <i>Low-Income Home Energy Assistance</i>	93.568	148
<i>Foster Care_Title IV-E</i>	93.658	149 - 153
<i>Children's Health Insurance Program</i>	93.767	154 - 165
<i>Medicaid Cluster</i>	93.775; 93.777; 93.778	154 - 161 ; 166 - 200
<i>ARRA - Medicaid Cluster</i>	93.778	197 - 198
<u>Office of Attorney General</u> <i>Medicaid Cluster</i>	93.778	199 - 200
<u>Arkansas Department of Emergency Management</u> <i>Disaster Grants - Public Assistance (Presidentially</i> <i>Declared Disasters)</i>	97.036	201 - 202
<u>University of Arkansas for Medical Sciences</u> <i>H1B Job Training Grants</i>	17.268	203

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

University of Arkansas at Monticello

2015 Prior-Year Finding Number: 2015-001
State/Educational Agency(s): University of Arkansas at Monticello
CFDA Number(s) and Program Title(s): 84.063 – Pell Grant Program
84.268 – Federal Direct Student Loans
(Student Financial Assistance Cluster)
Federal Award Number(s): P063P141071; P268K141071
Federal Award Year(s): 2014
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

The University of Arkansas at Monticello (UAM) had taken the correction action necessary prior to being notified of the audit finding. UAM continues to verify social security numbers agree with birthdates and other pertinent information before awarding financial aid.

Repeat Finding:

Not applicable

Condition and Context:

University management discovered that Jerome Terry assumed another individual's identity and improperly obtained Title IV financial aid totaling \$11,089 during the fall 2013 and spring 2014 semesters. Subsequently, Mr. Terry was charged with and convicted of financial identity fraud and forgery II, class C felonies; sentenced to 24 months incarceration; and ordered to pay restitution of \$6,359 upon release.

Questioned Costs:

\$11,089

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

Mr. Jerome Terry assumed the identity of his son, Jarell Terry, in order to attend the University of Arkansas at Monticello McGehee campus. It is our understanding that Mr. Jerome Terry wanted to obtain a technical certificate in his son's name, so that when his son, Jarell Terry, was released from prison, he would have a certificate and be able to easily obtain employment. Since Mr. Jerome Terry assumed his son's identity, he had access to Jarell's pertinent personal information necessary to register, enroll, and obtain financial aid as an eligible student. Someone on the McGehee campus recognized that the person attending UAM using the name of Jarell Terry was not Jarell Terry but was identified to be his father, Jerome Terry. Once UAM became aware, this information was reported to the local prosecutor's office and the Arkansas State Police.

The federal financial assistance was awarded to Jarell Terry, the name of the person who was enrolled and was eligible to receive financial aid. However, these funds were received by his father, Mr. Jerome Terry, who had assumed his son's identity. The entire amount of \$11,089 in federal assistance received by Mr. Jerome Terry was returned to the appropriate federal agencies. UAM is now owed the amount of \$11,089 from the student because all federal funds awarded to the student were repaid to the federal agencies.

Regarding the statement that UAM disbursed federal aid to an individual who was not an enrolled student, the son was eligible to enroll, and the son was eligible for federal financial aid. UAM disbursed federal financial aid in the name of the son to the person that was thought to be Jarell Terry.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

University of Arkansas at Monticello (Continued)

2015 Prior-Year Finding Number: 2015-001 (Continued)
State/Educational Agency(s): University of Arkansas at Monticello
CFDA Number(s) and Program Title(s): 84.063 – Pell Grant Program
84.268 – Federal Direct Student Loans
(Student Financial Assistance Cluster)
Federal Award Number(s): P063P141071; P268K141071
Federal Award Year(s): 2014
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Significant Deficiency

Views of Responsible Officials and Planned Corrective Action (June 30, 2015) (Continued):

UAM plans to more closely verify birthdates provided by students for reasonableness as to the individual enrolling. As always, before awarding financial aid, UAM verifies that social security numbers agree with birthdates and other pertinent information. UAM will continue to make these verifications before awarding any financial aid.

Anticipated Completion Date: Immediately

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Phillips Community College of the University of Arkansas

2015 Prior-Year Finding Number: 2015-002
State/Educational Agency(s): Phillips Community College of the University of Arkansas
CFDA Number(s) and Program Title(s): 84.063 – Federal Pell Grant Program
(Student Financial Assistance Cluster)
Federal Award Number(s): P063P151086
Federal Award Year(s): 2015
Compliance Requirement(s) Affected: Special Tests and Provisions
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

The corrective action plan has been implemented. All fee codes have been updated to be included in the R2T4 calculation. No new fees have been added as of this date. Institutional charges included in R2T4 are being compared to the student's statements to ensure all required charges are included.

Repeat Finding:

Not applicable

Condition and Context:

The College did not include facility fees in the return of Title IV funds calculation for the five returns tested for compliance from a population of 51 calculations of returns. In addition, the College returned more funds than required on four of the five students tested. The net effect of these errors caused an excess return of funds totaling \$1,918.

Questioned Costs:

None

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

A full review was conducted on the students listed during the review. Procedures are being developed and will be in place for the spring 2016 semester to ensure that all new fees and charges that are to be added to a student's account during the registration process are included in the student's Return of Title IV Funds Calculation. The financial aid office will be notified by the business office when any new fees or charges are added. In addition, the R2T4 institutional charges will be compared to the student's statement to be sure that all required charges are included.

Anticipated Completion Date: Spring 2016 Semester

Contact Person:

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Career Education – Arkansas Rehabilitation Services

2015 Prior-Year Finding Number: 2015-003
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): H126A150003
Federal Award Year(s): 2015
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Although the Agency addressed the error identified in this finding, ALA staff follow-up procedures of the client case file identified additional errors resulting in current-year finding **2016-004** on **page 23**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Client remains a resident at the apartment complex, with arrangements made to continue lease for June 2016-July 2017. As a result, per her request, the case is being served from the Conway Field Office to accommodate her schedule and employment goal. Client is currently enrolled with Arthur's Beauty Schools, with an anticipated graduation date of September 2016. Client has been able to successfully obtain a vehicle for transportation to and from school. She is not currently working but receives support through SSI benefits and family.

Repeat Finding:

Not applicable

Condition and Context:

A District Manager acted as a Counselor for a relative without properly disclosing the possible conflict of interest in the case file. The District Manager authorized a payment, totaling \$7,378, for 12 months of prepaid rent for the client by acting in the capacity of both Counselor and District Manager. The Chief of Field Services' approval was not obtained, which was in direct violation of the Agency's segregation of duties rule for payments over \$5,000, as well as in violation of the rule requiring evidence of service prior to the issuance of maintenance payments.

Questioned Costs:

\$7,378

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

ARS Discussion

ARS field program during this time endured a high number of counselor vacancies statewide, which caused many of our district managers to work dual roles. This situation circumvented our approval process internally.

ARS Action Taken

The District Manager was disciplined for the violation of policy and procedure with a counseling statement following the Agency's policy of progressive discipline. The Agency has completed training with the district managers on the area of maintenance payments (particularly prepaid rent) and its relation to conflicts of interest and the segregation of duties. This training was completed on February 18, 2016. In addition, the managers will also train their field staff in this area as well at their next monthly staff meeting. System 7 has been re-mapped to implement a trigger for managers acting as counselors (because of our vacancies) to ask for the Chief of Field Services' signature to authorize payments. This will make the Agency roles consistent with the segregation of duties requirement and the ARS Policy and Procedure Manual.

Anticipated Completion Date: February 2016

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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

2015 Prior-Year Finding Number: 2015-003 (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): H126A150003
Federal Award Year(s): 2015
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action (June 30, 2015) (Continued):

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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

2015 Prior-Year Finding Number: 2015-004
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): H126A140003
Federal Award Year(s): 2014
Compliance Requirement(s) Affected: Allowable Cost/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

We provided training to managers and staff regarding the policy directive on maintenance payments.

Repeat Finding:

Not applicable

Condition and Context:

A client received the following maintenance payments that were not in accordance with the ARS Policy and Procedures Manual:

- Two months' rent, totaling \$980, after the client had received the first paycheck.
- Vehicle repairs, totaling \$2,492, for repair work performed on a vehicle not owned by the client and after the client received the first paycheck.

Questioned Costs:

\$3,472

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

ARS Discussion

ARS acknowledges that there is an error in the Agency's policy section VI-29, which states that after job placement, maintenance will only be paid until the individual receives their first pay check. The Chief of Field Services issued an Agency directive to the policy for section VI-29 that permits maintenance after the first paycheck. The Agency will update the policy manual with the correct language during the next promulgation process. In reference to vehicle repairs, ARS acknowledges that paying for a vehicle repair that is not owned by the client is not a best practice in procedures. However, the vehicle in question was the client's primary source of transportation to attend school.

ARS Action Taken

The Counselor referenced in the finding will be required to get manager's signature on all authorizations for a 6-month period. In addition, the managers are to be trained by the Chief of Field Services on the best practices for transportation needs, and the managers will in turn train the vocation rehabilitation counselors who report to them in the respective district offices of Arkansas Rehabilitation Services those same skills. Furthermore, the Agency will ensure all employees are aware of the policy directive regarding maintenance payments.

Anticipated Completion Date: February 2016

Contact Person:

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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

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

2015 Prior-Year Finding Number: 2015-005
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): H126A140003
Federal Award Year(s): 2014
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Investigation ongoing

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

No additional update

Repeat Finding:

Not applicable

Condition and Context:

The Agency made payments totaling \$13,302 to 5Linx Enterprises, Inc., a multi-level marketing company, based on what appear to be falsified invoices submitted on behalf of three clients. According to the Chief of Field Services, these clients were referred to the Agency by the Director of the Arkansas Department of Career Education – Arkansas Rehabilitation Services, who retired January 21, 2015, and was also a 5Linx sales representative. The retired Director indicated he was not directly involved in the referral process for these three clients. The clients were all approved by the Small Business Consultant to start their own 5Linx businesses without formally documenting the feasibility of the business plan or requiring the mandatory 10% financial participation from the client. The documentation in the respective case files was very similar, if not identical, for these three clients. ALA staff were unable to determine the origin of the apparently falsified invoices.

The Agency used atypical procedures to pay these invoices. According to the Chief of Field Services, he was directed by the retired Director to pick up the two warrants written to 5Linx (one for \$8,868 issued on October 22, 2014, and cashed on January 22, 2015; and one for \$4,434 that was issued on November 2, 2014, and voided on August 20, 2015) directly from the Finance office; typically, these warrants would have been mailed, and the Chief of Field Services would have never had custody of them. The retired Director indicated he did not issue this directive. The Chief of Field Services directed that the \$8,868 warrant be sent overnight via FedEx to the attention of a specific 5Linx employee.

Although 5Linx personnel stated to auditors that they did not create the invoices, the vendor did receive the \$8,868 warrant prior to any order being placed. According to the Vice President of Product Development & Marketing for 5Linx, they received the warrant and subsequently negotiated directly with the retired Director about what the warrant would be used to purchase. The retired Director indicated he was not involved in any conversations with 5Linx about the warrant. According to 5Linx personnel, the warrant was used to pay for services and products for two of the aforementioned clients, but 5Linx was not able to provide a detailed list of these services and products. 5Linx personnel confirmed that the retired Director would have received compensation from 5Linx if these clients had been successful in the business.

As of November 4, 2015, case files reflected the following:

- Client 1 had received products but had not done anything with them. The counselor and client had not had contact since May 18, 2015.
- Client 2 had not received any products. The counselor and client had not had contact since February 3, 2015.
- Client 3 had not received any products. The warrant for \$4,434, which was cancelled, had not been reissued. The client stated on July 16, 2015, that he no longer wished to work with 5Linx.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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

2015 Prior-Year Finding Number: 2015-005 (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): H126A140003
Federal Award Year(s): 2014
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Condition and Context (Continued):

Ark. Code Ann. § 19-11-705(a) – By recommending these clients to his Agency, being involved in getting payments to 5Linx, and potentially benefitting from clients' sales, the retired Director indirectly participated in a contract in which he had a financial interest.

Ark. Code Ann. § 21-8-304(a) – The retired Director used his official position to influence the Agency to assist these clients, knowing he could potentially benefit (a "special privilege") when the clients made sales.

Questioned Costs:

\$8,868

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

ARS Discussion

ARS acknowledges that the Small Business Consultant did not seek approval from the Chief of Field Services to grant an exception for the 10% participation requirement.

ARS Action Taken

The Small Business Consultant was disciplined for the violation of policy and procedures with a counseling statement following the Agency's policy of progressive discipline. The Agency has completed training with the Small Business Consultant. The training specifically focused on documentation of the required 10% commitment to all business plans for clients. Additionally, we have updated internal controls by requiring the approval of the Chief of Field Services to sign off on waivers for the 10% commitment to business plan. Furthermore, the Agency has updated the procedures to policy by prohibiting multilevel marketing ventures. Lastly, the Agency has provided training on documenting case management and securing adequate invoices for processing payment. Additional training will be provided to field staff regarding the provision of authorization of services to vendors and follow up to verify goods and services have been rendered before final payment.

The Agency has instituted written policies for check pickup, with approvals required by the senior manager and Commissioner.

Agency management has reemphasized the ethical and moral standards required of all employees. Senior managers and staff were also reminded of the personal assurances they are required to make each year through completing and signing of the Agency's Anti-Fraud and Code of Ethics policy statement and the importance it carries throughout the execution of their duties.

The initial investigation of this finding was conducted by DF&A Office of Internal Audit, and the results were forwarded to the state's Attorney General office and Arkansas State Police.

Anticipated Completion Date: January 2016

Contact Person: Carl Daughtery
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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

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

2015 Prior-Year Finding Number: 2015-006
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): H126A140003
Federal Award Year(s): 2014
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

No additional update

Repeat Finding:

Not applicable

Condition and Context:

The job placement program at ARS pays job placement vendors \$1,000 for each client they assist in successfully completing 90 days at a job. ALA staff noted one instance in which the job placement vendor was paid \$1,000 for this service after a client complained to the VR Counselor regarding the lack of job placement services from the vendor. In addition, case file narratives document the vendor asking the client to lie to the VR Counselor about being employed. The case file does not reflect efforts to investigate the client's assertions or communicate the disagreement to Agency employees responsible for the job placement program.

Questioned Costs:

\$1,000

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

ARS Discussion

The District Manager did follow-up on the client's assertion about being told to lie. The District Manager investigated the services provided and approved the job placement payment. However, there was no documentation in the case narrative by the District Manager or Counselor prior to the payment. The Agency will continue to provide ongoing training and emphasize the importance of detailed caseload documentation.

ARS Action Taken

The Manager and Field Counselor were disciplined for the violation of policy and procedures with a counseling statement following the Agency's policy of progressive discipline. The Agency has completed training with the district managers on the area of provision and authorization of services and its relation to providing detailed documentation in case files. The training was provided February 18, 2016. In addition, the manager has provided training and guidance to the field staff in this district. The training specifically focused on professional communication to clients, responding in timely fashion with complaints and including detailed documentation in case narratives that support the provision of services provided before final payment.

Anticipated Completion Date: February 2016

Contact Person:

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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

2015 Prior-Year Finding Number: 2015-007
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): H126A150003
Federal Award Year(s): 2015
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles; Reporting
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

No additional update

Repeat Finding:

Not applicable

Condition and Context:

ALA staff review of three reports revealed the Agency did not have adequate internal controls in place to ensure accurate and complete financial information was submitted within the criteria established by the federal awarding agency.

The Agency's lack of adequate internal controls over reporting resulted in a net overstatement of expenditures, totaling \$1,041,654, on the 2015 Grant SF-425 for the period ended March 31, 2015. The net overstatement is a cumulative effect of the following errors:

- Expenditures, totaling \$823,884, were reported but not incurred because of calculation errors in the spreadsheets supporting the SF-425.
- Unallowable expenditures regarding the armed public safety department of ACTI, totaling \$217,770, were reported as grant expenditures.

Questioned Costs:

\$1,041,654

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

ARS Discussion

The Agency acknowledges both the net overstatement of expenditures and the unallowable expenditures reported through the Agency SF-425 submissions.

ARS Action Taken

The unallowable expenditures have been corrected with updated SF-425 submissions. Corrections to the overstated expenditures will be made to the affected SF-425 reports and will conclude with the final reports for applicable grants.

SF-425 calculation procedures and training have been updated to account for unliquidated obligations and to exclude unallowable costs. The CFO will continue to monitor the SF-425 calculation process. The CFO will continue to verify and approve the accuracy of the SF-425 reports prior to submission.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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

2015 Prior-Year Finding Number: 2015-007 (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): H126A150003
Federal Award Year(s): 2015
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles; Reporting
Type of Finding: Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action (June 30, 2015) (Continued):

Anticipated Completion Date: March 2016

Contact Person: Joseph Baxter
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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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

2015 Prior-Year Finding Number: 2015-008
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): H126A150003
Federal Award Year(s): 2015
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-006 on page 27.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

No additional update

Repeat Finding:

Not applicable

Condition and Context:

As of March 31, 2015, the pre-employment transition services requirement for the Agency was \$1,939,081. ALA staff reviewed the Agency's SF-425 report for the 2015 grant, along with the documentation supporting the \$2,878,376 reported for pre-employment transition services, to determine reasonableness. The review revealed the Agency did not maintain sufficient, appropriate evidence for the amount reported, and only \$385,927 was for services that could reasonably meet the definition of pre-employment transition services. As a result, there is a potential deficit in pre-employment transition services totaling \$1,553,154 (\$1,939,081 – \$385,927).

Questioned Costs:

None

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

ARS Discussion

Vocational rehabilitation regulations that govern implementation of The Workforce Innovation and Opportunity Act signed into law July 22, 2014; have yet to be issued by Rehabilitation Services Administration (RSA). Agencies have been instructed by RSA to develop services and processes individually in order to comply with the requirements outlined in the law until comprehensive federal regulations are released. The Agency-reported expenditures under the pre-employment transition services requirement were in support of this direction.

ARS Action Taken

Current Agency activities listed under pre-employment transition services are under review by Field Service senior management. Specific services are being developed to address these new requirements and for tracking and reporting purposes. Additional procurement methods are being explored and initiated in order to better meet the provisions outlined in the law.

Anticipated Completion Date: June 2016

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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

2015 Prior-Year Finding Number: 2015-009
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): H126A140003; H126A150003
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking; Reporting
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

No additional update

Repeat Finding:

Not applicable

Condition and Context:

In order to meet its MOE requirement, the Agency was required to spend, from non-federal sources, \$11,218,138 and \$10,744,850 in 2014 and 2015, respectively. MOE expenditures are calculated on the SF-425 report by subtracting line 12a, the non-federal share of expenditures for the establishment or construction of facilities for community rehabilitation program purposes, from line 10j, the recipient share of expenditures. The Agency failed to meet its MOE requirement for the 2014 grant because it only spent \$10,318,815, which is \$899,323 less than required. While the Agency still has time to meet MOE requirements for the 2015 grant, line 12a of the 2015 SF-425 report reflects \$0 expenditures, instead of \$928,640, the actual expenditures calculated by the Agency. If not corrected, the Agency could also fail to meet its MOE requirement for the 2015 grant.

Questioned Costs:

None

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

ARS Discussion

The Agency acknowledges the MOE requirement shortfall.

ARS Action Taken

The applicable SF-425 reports have been corrected.

SF-425 calculation and grant draw procedures have been updated to account for grant expenditures not applicable to MOE calculations. The CFO will continue to monitor the SF-425 and grant draw calculation process. The CFO will continue to verify and approve the accuracy of the grant draws and SF-425 reports prior to submission.

Anticipated Completion Date: January 2016

Contact Person:

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services

2015 Prior-Year Finding Number: 2015-010
State/Educational Agency(s): Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.568 – Low-Income Home Energy Assistance
Federal Award Number(s): 13B1ARLIEA; 14B1ARLIEA; 15B1ARLIEA
Federal Award Year(s): 2013, 2014, and 2015
Compliance Requirement(s) Affected: Cash Management
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

The June 30, 2015, bank balance of \$1,107,357 has been reduced through program expenditures to \$57,019 as of May 4, 2016. The May 2016 balance consists of current money drawn down to be spent on the program costs. In addition to a monthly bank reconciliation by the DHS Office of Finance and Administration, the following processes and procedures have been put into place: 1) a copy of the reconciliation and the monthly bank statement shall be provided to program staff within the Division of County Operations-Office of Community Services for review; 2) a log shall be maintained by financial staff in Managerial Budget of fund amounts requested by program staff for draw down to prevent duplications; and 3) there shall be increased communication between program staff and financial staff to enhance monitoring of the balance of program funds. This audit finding was officially closed by the U.S. Department of Health and Human Services on May 12, 2016.

Repeat Finding:

Not applicable

Condition and Context:

ALA staff reviewed the process of drawing grant funds for disbursement to the Community Action Agencies (CAA). Each CAA submits a monthly grant request form to the Agency. The funds are drawn by the Agency and deposited into a bank account where the funds are transferred via the Automated Clearinghouse (ACH) to the various CAAs. Review of the bank account revealed that the Agency has been maintaining funds in the bank account for an extended period in excess of immediate cash requirements. The balance in the bank account as of June 30, 2015, was \$1,107,357.

Questioned Costs:

\$1,107,357

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Office of Finance and Administration (OFA) agrees with the finding. Procedures have been put in place to have the Division of County Operations (DCO) staff responsible for the program to keep up with the amount spent by provider. OFA staff will provide the balance in the bank account to DCO program staff at the end of each month to allow for a reconciliation to ensure that excess funding is not kept in the account

Anticipated Completion Date: February 29, 2016

Contact Person:

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-011
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): 1401AR1401; 1501ARFOST
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

The Division has appropriately increased the beginning placement contract balances to better match the projected ending balances for SFY2017. The Division will continue to evaluate the contract balances monthly to determine adequacy. This will ensure that the Division has sufficient funds available in contracts during the fiscal year and shall eliminate the need to create stand-alone purchase orders.

Repeat Finding:

Not applicable

Condition and Context:

ALA staff selected 29 items for review to determine if the Agency had appropriate, documented approval prior to payment. Twenty-eight of the items represented services provided by vendors through specialized placement contracts for children residing at various facilities throughout the State. Specific Agency controls regarding these contracts require the approval of an authorized agent of both the Division of Children and Family Services (DCFS) and the Office of Fiscal Management (OFM) contract unit. ALA staff review revealed one item that was only approved by DCFS. No approval was obtained from the OFM contract unit as required.

Further inquiry and discussion with the DCFS CFO revealed that DCFS was aware it had reached the maximum amount payable on this contract and circumvented controls by creating a “stand-alone” purchase order, allowing the payment to be processed outside the contract agreement. The purpose of an OFM review and approval includes attaching invoices to contract outline agreements as applicable. Contract outline agreements are the tracking mechanism or control used in the Arkansas Administrative Statewide Information System (AASIS) to “flag” payments made in excess of contract agreements. Creating “stand-alone” purchase orders and bypassing OFM allowed DCFS to process the invoice for payment without being “flagged” in AASIS as exceeding the contract.

In addition, the former DCFS CFO (who is the current Assistant Director, Managerial Accounting – OFA) stated that all DHS divisions had been advised by OFA management to create stand-alone purchase orders when contracts had reached the maximum allowable. OFA management began allowing divisions to create their own purchase orders and process their own receipts, therefore, allowing the contracts unit to be bypassed.

As a result, ALA staff performed additional testing to determine total payments processed for this vendor that were not attached to the outline agreement. This review revealed the following:

- Payments totaling \$40,873 were not attached to the outline agreement for the 2014 contract, resulting in the contract being exceeded by \$39,942. \$2,565 of this total represents federal funds.
- Payments totaling \$79,919 were not attached to the outline agreement for the 2015 contract, resulting in the contract being exceeded by \$13,818. There were no federal funds represented in the total.

Based on the unique nature of the specialized placement contracts, including various daily rates and services provided for children and the number of children residing at various facilities, ALA staff were unable to determine likely questioned costs. However, because of the circumvention of controls by DCFS, it is possible that questioned costs could be material and could affect multiple specialized placement contracts for several vendors.

Questioned Costs:

Unknown

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-011 (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): 1401AR1401; 1501ARFOST
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of Children and Family Services (DCFS) disagrees with this finding, while acknowledging that the underlying facts are accurate. There can be no questioned costs on this finding, as questioned costs would represent improper use of federal funds and the funds in question were all properly used to provide necessary residential services to clients.

The timeline required to amend a specialized placement contract is currently four and a half to five months. This means that an amendment request must be submitted by mid-February to be effective by June 1, and the fiscal year ends June 30. Due to the fluent nature of child welfare, DCFS does not know in advance what, if any, additional services will be needed. If the contract is insufficient, DCFS must issue a client-specific, stand-alone purchase order, as the provider cannot be paid for services rendered in excess of the contract. Those providers would then be required to file a claim with the State Claims Commission to receive payment for the services provided.

DCFS is mandated to provide care and services to all children that enter the system and cannot predict the particular number, type of service, or eligibility of the children that may come into care.

DCFS will attempt to over obligate placement contracts to avoid running out of the legal authority to pay for the necessary services at the end of the fiscal year. We will begin this procedure in state fiscal year 2017.

Anticipated Completion Date: First quarter of SFY 2017

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-011 (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): 1401AR1401; 1501ARFOST
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Material Weakness

Additional Comments from the Auditor:

The Agency stated there can be no questioned costs because the use of federal funds was not improper. However, the issue addressed in this finding **does meet** the definition of an improper payment as outlined in the Improper Payments Information Act of 2002, as amended by Publ. L. No. 111-204; the Improper Payments Elimination and Recovery Executive Order 13520 on reducing improper payments; and the June 18, 2010, Presidential memorandum to enhance payment accuracy, the term *improper payment* refers to any of 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 appropriate denials of payments 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, according to 2 CFR § 225 Appendix A, "...to be allowable under federal awards...costs must be authorized or not prohibited under state or local laws or regulations." State regulations require an Agency to adhere to purchasing procedures and require disbursements to be made in accordance with the terms of the applicable contract. The disbursements addressed in this finding were not in accordance with state regulations and are, therefore, considered an unallowable use of federal funds.

As a result, the disbursements are considered questioned costs as defined by OMB Circular A-133, § 105, which states, "questioned costs means a cost that is questioned by the auditor because of an audit finding which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant...or document governing the use of federal funds..."

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-012
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): 1401AR1401; 1501ARFOST
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Although the federal awarding agency accepted the Agency's corrective action plan and considered this finding closed, ALA staff follow-up procedures revealed a lack of sufficient, appropriate evidence to support a supervisory review of the June 30, 2016 report. In addition, three of the four quarterly reports were not submitted timely again. See current-year finding **2016-012** on **page 39**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete

Repeat Finding:

Not applicable

Condition and Context:

ALA staff reviewed the Agency's internal control procedures regarding the review and submission of the quarterly CB-496 Foster Care financial reports. Discussions with Agency staff indicated that a supervisory review was being performed prior to submission. ALA staff review of all four quarters revealed a lack of sufficient, appropriate evidence of a supervisory review (i.e., signature/email of the reviewer) for the quarters ended December 31, 2014, and March 31, 2015.

ALA staff review also included confirming that the Agency's Title IV-E program quarterly financial reports were submitted timely. ALA staff review revealed the Agency had not submitted any of the four quarterly reports timely as follows:

- The report for September 30, 2014, due for submission on October 30, 2014, was submitted on January 16, 2015.
- The report for December 31, 2014, due for submission on January 31, 2015, was submitted on March 17, 2015.
- The report for March 31, 2015, due for submission on April 30, 2015, was submitted on May 22, 2015.
- The report for June 30, 2015, due for submission on July 30, 2015, was submitted on September 15, 2015.

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

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of Children and Family Services (DCFS) concurs with this finding. DCFS has reiterated the need for timely filing of the CB-496 and the need for written review approval. DCFS has also put a plan in place to address the lack of timely filing and to prevent this being an issue going forward. No further action is necessary at this time.

Anticipated Completion Date: Complete

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number:	2015-012 (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):	1401AR1401; 1501ARFOST
Federal Award Year(s):	2014 and 2015
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action (June 30, 2015) (Continued):

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-013
State/Educational Agency(s): Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021
(Children’s Health Insurance Program)
05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARINCT; 05-1505ARINCT;
05-1405ARBIPP; 05-1505ARBIPP
(Medicaid Cluster)
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Claims Payments
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Corrective action was complete at the time of the original response to the finding.

Repeat Finding:

Not applicable

Condition and Context:

ALA staff reviewed 60 active MMIS users classified as contract or external users to determine if a confidentiality agreement was in place as required. The requirement was implemented as the result of a finding from 2012. ALA staff review revealed that the Agency did not have confidentiality agreements in place for six active MMIS users.

ALA staff also reviewed 60 claims initially suspended in the MMIS system but subsequently paid because of a manual or “forced” override to determine if the override was appropriate (in accordance with the claims resolution manual) and sufficiently documented. Of the 60 claims reviewed, the Agency was unable to provide sufficient, appropriate evidence supporting the manual override for three claims totaling \$2,413. The federal portion of these claims totaled \$1,706. Hewlett Packard (HP) is responsible for maintaining the authorization documentation; however, the Agency stated that HP does not maintain authorizations past six and one-half months, a practice that is in direct violation of Ark. Code Ann. § 19-4-1108.

Questioned Costs:

\$1,706

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

In response to this finding, the Division of Medical Services (DMS) took the following actions. At the time the initial audit finding was reported, the subject user records were reviewed and updated, and we reiterated to all staff involved in receiving and processing MMIS access requests, the requirement to have a signed User Confidentiality Agreement (UCA) for each individual before access can be granted. Additionally, staff were reminded of the additional user access request processes and audit procedures implemented in 2012 concerning requests for MMIS access and of the importance of properly maintaining records of those actions. DMS will continue to follow implemented processes and procedures to ensure compliance.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-013 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021
(Children’s Health Insurance Program)
05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARINCT; 05-1505ARINCT;
05-1405ARBIPP; 05-1505ARBIPP
(Medicaid Cluster)
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Claims Payments
Type of Finding: Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action (June 30, 2015) (Continued):

Following the initial report of this finding, DMS met with Hewlett Packard Enterprise (HPE) and asked them to not discard any of these worksheets until notified by the State that it is okay to do so. That process has been implemented, and HPE currently holds worksheets submitted back to April 2015. They will continue to keep these worksheets until the new MMIS system is implemented, after which time their current contract will end. At that time, we will request that HPE turn over all saved worksheets to DMS for continued record keeping. When the new MMIS system is implemented, the suspended claim approval process will be recorded electronically, online in that system.

Anticipated Completion Date: Complete

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-014
State/Educational Agency(s): Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021
(Children’s Health Insurance Program)
05-1405AR5MAP; 05-1505AR5MAP
(Medicaid Cluster)
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed/ Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-013 on page 41.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Overlapping eligibility segments are caused by system coding issues, conversion issues, data fix issues, and the lack of integration between eligibility systems. Short-term plans are in place to reduce the number of overlapping segments. Long-term plans are also underway to inhibit and prevent the creation of overlapping eligibility segments and to reconcile the Medicaid Management Information System (MMIS) to the eligibility systems on a regular basis. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution. The issue is not fully addressed but is receiving significant attention from a departmental team.

Repeat Finding:

Not applicable

Condition and Context:

ALA staff selected 60 Children’s Health Insurance Program (CHIP) recipients to determine if claims were allowable in accordance with the CHIP state plan. According to the Agency, CHIP claims are coded to state aid categories 01 (ARKIDS First) and 61 (Pregnant Women, Poverty Level CHILD). The claims listing was provided by the Agency, and ALA staff sorted the listing by state aid category to ensure accuracy. The review revealed multiple instances in which recipients were simultaneously enrolled in both CHIP and Medicaid state aid categories.

Of the 60 claims reviewed, 15 recipients had overlapping claim dates and claims paid for CHIP and Medicaid. ALA staff were able to determine that although these recipients had overlapping claim dates and claims paid, duplicate payments were not noted. The Agency was unable to explain how the system determined from which program the claims should be paid, and as a result, ALA staff could not determine allowability.

Questioned Costs:

Unknown

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

DCO concurs with this finding. Analysis of the root cause(s) and cleanup of overlapping eligibility segments are underway. Some, but not all, of the causes have already been identified. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution.

Anticipated Completion Date: December 2016

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-015
State/Educational Agency(s): Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021
(Children’s Health Insurance Program)
05-1405AR5MAP; 05-1505AR5MAP;
05-1405AR5ADM; 05-1505AR5ADM;
05-1405ARINCT; 05-1505ARINCT;
05-1405ARIMPL; 05-1505ARIMPL;
05-1405ARBIPP; 05-1505ARBIPP
(Medicaid Cluster)
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-016** on page 49.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

The work by Navigant is complete, and we intend to make prior period adjustment to the CMS-64 this quarter. A new tool for all waiver services, the area requiring adjustment per the Navigant report, is in place and will be tested for first use on the June 30 CMS-64. The baseline report will continue to utilize a new, improved version of the old workbook developed in conjunction with Navigant. No adjustments were required to the CMS-64 on these areas.

Repeat Finding:

A similar issue was reported in prior-year finding 2014-010.

Condition and Context:

ALA staff review of the reconciliations for the quarters ended December 31, 2014, and June 30, 2015, revealed errors in the comparisons, which caused a miscalculation of variances. Also, the variances identified by the Agency were not adequately addressed. In addition, the reconciliation for the quarter ended December 31, 2014, was completed 49 days after the report was originally submitted, and the reconciliation for the quarter ended June 30, 2015, was completed 13 days after the report was originally submitted.

Questioned Costs:

Unknown

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of Medical Services (DMS) agrees with this finding and has been working on a related project with Navigant Consulting addressing these issues. Much of that work is complete and has focused on the reconciliations noted along with preparation of the reports. Much of this work is complete, and the current focus is the development of an interim tool mapping expenditures to the CMS-64 and CMS-21. This work is expected to be complete by June 30, 2016, and our intention is to process the September federal reports utilizing the new tool. The use of this tool will greatly enhance the analytical abilities available moving forward and allow for more timely review of the final report before submission deadlines.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-015 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021
(Children’s Health Insurance Program)
05-1405AR5MAP; 05-1505AR5MAP;
05-1405AR5ADM; 05-1505AR5ADM;
05-1405ARINCT; 05-1505ARINCT;
05-1405ARIMPL; 05-1505ARIMPL;
05-1405ARBIPP; 05-1505ARBIPP
(Medicaid Cluster)
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Material Weakness

Views of Responsible Officials and Planned Corrective Action (June 30, 2015) (Continued):

Anticipated Completion Date: June 30, 2016

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-016
State/Educational Agency(s): Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021
(Children’s Health Insurance Program)
05-1405AR5MAP; 05-1505AR5MAP
(Medicaid Cluster)
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-013** on page 41.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Overlapping eligibility segments are caused by system coding issues, conversion issues, data fix issues, and the lack of integration between eligibility systems. Short-term plans are in place to reduce the number of overlapping segments. Long-term plans are also underway to inhibit and prevent the creation of overlapping eligibility segments and to reconcile the Medicaid Management Information System (MMIS) to the eligibility systems on a regular basis. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution. The issue is not fully addressed but is receiving significant attention from a departmental team, and we are on track to meet the original completion date of December 2016.

Repeat Finding:

Not applicable

Condition and Context:

The Affordable Care Act amended the Medicaid statute to extend Medicaid coverage for children aged 6 to 18 with incomes from 100 to 133 percent of the Federal Poverty Level. These children had formerly been enrolled under the CHIP ARKids B program, under which the covered services are more limited in scope. These new, mandatory Medicaid-covered children are referred to as M-CHIP cases. M-CHIP recipients in Arkansas receive the greater service coverage as allowed under the Medicaid program but are funded by CHIP funds at the enhanced CHIP FMAP rate.

Currently, the Agency identifies M-CHIP cases in the eligibility system with a “C” indicator. The Agency acknowledged that there were and still are deficiencies concerning the correct application of the “C” indicator to all M-CHIP cases. As of October 20, 2015, the Agency estimated that approximately 7,000 children should have been classified as an M-CHIP case but were not (“C” indicator not reflected), 68,000 children should not have been classified as an M-CHIP case but were (“C” indicator inappropriately reflected), and 4,000 cases were appropriately classified as an M-CHIP case (“C” indicator appropriately reflected). These estimates were provided by the Agency at the time and have not been verified by either Agency personnel or ALA staff.

ALA staff requested information regarding how the Agency is going to determine which cases should be classified as M-CHIP cases. The Agency indicated that classification would be systematically determined and that CURAM was currently running queries to obtain the information. However, as of December 17, 2015, information concerning these queries had not been provided to ALA staff.

Additionally, although possible reasons for the errors were provided by the Agency, no final determination of the cause of these errors has been provided to ALA staff.

Questioned Costs:

Unknown

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-016 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.767 – Children’s Health Insurance Program
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5021; 05-1505AR5021
(Children’s Health Insurance Program)
05-1405AR5MAP; 05-1505AR5MAP
(Medicaid Cluster)
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of County Operations (DCO) agrees with this finding. Analysis of the root cause(s) and cleanup of overlapping eligibility segments are underway. Some, but not all, of the causes have already been identified. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution.

Anticipated Completion Date: December 2016

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2014 Prior-Year 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
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

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-016** on **page 49**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

The work by Navigant is complete, and we intend to make prior period adjustment to the CMS-64 this quarter. A new tool for all waiver services, the area requiring adjustment per the Navigant report, is in place and will be tested for first use on the June 30 CMS-64. The baseline report will continue to utilize a new, improved version of the old workbook developed in conjunction with Navigant. No adjustments were required to the CMS-64 on these areas. Response provided by DMS. Contact: Mark Story

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

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-017
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): 05-1405AR5021; 05-1505AR5021
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Overlapping eligibility segments are caused by system coding issues, conversion issues, data fix issues, and the lack of integration between eligibility systems. Short-term plans are in place to reduce the number of overlapping segments. Long-term plans are also underway to inhibit and prevent the creation of overlapping eligibility segments and to reconcile the Medicaid Management Information System (MMIS) to the eligibility systems on a regular basis. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution. The issue is not fully addressed but is receiving significant attention from a departmental team, and we are on track to meet the original completion date of December 2016.

Repeat Finding:

Not applicable

Condition and Context:

The Children’s Health Insurance Program (CHIP) provides coverage for medical services to certain unborn children. Eligibility determinations for this state aid category are determined in the CURAM system. The “unborn children” state aid category is the same as the state aid categories for pregnant women under the Medicaid program and children in the Medicaid and CHIP programs. The Agency utilizes a “U” indicator to identify recipients enrolled under the unborn children category. From October 1, 2013 through December 20, 2014, the CURAM system did not have the capability to apply an indicator to these cases. The CURAM system was updated on December 21, 2014, to allow the use of the indicators. However, at this time, the “U” indicator was incorrectly applied to some recipients who were eligible under another state aid category. As of the end of ALA fieldwork, the Agency had not determined if the recipients incorrectly identified with the “U” indicator should be enrolled under CHIP or Medicaid.

While reviewing expenditures recorded in the Agency’s cost allocation system and the CMS-21 quarterly expenditure reports, ALA staff noted a significant increase in expenditures recorded for unborn children in cost allocation between the quarters ended December 31, 2014, and March 31, 2015. Total expenditures in cost allocation were \$184,242 (September 30, 2014); \$7,786,186 (December 31, 2014); \$29,896,658 (March 31, 2015); and \$30,416,400 (June 30, 2015). The increase was not reflected on the CMS-21 reports. Instead, the increase in expenditures was added to the amount reported for M-CHIP (expenditures associated with coverage for children) on the CMS-64.21U form. As a result, ALA staff noted a significant increase in the amount reported as M-CHIP expenditures for the third and fourth quarters. Amounts reported for the first, second, third, and fourth quarters were \$18,680,030, \$22,265,700, \$37,893,713, and \$39,824,341, respectively. According to Agency personnel, adjustments to the reports were made after DMS management noticed the increase while reviewing internal quarterly expenditure reports.

After continued inquiry from ALA staff, the Agency stated it believes the expenditure amounts reported for unborn children prior to January 1, 2015, were incorrect because until October 1, 2013, eligibility determinations were made manually in the previous ANSWER system and CURAM did not have the functionality to utilize indicators to identify individuals for the unborn children category until December 21, 2014. As of December 22, 2014, eligibility determinations were made systematically in CURAM and identified using the “U” indicator. As of December 4, 2015, the Agency had not been able to confirm correct expenditure totals.

In addition, ALA staff review of the CMS-21 report for the quarter ended June 30, 2015, revealed that the Agency reported the same unborn children program costs that were reported for the quarter ended March 31, 2015. According to the Agency, it was unable to identify individuals who should be included in the unborn children category. As a result, the Agency stated that in order to prepare and submit the CMS-21 timely to the federal awarding agency, a decision was made to report March 31, 2015, costs as June 30, 2015, costs.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-017 (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): 05-1405AR5021; 05-1505AR5021
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Material Weakness

Condition and Context (Continued):

ALA staff were unable to determine if this is material to the program. The Agency has stated it believes the data prior to January 1, 2015, contained errors and were not accurate and the data subsequent to January 1, 2015, should be considered accurate. However, the Agency’s vendor, HP Enterprises, is unable to extract the data for verification. This issue is ongoing for all quarters in 2016.

Questioned Costs:

Unknown

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of County Operations (DCO) agrees with this finding. Analysis of the root cause(s) and cleanup of overlapping eligibility segments are underway. Some, but not all, of the causes have already been identified. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution.

Anticipated Completion Date: December 2016

Contact Person:

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2014 Prior-Year 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

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

The work by Navigant is complete, and we intend to make prior period adjustment to the CMS-64 this quarter. A new tool for all waiver services, the area requiring adjustment per the Navigant report, is in place and will be tested for first use on the June 30 CMS-64. The baseline report will continue to utilize a new, improved version of the old workbook developed in conjunction with Navigant. No adjustments were required to the CMS-64 on these areas. Response provided by DMS. Contact: Mark Story

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

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete and adjusted

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

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-018
State/Educational Agency(s): Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.775 – State Medicaid Fraud Control Units
93.777 – State Survey and Certification of Health Care
Providers and Suppliers
93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5ADM; 05-1505AR5ADM
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Administration and Training
Type of Finding: Noncompliance and Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete

Repeat Finding:

Not applicable

Condition and Context:

ALA staff selected 60 employees for review to determine if the Agency was in compliance with the certification requirement. ALA staff obtained and reviewed the Direct Employee Certification report 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 of the period end date, and (3) the certification disposition was appropriate.

ALA staff review revealed that seven certifications were not completed within the 30-day requirement.

Questioned Costs:

None

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Office of Finance and Administration agrees with the finding. The current system does not properly deal with certifications that need to be done when a person terminates employment during the period. The cost allocation unit is now reviewing all positions directly charged to federal grants at least bi-weekly to ensure that certifications are done as required.

Anticipated Completion Date: Complete

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-019
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): 05-1405AR5MAP; 05-1505AR5MAP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Claims Payments
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-018** on page 55.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Corrective action is ongoing and is anticipated to be complete by the previously reported date of September 30, 2016.

Repeat Finding:

A similar issue was reported in prior-year findings 2014-014 and 13-710-09.

Condition and Context:

ALA staff selected 60 beneficiary files from 25 providers throughout the State to determine if the provider maintained sufficient, appropriate evidence as required. The method used to collect the claim information was revised from prior years to allow the providers additional time to supply the required information and reduce deficiencies discovered. However, the review revealed a continued deficiency, with 17 providers not maintaining sufficient, appropriate evidence supporting claims as follows:

- Birch Tree Communities, Inc. – Two recipient files with 568 claims, totaling \$46,754, did not contain an MTP, affecting 159 claims. In addition, 97 claims were not documented as approved by appropriate personnel. Questioned costs totaled \$11,374.
- Community Counseling Services, Inc. – Three recipient files with 187 claims, totaling \$11,005, did not contain an MTP, affecting 120 claims. Questioned costs totaled \$4,842.
- Counseling Associates, Inc. – One recipient file with 83 claims, totaling \$5,277, did not contain an MTP, affecting 26 claims. In addition, documentation was not provided supporting 1 claim. Questioned costs totaled \$1,324.
- Dayspring Behavioral Health Service – Two recipient files with 217 claims, totaling \$17,904, did not contain required updates of the patient's progress or a written description of the service provided, affecting 3 claims. Questioned costs totaled \$168.
- Families Incorporated of Arkansas – Two recipient files with 23 claims, totaling \$858, did not contain an MTP, affecting 20 claims. Questioned costs totaled \$390.
- Health Resources of Arkansas, Inc. – Two recipient files with 2 claims, totaling \$165, did not contain an MTP for any of the claims. Questioned costs totaled \$117.
- Life Strategies of Arkansas, Inc. – One recipient file with 210 claims, totaling \$10,374, did not contain an MTP, affecting 18 claims. In addition, the file did not contain documentation supporting 5 claims. An additional recipient file with 123 claims, totaling \$7,781, had 4 claims that exceeded the amounts allowed in accordance with the MTP. Questioned costs totaled \$757.
- Life Strategies Counseling, Inc. – Two recipient files with 106 claims, totaling \$10,830, did not contain an MTP, affecting 70 claims. In addition, one of these files did not contain documentation supporting 2 claims. Questioned costs totaled \$5,709.
- Maxus, Inc. – One recipient file with 7 claims, totaling \$767, did not contain an MTP for any of the claims. Questioned costs totaled \$542.
- Methodist Counseling Clinic – One recipient file with 31 claims, totaling \$2,357, did not contain an MTP, affecting 21 claims. Questioned costs totaled \$1,124.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-019 (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): 05-1405AR5MAP; 05-1505AR5MAP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed – Claims Payments
Type of Finding: Noncompliance and Material Weakness

Condition and Context (Continued):

- Mid South Health Systems, Inc. – Three recipient files with 67 claims, totaling \$4,891, did not contain an MTP, affecting 15 claims. Questioned costs totaled \$842.
- Ozark Guidance Center, Inc. – Four recipient files with 85 claims, totaling \$6,982, did not contain an MTP, affecting 30 claims. An additional recipient file with 37 claims, totaling \$3,494, did not contain documentation supporting 1 claim. Questioned costs totaled \$1,693.
- Pathfinder, Inc. – One recipient file with 37 claims, totaling \$5,896, did not contain an MTP for any of the claims. Questioned costs totaled \$4,179.
- Perspectives Behavioral Health Management – Two recipient files with 211 claims, totaling \$13,256, did not contain an MTP, affecting 115 claims. An additional recipient file with 10 claims, totaling \$778, did not contain documentation supporting 2 claims. Questioned costs totaled \$5,212.
- South Arkansas Regional Health Center – One recipient file with 12 claims, totaling \$744, did not contain an MTP for any of the claims. Questioned costs totaled \$527.
- University of Arkansas for Medical Sciences – One recipient file with 7 claims, totaling \$550, did not contain an MTP for any of the claims. Questioned costs totaled \$387.
- Vantage Point of Northwest Arkansas – One recipient file with 40 claims, totaling \$1,600, did not contain an MTP for any of the claims. Questioned costs totaled \$1,134.

Questioned Costs:
\$40,321

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of Medical Services (DMS) agrees with the finding. DMS will utilize the strategies laid out in the DMS Quality Assurance Plan to further efforts to ensure provider compliance with agency policy and procedures. In addition to the QA Plan, DMS will continue to use established processes to monitor provider compliance via contract with Beacon Health Options, formerly Value Options. These processes include annual Inspection of Care (IOC) Reviews, desk reviews, and retrospective reviews. Retrospective reviews are conducted on a calendar quarterly basis using a statistically valid random sampling methodology. For SFY 2015, Beacon Health Options recently completed the retrospective review process for three calendar quarters covering dates of service from July 1, 2014 thru March 30, 2015. Further, DMS, in collaboration with the Division of Behavioral Health Services (DBHS) and the Office of Medicaid Inspector General (OMIG), will undertake a comprehensive review of agency policy and procedures to ensure all RSPMI providers are maintaining the required documentation in beneficiary records.

Anticipated Completion Date: September 30, 2016

Contact Person: Mark Story
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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-020
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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Living Choices Assisted Living)
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-021** on **page 64**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Corrective action is ongoing and is anticipated to be complete by the previously reported date of December 31, 2016.

Repeat Finding:

A similar issue was reported in prior-year findings 2014-015 and 13-710-10.

Condition and Context:

ALA staff selected 30 beneficiary files from 18 providers throughout the State to determine if the provider maintained sufficient, appropriate evidence to support services billed. The method used to collect the claim information was revised from prior years to allow the providers additional time to supply the required information and reduce deficiencies discovered. However, the review revealed a continued deficiency, with 17 providers not maintaining sufficient, appropriate evidence supporting claims.

Of the 410 claims reviewed, the following discrepancies were noted:

- For 19 claims, a plan of care was not provided.
- For 92 claims, the plan of care was incomplete.
- For 27 claims, written instructions to attendant care staff were not documented.
- For 171 claims, written instructions to attendant care staff did not agree with the plan of care.
- For 23 claims, attendant care staff did not document the services provided.
- For 96 claims, attendant care staff service documented did not agree with the plan of care.
- For 42 claims, attendant care staff signature and/or date was missing.
- For 66 claims, quarterly monitoring forms were missing.
- For 20 claims, quarterly nursing evaluations were not documented.
- For 38 claims, nursing documentation was incomplete.

Questioned Costs:

\$280,961

A summary of questioned costs by provider follows:

- Autumn Home Care Facilities, Inc. – One recipient file with 20 claims totaling \$17,389.
Questioned costs totaled \$12,596.
- Dudneywood, LLC – One recipient file with 8 claims totaling \$9,948.
Questioned costs totaled \$7,212.
- Ella Manor, LLC – One recipient file with 8 claims totaling \$15,140.
Questioned costs totaled \$11,034.
- Garrett Manor – Two recipient files with 120 claims totaling \$46,049.
Questioned costs totaled \$33,412.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-020 (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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Living Choices Assisted Living)
Type of Finding: Noncompliance and Material Weakness

Questioned Costs (Continued):

- Green Acre Lodge – Two recipient files with 4 claims totaling \$3,516.
Questioned costs totaled \$2,547.
- Hope's Creek, Inc. – Two recipient files with 29 claims totaling \$63,493.
Questioned costs totaled \$46,274.
- Legacy Village Greenhouse Corporation – One recipient file with 6 claims totaling \$3,394.
Questioned costs totaled \$2,473.
- Maple Esplanade Assisted Living – One recipient file with 2 claims totaling \$815.
Questioned costs totaled \$594.
- Mercy Crest Retirement Living – Two recipient files with 30 claims totaling \$61,711.
Questioned costs totaled \$24,899.
- Oak Park Village – Two recipient files with 4 claims totaling \$4,535.
Questioned costs totaled \$3,270.
- Ouachita Seniors Community Development – One recipient file with 50 claims totaling \$21,606.
Questioned costs totaled \$3,254.
- River Lodge Assisted Living, LLC – Two recipient files with 8 claims totaling \$15,057.
Questioned costs totaled \$10,974.
- Stonebridge of Pocahontas – One recipient file with 15 claims totaling \$26,279.
Questioned costs totaled \$19,152.
- The Crossing at Malvern – Two recipient files with 9 claims totaling \$18,721.
Questioned costs totaled \$13,602.
- The Gardens at Osage Terrace – Three recipient files with 45 claims totaling \$75,742.
Questioned costs totaled \$42,404.
- The Gardens at Whispering Knoll – Two recipient files with 19 claims totaling \$12,567.
Questioned costs totaled \$7,498.
- The Manor, LLC – Three recipient files with 29 claims totaling \$54,698.
Questioned costs totaled \$39,766.

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of Aging and Adult Services (DAAS) agrees with the finding. DAAS has developed a program of Provider Education and Compliance reviews. There will be at least two workshop dates offered for each service type; the provider administers and the providers are required to attend at least one of the workshops. Workshops will begin in March of 2016, and the offerings will be completed by December 31, 2016. Compliance reviews will also be undertaken to ensure compliance, and the providers will be required to submit a corrective action plan for any findings that result.

DAAS will implement desk reviews of providers listed in this finding to identify and resolve documentation deficiencies. DAAS staff will work with the providers and increase monitoring of their compliance with Medicaid policy.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-020 (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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Living Choices Assisted Living)
Type of Finding: Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action (June 30, 2015) (Continued):

Anticipated Completion Date: December 31, 2016

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-021
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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Personal Care)
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-022** on **page 68**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Corrective action is ongoing and is anticipated to be complete by the previously reported date of June 30, 2017.

Repeat Finding:

A similar issue was reported in prior-year findings 2014-016, 13-710-11, and 12-710-05.

Condition and Context:

ALA staff selected 11 beneficiary files from 10 providers throughout the State to determine if the provider maintained sufficient, appropriate evidence to support services billed. The method used to collect the claim information was revised from prior years to allow the providers additional time to supply the required information and reduce deficiencies discovered. However, the review revealed a continued deficiency with six providers not maintaining sufficient, appropriate evidence supporting claims.

A service plan was not included in the documentation provided by the following four providers. As a result, ALA staff were unable to determine if the services provided were authorized.

- Arkansas Department of Health – One recipient file with 52 claims, totaling \$8,078, did not contain a service plan for any of the claims. Questioned costs totaled \$5,871.
- Carelink – One recipient file with 55 claims, totaling \$5,740, did not contain a service plan, affecting 12 claims. Questioned costs totaled \$1,535.
- Absolute Care Management Corporation – One recipient file with 55 claims, totaling \$11,824, did not contain a service plan, affecting 1 claim. Questioned costs totaled \$159.
- Arkansas Support Network – One recipient file with 62 claims, totaling \$11,570, did not contain a service plan for any of the claims. Questioned costs totaled \$8,403.

The following discrepancies were discovered regarding two providers:

- Addus Homecare – No information was provided for one recipient file with 3 claims totaling \$536. Questioned costs totaled \$387.
- Elite Home Care, LLC – One recipient file with 53 claims totaling \$11,916, did not contain an aid log, affecting 1 claim. Questioned costs totaled \$171.

Questioned Costs:

\$16,526

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-021 (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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Personal Care)
Type of Finding: Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of Medical Services (DMS) has reviewed its rules contained within Section II of the Arkansas Medicaid Personal Care Provider Manual; Section I of All Arkansas Medicaid Manuals; and the Provider Participation Agreement and has determined that the rules set forth therein are sufficient to ensure Personal Care Providers are fully educated to their responsibilities for documentation of services they deliver. DMS requires Prior Authorization for personal care services provided to all beneficiaries under age 21 and extension of benefits for more than 64 hours per month provided to beneficiaries over age 21 years. DMS will develop and conduct a quality improvement campaign throughout SFY 2017 to assist these essential service providers with techniques for ensuring proper documentation of services given to beneficiaries in need of personal care. To initiate the campaign, DMS will first send letters to all actively enrolled personal care providers notifying them that the program has been identified by Arkansas Legislative Audit as being materially weak within this area. In order to assess effectiveness of the campaign, DMS will expand its current Quality Assurance Audit process to examine records of all age ranges served by the personal care program and provide targeted assistance to those providers who require additional remediation.

Anticipated Completion Date: June 30, 2017

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-022
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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(DDS ACS Waiver)
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-020** on **page 60**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Corrective action is ongoing and is anticipated to be complete by the previously reported date of June 30, 2016.

Repeat Finding:

A similar issue was reported in prior-year findings 2014-017, 13-710-11, and 12-710-05.

Condition and Context:

ALA staff selected 60 beneficiary files from 26 providers throughout the State to determine if the files contained the required documentation to support services billed. The method used to collect the claim information was revised from prior years to allow the providers additional time to supply the required information and reduce deficiencies discovered. However, the review revealed a continued deficiency with 22 providers not maintaining sufficient, appropriate evidence supporting claims.

Of the 2,647 claims reviewed, the following discrepancies were noted:

- For 549 claims, the person-centered service plan was missing or incomplete.
- For 369 claims, documentation describing the goods or services provided was not included or was incomplete.
- For 30 claims, documentation did not include the date and/or time the goods or services were provided.
- For 448 claims, daily progress notes were missing or incomplete.
- For 12 claims, various DDS forms were missing or insufficient.
- For 37 claims, information requested was not provided.

Questioned Costs:

\$735,543

A summary of questioned costs by provider follows:

- Abilities Unlimited Jonesboro, Inc. – Two recipient files with 158 claims totaling \$137,980.
Questioned costs totaled \$64,409.
- Birch Tree Communities, Inc. – One recipient file with 17 claims totaling \$38,803.
Questioned costs totaled \$3,692.
- Bost, Inc. – Five recipient files with 238 claims totaling \$174,858.
Questioned costs totaled \$53,571.
- Civitan Services – Two recipient files with 118 claims totaling \$66,457.
Questioned costs totaled \$20,531.
- Easter Seals of Arkansas – One recipient file with 37 claims totaling \$135,277.
Questioned costs totaled \$98,348.
- First Step, Inc. – One recipient file with 61 claims totaling \$31,095.
Questioned costs totaled \$2,558.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number:	2015-022 (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):	05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s):	2014 and 2015
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)
Type of Finding:	Noncompliance and Material Weakness

Questioned Costs (Continued):

- Friendship Community Care, Inc. – One recipient file with 19 claims totaling \$28,547. Questioned costs totaled \$6,544.
- Howard County Children’s Center – One recipient file with 13 claims totaling \$11,642. Questioned costs totaled \$736.
- Independent Case Management, Inc. – Five recipient files with 471 claims totaling \$217,832. Questioned costs totaled \$46,645.
- Independent Living Services, Inc. – One recipient file with 46 claims totaling \$38,892. Questioned costs totaled \$4,524.
- Integrity, Inc. – Two recipient files with 92 claims totaling \$75,503. Questioned costs totaled \$3,312.
- Jenkins Memorial Center – One recipient file with 32 claims totaling \$83,248. Questioned costs totaled \$24,674.
- Lawrence County Cooperative – One recipient file with 2 claims totaling \$988. Questioned costs totaled \$720.
- Life Styles, Inc. – Two recipient files with 349 claims totaling \$36,274. Questioned costs totaled \$26,361.
- Lonoke Exceptional School, Inc. – One recipient file with 13 claims totaling \$16,733. Questioned costs totaled \$1,106.
- Network of Community Options, Inc. – One recipient file with 59 claims totaling \$34,836. Questioned costs totaled \$6,046.
- Pathfinder, Inc. – Eight recipient files with 166 claims totaling \$176,701. Questioned costs totaled \$82,561.
- Rainbow of Challenges, Inc. – Three recipient files with 119 claims totaling \$245,791. Questioned costs totaled \$96,760.
- St. Francis Area Development Center – Two recipient files with 95 claims totaling \$93,572. Questioned costs totaled \$18,634.
- Support Solutions of Arkansas, Inc. – Two recipient files with 55 claims totaling \$186,172. Questioned costs totaled \$58,000.
- The Sunshine School, Inc. – One recipient file with 25 claims totaling \$40,146. Questioned costs totaled \$29,163.
- United Cerebral Palsy of Central Arkansas – One recipient file with 36 claims totaling \$119,309. Questioned costs totaled \$86,648.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-022 (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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(DDS ACS Waiver)
Type of Finding: Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of Developmental Disability Services (DDS) agrees with this finding. DDS established a Program Administrator position to conduct trainings with and audits of providers. The trainings began in October 2015 and are expected to be completed with all providers by June 30, 2016. DDS noted that many of the providers with discrepancies have already gone through the training; technical assistance will be offered to them and an audit performed to ensure the deficiencies have been corrected.

Anticipated Completion Date: June 30, 2016

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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-023
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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-025** on page 74.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Corrective action is ongoing and is anticipated to be complete by the previously reported date of June 30, 2016.

Repeat Finding:

A similar issue was reported in prior-year finding 2014-020.

Condition and Context:

ALA staff reviewed 60 Medicaid recipient files to ensure sufficient, appropriate evidence was provided to support the Agency's determination of eligibility. ALA staff review revealed the following:

- One client file, with 195 claims totaling \$12,564, did not contain a DCO-704 signed by a Registered Nurse (RN) to verify medical necessity, affecting 31 claims. Questioned costs totaled \$1,842. (Aid to the Aged)
- One client file, with 4 claims totaling \$250, did not contain a DCO-704 signed by an RN to verify medical necessity, provide proof of institutional status, or assign rights to DHS, affecting all 4 claims. Questioned costs totaled \$177. (Aid to the Aged)
- One client file, with 76 claims totaling \$38,292, did not contain documentation verifying that resource and income eligibility criteria were met, supporting a timely reevaluation, or assigning rights to the Agency, affecting all 76 claims. Questioned costs totaled \$27,005. (Aid to the Aged).
- One client file, with 4 claims totaling \$702, did not contain a DCO-704 signed by an RN to verify medical necessity, provide proof of institutional status, support that resource and income eligibility criteria were met, or support a timely reevaluation, affecting all 4 claims. Questioned costs totaled \$492. (Aid to the Disabled)
- One client file, with 137 claims totaling \$27,937, did not contain documentation verifying that resource and income eligibility criteria were met or documentation supporting a timely reevaluation, affecting 113 claims. Questioned costs totaled \$15,651. (Aid to the Disabled)
- One client file, with 28 claims totaling \$8,945, did not contain a DCO-704 signed by an RN verifying medical necessity or a signed DMS-2603 verifying cost effectiveness, affecting 6 claims. Questioned costs totaled \$1,160. (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child)
- One client file, with 118 claims totaling \$14,143, did not contain a DCO-704 signed by an RN to verify medical necessity, affecting 56 claims. Questioned costs totaled \$5,220. (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child)
- One client file, with 87 claims totaling \$2,077, did not contain documentation verifying that resource eligibility criteria were met, affecting all 87 claims. Questioned costs totaled \$1,471. (Aid to the Disabled)
- One client file, with 40 claims totaling \$21,162, did not contain documentation verifying that resource eligibility criteria were met or supporting a timely reevaluation, affecting 14 claims. Questioned costs totaled \$3,760. (Aid to the Aged)
- One client file, with 148 claims totaling \$29,722, did not contain documentation verifying that resource and income eligibility criteria were met or supporting a timely reevaluation, affecting 112 claims. Questioned costs totaled \$16,105. (Aid to the Aged)

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-023 (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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Noncompliance and Material Weakness

Questioned Costs:
\$72,883

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of Aging and Adult Services (DAAS) disagrees with bullet point #8 in the finding. The individual in question was SSI eligible which means that they are categorically eligible for Long Term Services and Support (LTSS). The resource requirements for LTSS are automatically met when the individual is SSI eligible.

DAAS agrees with the remainder of the finding. We will enhance the training of supervisors and staff to address the timeliness issues noted in the finding. Training will start in March and will be completed by June 30.

Anticipated Completion Date: June 30, 2016

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Additional Comments from the Auditor:

DAAS stated it disagrees with bullet point eight because the individual was SSI eligible or categorically eligible for LTSS. However, the MMIS claims payment system from which ALA pulled the sample for testing placed this individual in state aid category 41 (Aid to the Disabled), not state aid category 45 (SSI). ALA is unable to determine how the Agency concluded in its response that the individual is in the SSI category.

In addition, at the completion of the initial review, ALA provided a list of sampled items requiring additional information. The list was provided to the DCO Deputy Director, Assistant Deputy Director, and Assistant Director. The list was also provided to the DAAS Division Manager. Regarding the individual in bullet point eight, ALA requested documentation supporting the resource attribute that was missing from the file. The response ALA received was that the "client is a DDS recipient and is not a long term care case." Resource documentation was not provided, and the Agency did not communicate to ALA that the individual was an SSI recipient.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-024
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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARINCT; 05-1505ARINCT;
05-1405ARIMPL; 05-1505ARIMPL;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Procurement and Suspension and Debarment
Type of Finding: Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-027** on **page 83**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete

Repeat Finding:

Not applicable

Condition and Context:

According to Division of Medical Services (DMS) staff, HP Enterprises is contracted to ensure that enrolled providers in the Medicaid Program are not suspended or debarred or otherwise excluded from participating in the Medicaid Program. The contractor accomplishes this verification process by working with Lexis Nexis to perform monthly checks against various federal databases such as the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and the LEIE excluded providers list maintained by the U.S. Office of Inspector General. Each month, HP provides an electronic copy of the reports generated by Lexis Nexis to the Agency. These reports identify providers who have been flagged by one of the exclusion databases. Once the Agency receives the reports, DMS staff are responsible for determining whether or not an identified provider remains eligible to participate in the Medicaid Program.

The Agency failed to review the LexisNexis search reports provided by HP Enterprises during the entire 2015 fiscal year. Providers listed as potentially excluded parties were not identified by the Agency, and as a result, their eligibility to participate in the Medicaid program was not researched.

Questioned Costs:

None

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of Medical Services (DMS) agrees with this finding. When Program Integrity (PI) merged into the Office of Medicaid Inspector General (OMIG), this review program was left "orphaned." DMS provider enrollment staff has been assigned authority over this function. An internal control policy is being drafted and should be complete by the end of March 2016.

Anticipated Completion Date: March 31, 2016

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-025
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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405AR5ADM; 05-1505AR5ADM;
05-1405ARINCT; 05-1505ARINCT;
05-1405ARIMPL; 05-1505ARIMPL;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-028** on page 85.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Overlapping eligibility segments are caused by system coding issues, conversion issues, data fix issues, and the lack of integration between eligibility systems. Short-term plans are in place to reduce the number of overlapping segments. Long-term plans are also underway to inhibit and prevent the creation of overlapping eligibility segments and to reconcile the Medicaid Management Information System (MMIS) to the eligibility systems on a regular basis. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution. The issue is not fully addressed but is receiving significant attention from a departmental team, and we are on track to meet the original completion date of December 2016.

Repeat Finding:

A similar issue was reported in prior-year finding 2014-021.

Condition and Context:

ALA staff reviewed the Agency's control procedures to determine if adequate policies and procedures were in place regarding reporting requirements. The review revealed that although the Agency had documented its policies and procedures, they contained outdated information and did not appear complete. For example, ALA staff noted program changes were not reflected in the written procedures and program contacts included individuals who had terminated employment.

ALA staff also reviewed the Agency's workbooks to determine if reconciliations between expenditures recorded in its financial management system and expenditures reported to the federal awarding agency were adequately reviewed and approved to ensure accuracy and completeness. Review of the two quarters ended March 31, 2015, and June 30, 2015, respectively, revealed sufficient, appropriate evidence was not available documenting adequate review and approval.

In addition to reviewing control procedures, ALA staff selected the two reports to determine if the Agency met federal awarding agency compliance requirements. ALA staff were unable to perform a review of the June 30, 2015, report because the report was decertified on September 9, 2015, as the Agency was unable to support its claimed expenditures. It was not known at that time when the June 30, 2015, report would be re-certified and if ALA staff would have adequate time to review it. Although the report was recertified on September 28, 2015, at the request of CMS, correspondence between the Agency and CMS indicated the Agency was still unable to support the enrollment information provided on the report. Because the enrollment information could not be relied upon, neither could the corresponding expenditures.

Additional inquiries revealed that enrollment information reported for the first three quarters of the state fiscal year was based on queries pulled from the CURAM system. According to Agency management, this information could not be obtained for the fourth quarter because the employee who had generated the queries for the first three quarters had left the Agency and his procedures were not documented. Agency attempts to duplicate the queries were unsuccessful; therefore, the Agency was unable to produce accurate and complete information for the fourth quarter.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-025 (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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405AR5ADM; 05-1505AR5ADM;
05-1405ARINCT; 05-1505ARINCT;
05-1405ARIMPL; 05-1505ARIMPL;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Material Weakness

Condition and Context (Continued):

In order to understand the process, ALA staff inquired with the Division of Medical Services (DMS). DMS indicated that only “newly” eligible individuals were placed in state aid category 06 “adult expansion.” DMS used this category to separately track “newly” eligible individual expenditures because, under the Private Option, those expenditures are 100% federally funded. All funding requests regarding “newly” eligible individuals were based on data extracted from category 06.

ALA staff also inquired with the Division of County Operations (DCO). DCO indicated it had initiated the use of a “Y” indicator within category 06 to identify “newly” eligible individuals for the Private Option because “oldly” eligible individuals were also in category 06.

According to DMS, DCO did not inform them of this practice, and neither Hewlett Packard (HP) nor DMS was using the “Y” indicator to identify “newly” eligible individuals because they believed category 06 was strictly for “newly” eligible individuals.

ALA staff review did reveal “oldly” and “newly” eligible individuals in category 06, resulting in “oldly” eligible individuals being incorrectly 100% federally funded. The appropriate federal rate for these individuals would have been 70.17% for July through September 2014 and 70.88% for October 2014 through June 2015.

Additional inquiry concerning the “Y” indicator revealed it occupied a field in MMIS previously used to track expenditures for Hurricane Katrina evacuees. The Agency indicated that this field **could not be relied upon for Private Option purposes until July 1, 2015**. Therefore, ALA concluded that the data in this field as of June 30, 2015, cannot be relied upon for audit purposes.

Questioned Costs:

Unknown

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

The Division of County Operations (DCO) agrees with this finding. Analysis of the root cause(s) and cleanup of overlapping eligibility segments is underway. Some, but not all, of the causes have already been identified. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution.

Anticipated Completion Date: December 2016

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-026
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): 05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARINCT; 05-1505ARINCT;
05-1405ARIMPL; 05-1505ARIMPL;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Special Tests and Provisions – ADP System Security Reviews
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Planning and project initiation has begun with the external auditor. The audit is scheduled to be completed by the end of June 2016.

Repeat Finding:

Not applicable

Condition and Context:

The Agency failed to perform a biennial systems security review of ANSWER and its Cost Allocation system as required. These systems are part of the administration process of the Medical Assistance Program. The most recent systems security review completed for systems housed by DHS was performed during state fiscal year 2013.

Questioned Costs:

None

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

CMS waived the audit requirement as of June 9, 2015. DHS will be resuming required audits in 2016 to ensure that system securities reviews are completed.

Anticipated Completion Date: June 2016

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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number:	2015-026 (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):	05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARIMPL; 05-1505ARIMPL; 05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s):	2014 and 2015
Compliance Requirement(s) Affected:	Special Tests and Provisions – ADP System Security Reviews
Type of Finding:	Noncompliance and Material Weakness

Additional Comments from the Auditor:

During the review, ALA staff requested security review information from the following individuals:

- Chief Information Officer on August 17, 2015; September 14, 2015; September 21, 2015; October 14, 2015; October 21, 2015; and October 29, 2015.
- Information Systems Manager on October 21, 2015; October 29, 2015; November 3, 2015; and November 4, 2015.
- Interim Chief Information Security Officer on November 4, 2015; November 10, 2015; November 13, 2015; November 18, 2015; and November 23, 2015.
- Software Support Analyst on November 13, 2015; November 18, 2015; and November 23, 2015.
- State IT Security Specialist, on November 23, 2015.

The Division of Medical Services Chief Financial Officer was copied on all of the above correspondence. The Agency did not communicate to ALA staff on any of these occasions that CMS had waived the audit requirement.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2015 Prior-Year Finding Number: 2015-027
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): 05-1405AR5MAP; 05-1505AR5MAP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Special Tests and Provisions – Provider Eligibility
Type of Finding: Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-029 on page 87.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete

Repeat Finding:

Not applicable

Condition and Context:

ALA staff requested documentation for two quarterly reviews performed by DMS to determine if the Agency was providing adequate oversight in accordance with its monitoring policy. As of September 22, 2015, only one review for the quarter ended September 30, 2014, had been performed by DMS. The review, performed in May 2015, noted several deficiencies. These deficiencies have yet to be completely resolved.

In addition, reviews for the remaining three quarters (i.e., December 31, 2014; March 31, 2015; and June 30, 2015) had not begun.

ALA staff review also revealed that although the Agency has a monitoring policy in place, the policy does not adequately address timeframes for completing the quarterly reviews and does not contain follow-up procedures for addressing resolution of deficiencies found during the reviews.

Questioned Costs:

Unknown

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

DMS agrees that timeframes for responses should be added to the internal control policy of quarterly provider file reviews. In addition, DMS staff feels that these quarterly reviews will be much easier to conduct once the new CORE MMIS system is in place.

Anticipated Completion Date: March 31, 2016

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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

Arkansas Department of Human Services (Continued)

2014 Prior-Year 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

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-018** on page 55.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete. See finding 2015-019 for additional information.

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

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2014 Prior-Year 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 (Living Choices Assisted Living)
Type of Finding:	Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-021** on **page 64**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete. See finding 2015-020 for additional information.

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

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2014 Prior-Year 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
(Personal Care)
Type of Finding: Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-022** on **page 68**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete. See finding 2015-021 for additional information.

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.

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

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2014 Prior-Year 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 (DDS ACS Waiver)
Type of Finding:	Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-020** on **page 60**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete. See finding **2015-022** for additional information.

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

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2014 Prior-Year 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

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-025** on page 74.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete. See finding 2015-023 for additional information.

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.

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

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2014 Prior-Year 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

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-028** on **page 85**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

The work by Navigant is complete, and we intend to make prior period adjustment to the CMS-64 this quarter. A new tool for all waiver services, the area requiring adjustment per the Navigant report, is in place and will be tested for first use on the June 30 CMS-64. The baseline report will continue to utilize a new, improved version of the old workbook developed in conjunction with Navigant. No adjustments were required to the CMS-64 on these areas. Response provided by DMS. Contact: Mark Story

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.

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.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services (Continued)

2014 Prior-Year 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):

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**.)

Questioned Costs:

Unknown

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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, 2016:

Corrective action has not been taken. See current-year finding 2016-018 on page 55.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete. See finding 2015-019 for additional information.

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

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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
(Living Choices Assisted Living)
Type of Finding: Material Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding **2016-021** on **page 64**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete. See finding 2015-020 for additional information.

Condition and Context:

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.
- 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.

Questioned Costs:

\$860,435

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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
(Personal Care and DDS ACS Waiver)
Type of Finding: Material Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year findings 2016-020 and 2016-022 on pages 60 and 68.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete. See findings 2015-021 and 2015-022 for additional information.

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 (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.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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
(Personal Care and DDS ACS Waiver)
Type of Finding: Material Noncompliance and Material Weakness

Condition and Context (Continued):

DDS ACS Waiver (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.

Our review revealed the following:

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.

DDS ACS Waiver

- Five case files lacked some form of documentation to support the services billed. Questioned costs totaled \$58,768.

Questioned Costs:

\$103,869

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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, 2016:

This finding is no longer relevant for Single Audit purposes due to a lack of clear guidance from the federal awarding agency regarding access to records for the Rebates for Drug Purchase compliance requirement. As a result, follow-up for this finding will be maintained as deemed appropriate in the financial audit of the Arkansas Department of Human Services.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete

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

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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
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 –
Home and Community-Based Services
(Personal Care and DDS ACS Waiver)
Type of Finding: Material Noncompliance and Material Weakness

Audit Status as of June 30, 2016:

Corrective action has not been taken for Personal Care and DDS ACS Waiver. See current-year findings **2016-020** and **2016-022** on **pages 60** and **68**.

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Complete. See findings 2015-021 and 2015-022 for additional information.

Condition and Context:

We selected 25 beneficiary files from the ElderChoices and Personal Care Services programs and 15 beneficiary files from the DDS ACS Waiver program.

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 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

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.

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.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

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
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 –
Home and Community-Based Services
(Personal Care and DDS ACS Waiver)
Type of Finding: Material Noncompliance and Material Weakness

Condition and Context (Continued):

The documentation required for the DDS ACS Wavier program is located in § 202.100 and 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.

Questioned Costs:
\$1,335,817

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services; Office of Attorney General

2015 Prior-Year Finding Number: 2015-028
State/Educational Agency(s): Arkansas Department of Human Services;
Office of the Attorney General
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Special Tests and Provisions – Utilization Control and
Program Integrity and Medicaid Fraud Control Unit
Type of Finding: Significant Deficiency

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

Since the summer of 2015, the Medicaid Fraud Control Unit (MFCU) has provided DHS with proof of all convictions to ensure compliance with DHS Policy 1088. DHS, MFCU, and the Office of the Medical Inspector General (OMIG) have worked together on updates to DHS Policy 1088 and changes to the DHS external website on the Excluded Provider List. The new memorandum of understanding should be completed within 90 days.

Repeat Finding:

Not applicable

Condition and Context:

ALA staff obtained the Medicaid Fraud Control Unit's (MFCU) conviction listing for fiscal year 2014 to ensure that:

- 1) Participants included on the MFCU conviction listing and meeting the stated criteria were included on DHS' exclusion listing.
- 2) Participants meeting the stated criteria did not receive payments during fiscal year 2015.

ALA staff review revealed a breakdown in the conviction notification process because 25 of the 29 participants on the MFCU conviction listing who met the stated criteria were not included on the DHS exclusion list as required.

According to MFCU management, if a case was referred to MFCU through the Office of the Medicaid Inspector General (OMIG) and that case resulted in a conviction, then MFCU would notify OMIG of the conviction and would rely on OMIG to communicate the results to DHS. Procedures are not in place to ensure that MFCU notifies DHS of the convictions directly. Additionally, no procedures were in place at MFCU to notify OMIG or DHS if a case was not referred to MFCU through OMIG but through some other means and that case resulted in a conviction. Existing procedures at MFCU only include notification of the conviction to the federal government for inclusion on the federal exclusion listing.

ALA staff were able to confirm that the 29 participants on the MFCU conviction listing did not receive payments during fiscal year 2015.

Questioned Costs:

None

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

Federal laws and regulations require the Medicaid Fraud Control Unit of the Attorney General's Office (MFCU) to ensure that all individuals and companies convicted of *Medicaid* fraud are referred to appropriate federal authorities for consideration for placement on the federal exclusion list. The MFCU is now and always has been in full compliance with this federal mandate. All individuals convicted of Medicaid fraud in Arkansas have been properly placed on the federal exclusion list for an appropriate time. Prior to the summer of 2015, there was no state or federal law, regulation, memorandum of understanding, or even verbal agreement that required the MFCU to provide proof of all convictions to DHS. In the summer of 2015, DHS Office of Chief Counsel requested that the MFCU forward proof of all convictions to them from 2015 forward. MFCU immediately complied with this request and will continue to provide proof of all convictions obtained by the Arkansas MFCU to DHS as requested.

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Human Services; Office of Attorney General (Continued)

2015 Prior-Year Finding Number: 2015-028 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services;
Office of the Attorney General
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP
Federal Award Year(s): 2014 and 2015
Compliance Requirement(s) Affected: Special Tests and Provisions – Utilization Control and
Program Integrity and Medicaid Fraud Control Unit
Type of Finding: Significant Deficiency

Views of Responsible Officials and Planned Corrective Action (June 30, 2015) (Continued):

The MFCU and DHS are working closely together and are very near the completion of a new memorandum of understanding that should help with these and other issues. The MFCU also hopes to assist DHS in drafting a more workable exclusion policy.

Anticipated Completion Date: June 30, 2016

Contact Person: Lloyd Warford
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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Emergency Management

2015 Prior-Year Finding Number: 2015-029
State/Educational Agency(s): Arkansas Department of Emergency Management
CFDA Number(s) and Program Title(s): 97.036 – Disaster Grants – Public Assistance
(Presidentially Declared Disasters)
Federal Award Number(s): 4143DRARP00000001
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, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

No payments have been made to Newton County since the error payment in October 2015. Any documentation that the County has submitted for reimbursement for DR4143 is still under review by the PA staff. At the time a payment is ready to be processed, PA staff will take appropriate action to deduct the overpayment that occurred on PW 65.

Repeat Finding:

Not applicable

Condition and Context:

ALA staff selected 10 large project worksheets from ongoing or completed projects during the audit period to determine if subrecipient reimbursements were limited to 75% of eligible project costs. The review revealed a miscalculation by the Agency, resulting in an overpayment to a subrecipient totaling \$60,000. The total eligible project costs of the subrecipient were \$304,676, and the allowable 75% reimbursement should have been \$228,507. However, the subrecipient received \$288,507.

Questioned Costs:

\$60,000

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

On October 2, 2015, review for the final payment of project worksheet (PW) 65 was completed. The applicant submitted documentation with eligible costs in the amount of \$304,675.85. The 75% federal cost share for Newton County was \$228,506.89; instead the applicant was paid \$288,506.89, resulting in an overpayment of \$60,000.00. The overpayment was caused by a transposition of numbers on the ADEM Large Project Reimbursement Form, which caused a clerical error when entering the information into ADEM's applicant workbook for FEMA-4143-DR-AR. The applicant currently has eight large projects open for FEMA-4143-DR-AR, and the overpayment will be offset from the balance of one of the eight open large projects.

The Recovery Branch has put a new requirement in place to double check for payment accuracy. Each payment request will be reviewed by two Public Assistance Officers: the one originating the payment (First Reviewer) request and another Public Assistance Officer on staff (Second Reviewer). At both the review and payment request periods, the applicant's file will be reviewed to ensure there are no additional unaccounted-for payments, the file is up-to-date, and the current payment request can be paid. At the time of payment request, the Public Assistance Officer (First Reviewer) will write out figures showing math on the Large Project Reimbursement form and attach a calculator paper/tape showing the total of the payment to be made. This will ensure that the final total is the correct amount being requested for payment. Each payment request will continue to be reviewed to ensure all steps made by staff are adhered to and approved by both the Recovery Branch Manager (Third Reviewer) and the Response and Recovery Division Director (Fourth Reviewer).

**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Arkansas Department of Emergency Management (Continued)

2015 Prior-Year Finding Number: 2015-029 (Continued)
State/Educational Agency(s): Arkansas Department of Emergency Management
CFDA Number(s) and Program Title(s): 97.036 – Disaster Grants – Public Assistance
(Presidentially Declared Disasters)
Federal Award Number(s): 4143DRARP00000001
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 (June 30, 2015) (Continued):

Anticipated Completion Date: February 2016

Contact Person: Bobbie Ann Merkel
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**State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS

University of Arkansas for Medical Sciences

2015 Prior-Year Finding Number: 2015-030
State/Educational Agency(s): University of Arkansas for Medical Sciences
CFDA Number(s) and Program Title(s): 17.268 – H1B Job Training Grants
Federal Award Number(s): 05-R10-APNF-83
Federal Award Year(s): Various
Compliance Requirement(s) Affected: Special Tests and Provisions
Type of Finding: Noncompliance

Audit Status as of June 30, 2016:

Corrective action taken

Auditee Reported Status of Prior-Year Finding as of May 20, 2016:

UAMS has implemented a process whereby advanced accounts are reviewed when the award notice is received and functional classification is confirmed. UAMS has further implemented a review of the functional classifications at the time the SEFA is prepared.

Repeat Finding:

Not applicable

Condition and Context:

Per review of the June 30, 2015, SEFA, it was noted that a training award was classified as a Research and Development award in the Research and Development Cluster. This award should be listed under the Other awards section of the SEFA because it is a training award (CFDA# 17.268 \$1,024,309).

Questioned Costs:

None

Views of Responsible Officials and Planned Corrective Action (June 30, 2015):

We concur with the finding and recommendation. Management will continue to review each grant award and the nature of the award to confirm that it is being classified correctly on the SEFA. The current advance accounts have been reviewed to confirm the classification of each.

Anticipated Completion Date: December 31, 2015

Contact Person:

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