

State of Arkansas

Single Audit Report



For the Year Ended June 30, 2017

**State of Arkansas
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For the Year Ended June 30, 2017**

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State of Arkansas Introduction and Summary For the Year Ended June 30, 2017

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, 2017, as performed by Arkansas Legislative Audit, meets these requirements.

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 2017 Single Audit includes federal expenditures from 395 federal programs.

Expenditures of Federal Awards Five-Year Trend



**State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2017**

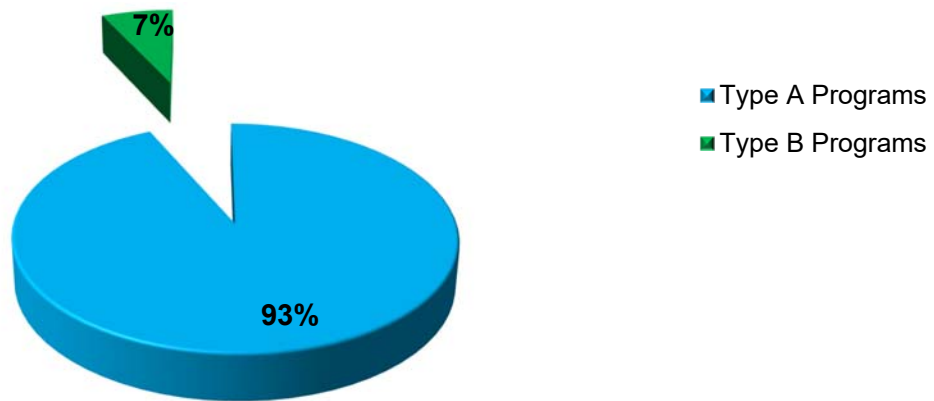
In accordance with Uniform Guidance, larger federal programs are identified and labeled as Type A. The following table outlines how the Type A programs for the State of Arkansas were identified.

Type A Program Determination

Total expenditures of federal awards	\$9,657,454,132
Three-tenths of one percent	x <u>0.003</u>
Type A threshold	<u>\$ 28,972,362</u>

All federal programs with expenditures of at least \$28,972,362 were labeled Type A. All other federal programs were labeled Type B. Of the 395 federal programs represented in the June 30, 2017, State of Arkansas Single Audit, 21 were Type A programs with expenditures totaling \$9,003,670,777, which is 93% of total expenditures, and 374 were Type B programs with expenditures totaling \$653,783,355, 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 14 of the 21 were determined to be high-risk or major. The remaining 7 were identified as low-risk.

**State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2017**

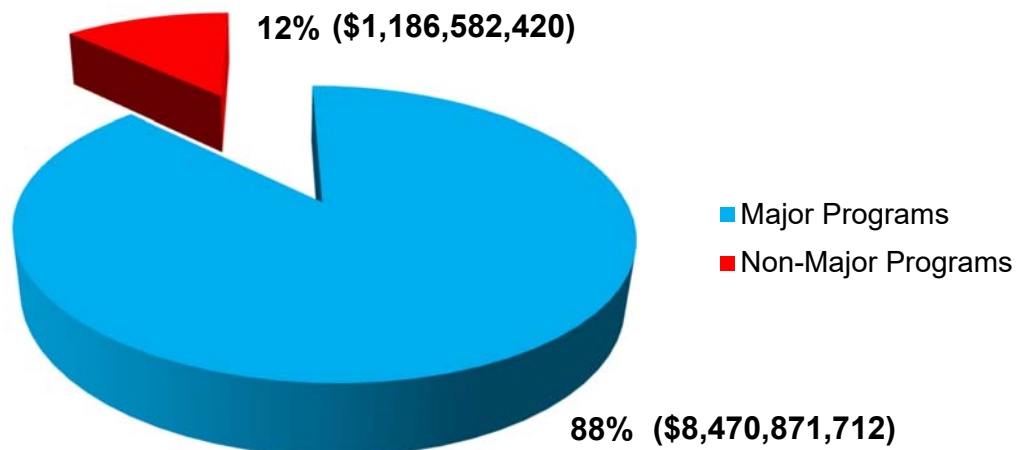
Additionally, Uniform Guidance requires the auditor to perform risk assessments on larger Type B programs; the auditor is not expected to perform risk assessments on the relatively small federal programs. Therefore, the auditor is only required to perform risk assessments on Type B programs with expenditures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

Threshold for Type B Programs		
Type A Threshold		\$ 28,972,362
25%	x	<u>0.25</u>
Threshold of Type B programs		<u>\$ 7,243,091</u>

From the population of high-risk Type B programs that exceeded the 25% Type A threshold, the auditor is not required to select as major more high-risk Type B programs than at least one-fourth of the Type A programs identified as low-risk. As previously noted, seven low-risk Type A programs were identified, so the auditor was required to select at least two. The auditor selected three high-risk Type B programs as major.

For the year ended June 30, 2017, major program expenditures represent 88% of total expenditures of federal awards.

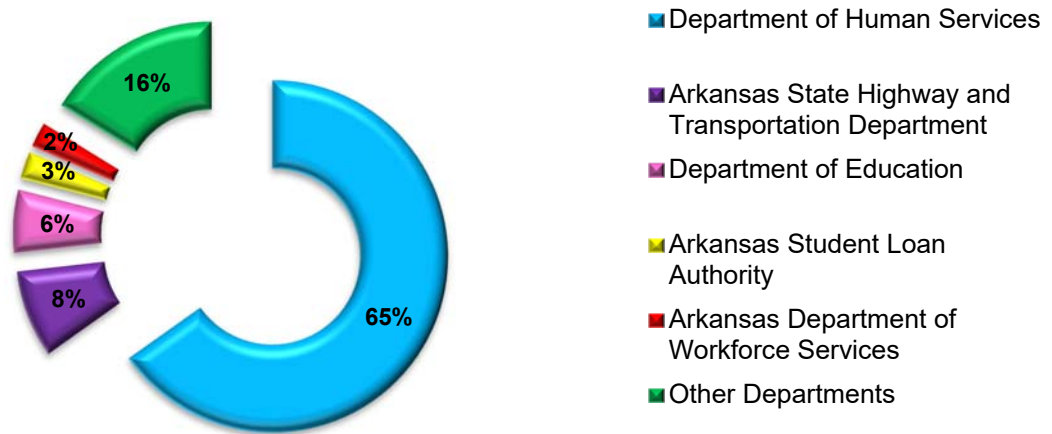
**Fiscal Year 2017
Major vs. Non-Major Programs
\$9,657,454,132**



**State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2017**

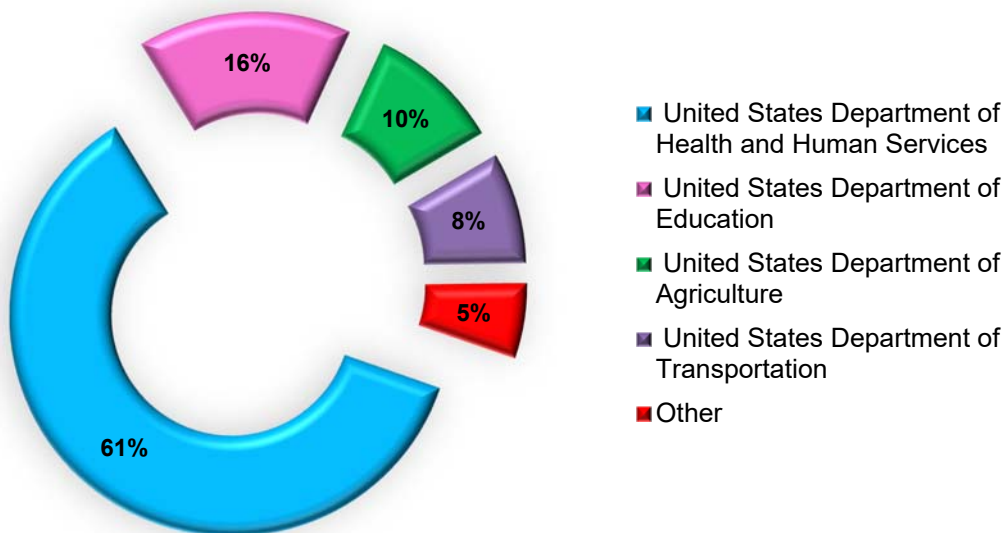
A majority (84%) of federal awards were expended by five state departments, as noted below.

**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 (95%) came from four federal agencies.

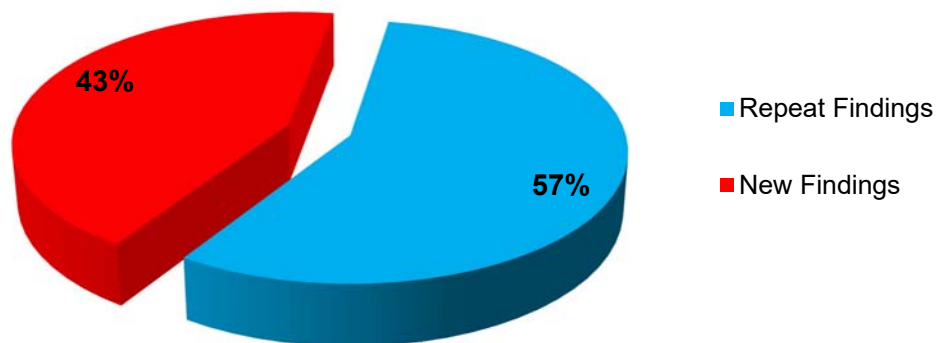
**Total Expenditures of Federal Awards by
Federal Award Agency**



**State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2017**

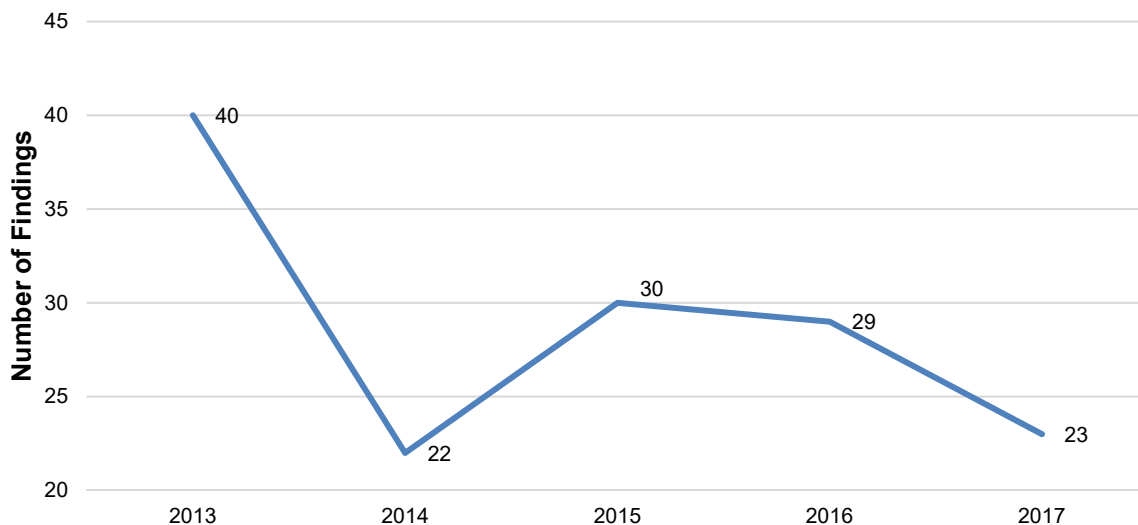
The audit resulted in **23** findings regarding non-compliance and deficiencies in internal control over compliance for **7** of the **17** major programs identified on **page 13**. As illustrated below, **13** of the **23** findings, or **57%**, were repeat findings. Repeat findings indicate that an 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 2017
23 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, 2017***



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 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, 2017, 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, 2017. 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.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
December 22, 2017



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, 2017. 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 applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on Rehabilitation Services_Vocational Rehabilitation Grants to States, Children's Health Insurance Program , and the Medical Assistance Program

As described in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with requirements regarding Rehabilitation Services_Vocational Rehabilitation Grants to States (CFDA 84.126) as described in finding number 2017-007 for Matching, Level of Effort, Earmarking; Children's Health Insurance Program (CFDA 93.767) as described in finding numbers 2017-012 for Special Tests and Provisions – Provider Eligibility and 2017-013 for Reporting; and the Medical Assistance Program (CFDA 93.778) as described in finding numbers 2017-012 for Special Tests and Provisions – Provider Eligibility, 2017-016 for Eligibility, and 2017-020 for Reporting. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Qualified Opinion on Rehabilitation Services_Vocational Rehabilitation Grants to States, Children's Health Insurance Program , and 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 Rehabilitation Services_Vocational Rehabilitation Grants to States, Children's Health Insurance Program, and the Medical Assistance Program for the year ended June 30, 2017.

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, 2017.

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 2017-002 through 2017-006, 2017-009 through 2017-011, 2017-017, and 2017-021 through 2017-023. 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 2017-001 through 2017-005 and 2017-007 through 2017-020 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 2017-006 and 2017-021 through 2017-022 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, 2017, and have issued our report thereon dated December 22, 2017, 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 21, 2018, except for the
Schedule of Expenditures of Federal
Awards, dated December 22, 2017



State of Arkansas Single Audit

***Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017***

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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 the 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 15 under the caption "*Views of Responsible Officials and Planned Corrective Action.*" The responses include the planned corrective action, the anticipated completion date, and the agency contact.

We have presented our findings, generally, by Federal Grantor Agency, State/Educational Agency, and Catalog of Federal Domestic Assistance Number (CFDA). Each finding is assigned a seven-digit reference number (e.g., 2017-xxx). The first set of digits represents the fiscal year audited, and the second set represents the sequential finding number. An index of the findings is located on page 14.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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 programs listed on page 9 of this report,
which were 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: \$28,972,362

Auditee qualified as low-risk auditee? Yes X No

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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

Identification of major programs:

	CFDA Number(s)	Name of Cluster or Federal Program
1.	10.551, 10.561	SNAP Cluster
2.	20.205, 20.219, 20.224, 23.003	Highway Planning and Construction Cluster
3.	66.458, 66.482	Clean Water State Revolving Fund Cluster
4.	66.468, 66.483	Drinking Water State Revolving Fund Cluster
5.	84.027, 84.173	Special Education Cluster
6.	93.775, 93.777, 93.778	Medicaid Cluster
7.	96.001, 96.006	Disability Insurance/SSI Cluster
8.	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364, 93.925	Student Financial Assistance Cluster
9.	10.415	Rural Rental Housing Loans
10.	10.558	Child and Adult Care Food Program
11.	14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
12.	17.225	Unemployment Insurance
13.	84.010	Title I Grants to Local Educational Agencies
14.	84.032	Federal Family Education Loans
15.	84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States
16.	93.658	Foster Care_Title IV-E
17.	93.767	Children's Health Insurance Program

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section II – Financial Statement Findings

No findings reported

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section III - Federal Award Findings and Questioned Costs

Federal/State/Educational Agency Name(s) / Program Title	CFDA Number(s) Affected	Page Number(s)
Arkansas Department of Human Services <i>Various Federal Programs</i>	Various	16
Arkansas Department of Human Services <i>Child and Adult Care Food Program</i>	10.558	18 - 25
Arkansas Department of Education <i>Title I Grants to Local Educational Agencies</i>	84.010	26 - 27
Arkansas Department of Career Education - Arkansas Rehabilitation Services <i>Rehabilitation Services_Vocational Rehabilitation Grants to States</i>	84.126	28 - 30
Arkansas Department of Human Services <i>Foster Care_Title IV-E</i>	93.658	31 - 34
<i>Children's Health Insurance Program</i>	93.767	35 - 52
<i>Medicaid Cluster</i>	93.778	35 - 45 ; 53 - 72
FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS		
University of Arkansas for Medical Sciences <i>Student Financial Assistance Cluster</i>	Various	73 - 75

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-001
State/Educational Agency(s):	Arkansas Department of Human Services
Pass-Through Entity:	Not Applicable
CFDA Number(s) and Program Title(s):	Various
Federal Awarding Agency:	Various
Federal Award Number(s):	Various
Federal Award Year(s):	Various
Compliance Requirement(s) Affected:	Internal Control - Preparation of the Schedule of Expenditures of Federal Awards
Type of Finding:	Material Weakness

Repeat Finding:
Not applicable

Criteria:

In accordance with 2 CFR § 200.302, a state's financial management system must be sufficient to permit the preparation of reports required by general and program specific terms and conditions. The financial management system must provide for the identification of all federal awards received and expended; accurate, current, and complete disclosure of financial results; and records that identify adequately the source and application of funds for federally-funded activities.

In addition, 2 CFR § 200.303 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

2 CFR § 200.62 defines internal control over compliance requirements to federal awards as a process implemented by a non-federal entity designed to provide reasonable assurance that specific objectives are met, including preparation of reliable financial statements and federal reports.

Additionally, in accordance with 2 CFR § 200.510, the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements.

Condition/Context:

The Department of Finance and Administration (DFA) is responsible for preparation of the SEFA. To ensure timely and accurate reporting of the Statewide Single Audit, each state/educational agency is required to prepare and submit a Federal Award Data Collection Workbook (workbook) to DFA in accordance with a schedule established by DFA. DFA obtains workbooks from approximately 90 state entities. All but six of these workbooks are required to be submitted to DFA by July 31. The remaining six (i.e., University of Arkansas for Medical Sciences, Arkansas Department of Transportation, Department of Health, Arkansas Game and Fish Commission, Department of Workforce Services, and Department of Human Services) are due in August because of greater federal award activity. Upon receipt of the workbooks, DFA reviews the information to ensure accuracy and completeness. The workbooks are then forwarded to ALA for audit purposes, which includes planning the audit, determining major programs, performing required compliance procedures for major programs, and determining if the SEFA is presented fairly.

ALA review of the DFA process revealed adequate controls have been developed and implemented over the preparation of the SEFA.

The Department of Human Services (DHS) 2017 workbook was required to be submitted to DFA by August 28, 2017. However, the workbook was not submitted until October 18, 2017, 51 days late, and was not complete, as it excluded the Medicaid program and the Children's Health Insurance Program (CHIP), two of the largest programs administered by the State. In addition, the workbook contained multiple errors and was not in the format required by DFA. The errors were not addressed timely by DHS, causing further delay in audit procedures for the major programs being reviewed at DHS. This portion of the workbook was not finalized until November 21, 2017.

The Medicaid and CHIP portion of the workbook was finally submitted on October 31, 2017, 64 days late; however, like the first portion of the workbook, it contained multiple errors and was not finalized until November 14, 2017.

Additionally, DHS provided no documentation to DFA supporting the amounts reported in the workbook. DHS federal expenditures represent approximately 65% of total federal expenditures for the State.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-001 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): Various
Federal Awarding Agency: Various
Federal Award Number(s): Various
Federal Award Year(s): Various
Compliance Requirement(s) Affected: Internal Control - Preparation of the Schedule of Expenditures of Federal Awards
Type of Finding: Material Weakness

Condition/Context (Continued):

Failure by DHS to submit the workbook timely led to delays for DFA in the preparation of the statewide SEFA, and as a result, DFA was unable to submit the SEFA to ALA by the agreed-upon dates as outlined in the engagement letter between the State and ALA. The engagement letter identifies due dates for certain information to ensure audit procedures can be performed and the reporting package submitted to the federal audit clearinghouse by the timeline established in federal regulations. Also affected was ALA's ability to finalize major program determination and perform some compliance procedures, including reconciling major programs expenditures reported on SEFA to accounting records necessary to ensure accuracy of reported expenditures.

Statistically Valid Sample:

Not applicable

Questioned Costs:

None

Cause:

DHS does not prioritize the timely preparation of the SEFA and does not have adequate processes or procedures in place to ensure accurate and complete reporting.

Effect:

Preparation of the Statewide SEFA was delayed, which affected audit planning and timely completion of the direct and material compliance requirements of the major programs selected at DHS (i.e., SNAP Cluster, Child and Adult Care Food Program, Vocational Rehabilitation_Grants to States, Foster Care, CHIP, and Medicaid.)

The delay also jeopardized completion of the Statewide Single Audit by the established deadline outlined in 2 CFR § 200.512.

Recommendation:

ALA staff recommend DHS develop, document, and implement internal control procedures over the compilation and submission of federal award information, using the required workbook, to DFA to ensure timely, accurate, and complete reporting as required.

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with the recommendations made in this finding. The Agency will examine the controls in place and ensure written procedures are followed to ensure timely, accurate, reporting. Written procedures state a single coordinator is needed for this report; the Agency will ensure a responsible coordinator will be assigned to oversee the correct submission of the SEFA.

Anticipated Completion Date: June 30, 2018

Contact Person:

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-002
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 Awarding Agency:	U.S. Department of Agriculture
Federal Award Number(s):	6AR300322; 6AR300342
Federal Award Year(s):	2016 and 2017
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 finding **2016-001**.

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.

Finally, according to 7 CFR § 226.14, state agencies shall disallow any portion of a claim for reimbursement and recover any payment to an institution not properly payable under this part. State agencies must maintain searchable records of funds recovery activities. In addition, state agencies shall notify the institution of the reasons for any disallowance or demand for repayment and allow the institution full opportunity to submit evidence on appeal, as provided for in 7 CFR § 226.6(k). At minimum, state agency collection procedures for unearned payments shall include the following:

- 1) Written demand to the institution for the return of improper payments.
- 2) A second written demand for the return of improper payments sent by certified mail, return receipt requested, if, after 30 calendar days, the institution fails to remit full payment or agree to a satisfactory repayment schedule.
- 3) Referral of the claim against the institution by the state agency to appropriate state or federal authorities for pursuit of legal remedies, if, after 60 calendar days, the institution fails to remit full payment or agree to a satisfactory repayment schedule.

Condition and Context:

ALA staff examined 25 provider compliance reviews performed by Division of Child Care and Early Childhood Education (DCCECE) staff and the contracted vendor to determine if the reimbursed claims were allowable in accordance with program payment requirements. If money is owed back to the program, the provider is declared seriously deficient and repayment is requested. Recoupment begins after the provider's Corrective Action Plan (CAP) is received and approved and an appeal of the amount owed is not requested. ALA examination revealed the following:

- Adequate records were not maintained by DCCECE.
- The request for repayment from a provider to the program was understated by \$645.
- Proper procedures were not followed to ensure timely recoupment of funds from the providers.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-002 (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 Awarding Agency: U.S. Department of Agriculture
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Material Weakness

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
\$645

Cause:
The Agency has not maintained adequate documentation or developed adequate communication policies to providers, resulting in lack of notification for refunds due back to the program.

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. Additionally, failure of communication between providers and divisions could cause proper recoupment of federal funds to be delayed or not collected at all.

Recommendation:
ALA staff recommend the Agency promptly develop and implement policies to specifically address the calculation of monies owed and the process of refund notification and collection for its providers.

Views of Responsible Officials and Planned Corrective Action:
DCCECE Health and Nutrition has completed a recoupment procedure and has trained on this procedure with the appropriate staff.

Anticipated Completion Date: Completed. Procedure was implemented December 18, 2017. Training was provided February 2, 2018.

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-003
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 Awarding Agency: U.S. Department of Agriculture
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Eligibility
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.

7 CFR § 226.6(b)(1) states that for new private nonprofit and proprietary child care institutions, such procedures must also include a pre-approval visit by the state agency to confirm the information in the institution's application and to further assess its ability to manage the program.

In addition, 7 CFR § 226.11(a) indicates that a state agency may develop a policy under which centers are reimbursed for meals served in accordance with provisions of the program in the calendar month preceding the calendar month in which the agreement is executed, or the state agency may develop a policy under which centers receive reimbursement only for meals served in approved centers on and after the effective date of the program agreement. If the state agency's policy permits centers to earn reimbursement for meals served prior to the execution of a program agreement, program reimbursement must not be received by the center until the agreement is executed.

Finally, 7 CFR § 226.19(b)(6) requires outside-school-hours care centers' key operational staff, as defined by the Agency, to attend program training prior to the center's participation in the program, and at least annually thereafter, on content areas established by the state agency.

Condition and Context:

ALA discussion with Division of Child Care and Early Childhood Education (DCCECE) staff indicated that applications for new and renewing applicants are completed online through the Special Nutrition Program (SNP) database. Supporting documentation is uploaded by the providers and reviewed by staff. The Agency does not allow retroactive reimbursements for new applicants.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-003 (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 Awarding Agency: U.S. Department of Agriculture
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Eligibility
Type of Finding: Noncompliance and Material Weakness

Condition and Context (Continued):

ALA review of 26 new applicants to determine compliance with eligibility requirements revealed the following:

- One provider did not attend training prior to application approval.
- Preapproval visits for four providers were not completed prior to application approval.
- Three providers were reimbursed a combined total of \$13,977 in retroactive claims.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$13,977

Cause:

The Agency approved new providers' applications prior to ensuring that all eligibility requirements were met. Additionally, unallowed claims were reimbursed to new providers.

Effect:

Federal funds were used for unallowable claim reimbursements.

Recommendation:

ALA staff recommend the Agency promptly develop, document, and implement procedures for internal control over compliance to ensure the participation and reimbursement for only eligible program participants.

Views of Responsible Officials and Planned Corrective Action:

DCCECE Health and Nutrition has completed an application procedure, which includes a check list for the Program Coordinators and Program Managers to ensure quality control. Training will be completed with appropriate staff.

Anticipated Completion Date: April 1, 2018

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-004
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 Awarding Agency: U.S. Department of Agriculture
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Matching, Level of Effort, Earmarking;
Reporting
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding **2016-001**.

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.

Finally, 2 CFR § 200.302(b)(6) and (b)(7) state 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, as well as the terms and conditions of the federal award.

Condition and Context:

ALA discussion with the Agency's Division of Child Care and Early Childhood Education (DCCECE) staff revealed that it failed to develop and document procedures for internal control over compliance during the 2017 fiscal year.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

Although the Agency was notified in July 2015 to develop and document procedures for internal control over compliance, it failed to prioritize this task during the previous audit cycle and, again, during this current audit cycle.

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.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-004 (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 Awarding Agency:	U.S. Department of Agriculture
Federal Award Number(s):	6AR300322; 6AR300342
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking; Reporting
Type of Finding:	Noncompliance and Material Weakness

Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

DCCECE Health and Nutrition has completed and implemented several procedures and has trained on these procedures with the appropriate staff. We are in the process of writing new procedures. Training will be conducted on a regular basis.

Anticipated Completion Date: Trained on current procedure February 2, 2018. This will be an on-going task as new issues arise.

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-005
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 Awarding Agency: U.S. Department of Agriculture
Federal Award Number(s): 6AR300322; 6AR300342
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Subrecipient Monitoring
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding **2016-001**.

Criteria:

In accordance with 7 CFR § 226.6(m)(6), the state agency must 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.

Condition and Context:

ALA discussion with the Agency's Division of Child Care and Early Childhood Education (DCCECE) revealed that the staff's efforts were placed on the completion of Summer Food Service Program (SFSP) reviews during July – December 2016, resulting in a significantly lower number of program reviews during fiscal year 2017. All reviews are unannounced, with the exception of the reviews of sponsoring organizations of three or more facilities.

During fiscal year 2017, a contractor was hired to assist the Agency with performing compliance reviews.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

The Agency did not adhere to the monitoring schedule set forth in the regulations because the required annual percentage of compliance reviews were not completed and new sponsoring organizations of five or more facilities were not reviewed within the first 90 days of program operations.

Effect:

Failure to complete compliance reviews could cause instances of noncompliance to remain undetected.

Recommendation:

ALA staff recommend the Agency continue to hire additional reviewers and utilize contractors and other staff within other divisions to complete compliance reviews in accordance with the monitoring schedule set forth in the regulations.

Views of Responsible Officials and Planned Corrective Action:

Excel spreadsheets have been created to ensure that the required number and types of reviews are being conducted. Procedures are being written to explain how these spreadsheets are developed and utilized.

Anticipated Completion Date: April 1, 2018

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-005 (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 Awarding Agency:	U.S. Department of Agriculture
Federal Award Number(s):	6AR300322; 6AR300342
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Subrecipient Monitoring
Type of Finding:	Noncompliance and 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, 2017**

Finding Number: 2017-006
State/Educational Agency(s): Arkansas Department of Education
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.010 – Title I Grants to Local Education Agencies
Federal Awarding Agency: U.S. Department of Education
Federal Award Number(s): S010A140004, S010A150004, and S010A160004
Federal Award Year(s): 2015, 2016, and 2017
Compliance Requirement(s) Affected: Subrecipient Monitoring
Type of Finding: Noncompliance and Significant Deficiency

Repeat Finding:

Not applicable

Criteria:

2 CFR § 200.302(b)(7) requires “written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of this part and the terms and conditions of the federal award.” Subrecipient monitoring is a mechanism used to ensure the costs are allowable with the terms and conditions of the federal award.

In addition, 2 CFR § 200.331(b) requires that all pass-through entities “evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.”

Condition and Context:

Title I staff conducted desk audits of Title I budgets and year-to-date expenditures to review for allowable expenses, required set asides, correct rank order of buildings, and various provisions to ensure compliance with federal regulations. However, there was no written subrecipient monitoring plan in place consistent with the new Uniform Grant Guidance during fiscal year 2017.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

The Agency is in the process of developing new policies and procedures for subrecipient monitoring consistent with the new Uniform Grant Guidance.

Effect:

The absence of a written subrecipient monitoring plan in accordance with the new Uniform Guidance could cause the Agency to not fulfill all of its pass-through entity’s responsibilities.

Recommendation:

ALA staff recommend that the Agency finalize policies and procedures for monitoring subrecipients who receive Title I funds.

Views of Responsible Officials and Planned Corrective Action:

The Arkansas Department of Education (ADE) has reviewed the finding related to the 84.010 – Title I grants, which will be included in the Federal Portion of the Statewide Single Audit. As a result of this finding, ADE Federal programs staff are developing a risk-based multi-tiered monitoring protocol that will be implemented for all subrecipients by July 1, 2018. The new monitoring protocol will require ADE to monitor programs using a risk-based approach, in accordance with 2 CFR 200.331(b). Subrecipient monitoring tools used by ADE will include on-site monitoring, desk audits, budget and expenditure reviews, and training for subrecipients.

Anticipated Completion Date: July 1, 2018

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-006 (Continued)
State/Educational Agency(s):	Arkansas Department of Education
Pass-Through Entity:	Not Applicable
CFDA Number(s) and Program Title(s):	84.010 – Title I Grants to Local Education Agencies
Federal Awarding Agency:	U.S. Department of Education
Federal Award Number(s):	S010A140004, S010A150004, and S010A160004
Federal Award Year(s):	2015, 2016, and 2017
Compliance Requirement(s) Affected:	Subrecipient Monitoring
Type of Finding:	Noncompliance and Significant Deficiency

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, 2017**

Finding Number: 2017-007
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
Department of Human Services –
Division of Services for the Blind
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
Federal Awarding Agency: U.S. Department of Education
Federal Award Number(s): H126A160003; H126A160004
Federal Award Year(s): 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 **2016-006**.

Criteria:

Sections 110(d)(1) and 113(a) of the Rehabilitation Act of 1973, effective July 22, 2014, require a state to reserve and expend, at a minimum, 15% of its allotment under the grant for the provision of pre-employment transition services.

Condition and Context:

The minimum allotment for pre-employment transition services (pre-ETS) for the final 2016 grant awards was calculated to be \$7,049,757 for the State. The 2016 grant award period is October 1, 2015 to September 30, 2016, 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, 2017).

As reported on the final SF-425 reports for the 2016 grant awards, pre-ETS expenses were \$3,438,349 for Arkansas Rehabilitation Services (ARS) and \$510,718 for the Department of Human Services – Division of Services for the Blind (DHS-DSB), totaling \$3,949,067.

As a result of the projected deficit of \$3,100,690, (\$7,049,757 - \$3,949,067), the Agencies stopped spending from these grants as they determined they could not meet the minimum requirement. However, the 15% earmarking requirement calculated on total *expensed* grant funds would be \$6,590,318, which resulted in a deficit for pre-ETS totaling **\$2,641,251** (\$6,590,318 - \$3,949,067).

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$2,641,251

Cause:

The Agencies did not have adequate 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 Agencies strengthen 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, 2017**

Finding Number:	2017-007 (Continued)
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services Department of Human Services – Division of Services for the Blind
Pass-Through Entity:	Not Applicable
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States
Federal Awarding Agency:	U.S. Department of Education
Federal Award Number(s):	H126A160003; H126A160004
Federal Award Year(s):	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/DHS-DSB Discussion

The subject grant award covered expenditures from October 1, 2015 to September 30, 2016. However, related federal regulations were not issued as final until August 19, 2016, after an extensive nationwide appeal process seeking definition as to what was an allowable cost for pre-ETS and what was not. Federal administrative interpretation of the pre-ETS rules under WIOA is still on-going in light of the President's charge to federal agencies to eliminate regulations that create a barrier to employment and increase administrative burdens.

ARS/DHS-DSB Action Taken

ARS and DHS-DSB began full implementation of this requirement in August 2016 when the regulation requiring the Designated State Unit (DSU) to provide these services in collaboration with the local educational agencies was issued. At the federal level, Rehabilitation Services Administration (RSA) continues to working closely with both Arkansas Vocational Rehabilitation agencies (ARS and DHS-DSB) to ensure the state as a whole develops a mechanism to reserve and expend a minimum of 15% of the VR allotment for Pre-ETS. Both agencies have established expenditure coding mechanisms to track Pre-ETS costs, as well as a Pre-ETS forecasting tool that lists activities and tracks monthly expenditures to stay on target in meeting the 15% requirement.

To date the current initiatives include:

External vendor programs: 17 contracts were established throughout the State to provide the 5 core areas of Pre-Employment Transition Services. The Pre-ETS external vendors include, but are not limited to, community rehabilitation providers.

Pre-ETS school contracts: ARS is currently partnering with 18 school districts across the state (including Arkansas School for the Deaf) to implement work based learning programs (OWL) and paid work experiences.

Inclusion Film Camp: The Inclusion Film Camp is collaboration between Arkansas Rehabilitation Services, Arkansas Transition Services, and local school districts in an effort to provide high school juniors and seniors on an IEP or 504 plan with the opportunity to develop skills in the art of film making.

Youth Leadership Forum:

YLF is a unique career leadership training program for high school juniors and seniors with disabilities. Youth serve as delegates from their local communities in a curriculum that cultivates leadership, citizenship, and social skills on the campus of the University of Central Arkansas.

Transitional Employment Program:

TEP is summer program administered at the Arkansas Career Training Institute focused on career readiness and other key components of Pre-Employment Transition Services. The number of students served has increased yearly.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-007 (Continued)
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
Department of Human Services –
Division of Services for the Blind
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
Federal Awarding Agency: U.S. Department of Education
Federal Award Number(s): H126A160003; H126A160004
Federal Award Year(s): 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 (Continued):

Restore Hope Juvenile Facilities:

PREP-Pre-readiness Employment Program at Department of Youth Services State Facilities.

To enhance the capacity of the State of Arkansas to promote the long-term employment of individuals with disabilities who are in Department of Youth Services facilities, ARS has entered into an agreement with Goodwill Industries of Arkansas, the Arkansas Department of Youth Services and the facility operator, Rite of Passage for Pre-Employment Transition Services to be provided on the campus of the Arkansas Assessment and Treatment Center in the areas of workplace readiness training and work-based learning experiences. The program provides work readiness soft skills training in conflict management, communication skills in various situations, and how to handle authority, as well as engaging youth in teamwork activities and actual work situations on campus where they earn wages at \$8.50 an hour. The wages are received once the youth exits the facility. The Dermott Facility is under development, with plans to start in the fall of 2018.

Partnering with Technical Assistance Teams:

ARS and DHS-DSB are also partnering with federally sponsored Technical Assistance Teams to enhance training for providers and ARS/DHS-DSB staff.

ARS and DHS-DSB staff meet monthly to discuss Pre-ETS scheduled events and explore new avenues in implementing Pre-Employment Transition Services to the Pre-ETS eligible consumers of Arkansas. Pre-ETS expenditures as of March 1, 2018, on the FFY17 VR grant were \$2,457,777 as compared to \$1,630,465 for the same time period a year ago. This reflects a 51% increase, and ARS/DHS-DSB's combined efforts are on track to meet the 15% requirement for the FFY17 VR grant. It is anticipated that the level of expenditures will continue to increase significantly for the FFY17 VR grant, as well as the FFY18 VR grant.

Anticipated Completion Date: September 30, 2018

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-008
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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 1601ARFOST; 1701ARFOST
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Matching, Level of Effort, Earmarking;
Procurement and Suspension and Debarment;
Reporting
Type of Finding: Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding 2016-009.

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 2017 for all types of transactions.

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.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

Although the Agency was notified in July 2015 to develop and document procedures for internal control over compliance, it failed to prioritize this task during the previous audit cycle and, again, during the current audit cycle.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-008 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 1601ARFOST; 1701ARFOST
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Matching, Level of Effort, Earmarking;
Procurement and Suspension and Debarment;
Reporting
Type of Finding: Material Weakness

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 division has developed internal controls to ensure compliance with federal awards. We will continue to monitor the control activities and update the controls as needed.

Anticipated Completion Date: February 2018

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-009
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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	1601ARFOST and 1701ARFOST
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings **2016-012** and **2015-012**.

Criteria:

In accordance with 45 CFR § 75.303, the 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. This includes establishing internal controls documenting supervisory reviews and approvals of reports prior to submission to the federal awarding agency and monitoring federal draws and expenditures.

Additionally, 45 CFR § 75.302(b)(2) requires the financial management system of each non-federal entity to provide accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements.

Finally, the terms and conditions of the award state that quarterly reports are 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. This review of all four quarters revealed that sufficient, appropriate evidence of a supervisory review (e.g., signature/email of the reviewer) could not be provided for any of the quarterly reports.

ALA staff also reviewed supporting documentation for each quarterly report. This review revealed that the Agency overstated total program expenditures for the quarter ended June 30, 2017, by \$82,324 because it included expenditures associated with other federal programs: Adoption Opportunities (CFDA 93.652) and Promoting Safe and Stable Families (CFDA 93.556).

ALA review also included confirming that the quarterly financial reports were submitted timely. This review revealed the Agency had not submitted two of the four quarterly reports timely as follows:

- The September 30, 2016, report, due for submission on October 30, 2016, was submitted on February 7, 2017.
- The December 31, 2016, report, due for submission on January 31, 2017, was submitted on March 7, 2017.

Additionally, ALA reviewed the Agency's internal control procedures regarding the monitoring of federal draws to federal expenditures. This review revealed the Agency did not reconcile expenditures to draws to ensure draws did not exceed allowable expenditures as reported on the CB-496.

Statistically Valid Sample:

Not applicable

Questioned Costs:

None

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Finding Number:	2017-009 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	1601ARFOST and 1701ARFOST
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance and Material Weakness

Cause:

The Agency did not establish adequate internal controls to ensure documented evidence was maintained supporting the amounts reported on the quarterly report or the supervisory review of the CB-496 Quarterly Financial Reports. Additionally, the Agency did not establish adequate internal controls to ensure the quarterly reports were submitted timely. Finally, the Agency did not establish adequate internal controls to ensure a process was in place to track federal draws and allowable expenditures.

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. Finally, failure to properly monitor federal draws with reported expenditures could result in draws in excess of allowable expenditures.

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:

The agency has developed internal controls to ensure compliance of federal awards. Controls include timely filing of reports and documentation of the reporting process. A review of supporting documentation and the completed report occurs prior to submission.

Anticipated Completion Date: February 2018

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-010
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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5MAP; 05-1705AR5MAP;
05-1605AR5021; 05-1705AR0301
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Period of Performance
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding **2016-023**.

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:

The Agency assigns region code 22 to claims which are generated by the Medicaid Management Information System (MMIS) without being initiated by a provider. These claims include monthly capitation payments, non-emergency transportation (NET) payments, and Arkansas Works premiums. Payments are generated monthly based on recipient eligibility information included in MMIS.

ALA selected a sample of 60 NET payments and a sample of 60 Arkansas Works 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. ALA staff identified 34,378 claims totaling \$142,846 for NET payments and 17,926 claims totaling \$6,248,292 for Arkansas Works premium payments that were generated outside the timely filing deadlines.

According to the Agency, the NET claims payments were made based on reconciliations between monthly NET claims payments and the recipients’ beginning eligibility dates. However, the Agency failed to provide documentation supporting the reconciliation process and the actual reconciliations which initiated these payments; therefore, ALA was unable to determine if the NET payments were made in accordance with federal regulations resulting in questioned costs totaling \$96,591 for the Medical Assistance Program and \$4,246 for the Children’s Health Insurance Program (CHIP).

Regarding the Arkansas Works payments, the Agency provided a written explanation of the cause of each selected adjustment, but failed to provide adequate documentation to support these explanations. Therefore, ALA staff were unable to determine if the adjustments made were reasonable and necessary resulting in questioned costs totaling \$6,100,035 for the Medical Assistance Program.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-010 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5MAP; 05-1705AR5MAP;
05-1605AR5021; 05-1705AR0301
Federal Award Year(s): 2016 and 2017
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:
93.778 – Medical Assistance Program: \$6,196,626
93.767 – Children’s Health Insurance Program: \$4,246

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. During state fiscal year 2017, the Agency turned off the timely filing edit check in MMIS to knowingly allow claims more than one year past the last date of service to be processed.

In addition, the Agency failed to maintain documentation supporting reconciliations for NET payments.

Effect:

Failure to develop and implement adequate internal controls limits 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 timely filing edit was turned off from October 1, 2013 until June 30, 2016, as acknowledged in letter dated April 14, 2016, from CMS. The internal controls were effective. Claims were denied due to timely filing. The new CURAM system had implementation issues, and eligibility was not established timely. Newborns were not determined eligible until two years after the date of birth. As a result, providers were unable to bill timely and receive payment for services rendered.

Anticipated Completion Date: The timely filing edits were turned back on effective July 1, 2016.

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Finding Number:	2017-010 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1605AR5MAP; 05-1705AR5MAP; 05-1605AR5021; 05-1705AR0301
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed; Period of Performance
Type of Finding:	Noncompliance and Material Weakness

Additional Comments from the Auditor:

The Agency’s response regarding the time frame for the timely filing edit being turned off is inaccurate. The edit was actually turned off effective October 15, 2016 through June 30, 2017, to allow payments for claims with dates of service from October 1, 2013 through June 30, 2016, that had not been submitted within the one-year deadline. (The edits were reinstated beginning July 1, 2017.)

In addition, the Agency stated that internal controls were effective. However, the Agency actually circumvented controls when the timely filing edits were turned off without CMS approval. The Agency’s response also implies that CMS approved the process. The following is an excerpt from the April 14, 2016 letter from CMS to the Agency:

“The Centers for Medicare and Medicaid Services (CMS) has received and reviewed your State’s request to waive the federal 365-day timely filing deadlines as stated in 42 Code of Federal Regulations (CFR) 447.45(d)(1), however, the regulation does not provide authority for a waiver of these deadlines.

We understand that during the time period of October 1, 2013 to present, due to an administrative error, a timely eligibility determination was not rendered for many eligible newborns who received services during this period. The State of Arkansas has presented an action plan for how and when it is resolving those eligibility cases.

In the case of administrative error, the State may permit variances in the processing of claims to effectuate a corrective action; see 42 CFR 431.221 regarding fair hearings, and 42 CFR 431.246, regarding corrective actions. These regulations provide for a decision in favor of the beneficiary before a hearing, and 42 CFR 431.250(c) provides for FFP for such corrective actions. Once the eligibility determination corrective action has been implemented, the State must follow all applicable regulations and policies regarding eligibility determinations and claims processing.”

The Agency did not follow the protocol provided by CMS.

Finally, as previously stated in the condition and context, ALA staff were unable to determine if NET payments were made in accordance with federal regulations because the Agency failed to provide documentation to support the reconciliation process that initiated these claims. In addition, ALA staff were unable to determine the necessity and reasonableness of adjustments for the Arkansas Works premium payments because the Agency failed to provide documentation supporting changes to recipient dates of birth.

It should be noted that \$6,100,035 of questioned costs affects the Arkansas Works program, for which newborns are not eligible.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Finding Number: 2017-011
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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1605AR5021; 05-1705AR0301;
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: 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.

Additionally, 42 CFR §447.45 (d) requires the Medicaid agency to require providers to submit all claims no later than 12 months from the date of service. For claims also paid under Medicare (crossover claims), the provider must submit the Medicaid claim for the same service within 6 months after the agency or the provider receives notice of the disposition of the Medicare claim. The agency may make payments at any time in accordance with a court order, to carry out hearing decisions or agency corrective actions taken to resolve a dispute, or to extend the benefits of a hearing decision, corrective action, or court order to others in the same situation as those directly affected by it.

Finally, section 302.400 of the Arkansas Medicaid provider manual states that retroactive eligibility does not constitute an exception to the timely filing requirement. If an administrative action delays an eligibility determination, the provider must submit the claims within the 12-month filing deadline. If the claim is denied for recipient ineligibility, the provider may resubmit the claim after eligibility is determined. The provider manual lists specific instructions for filing claims when recipient eligibility has not been determined.

Condition and Context:

During the prior audit, the Agency notified ALA that the Agency was temporarily removing the timely filing edit from the Medicaid Management Information System (MMIS) during state fiscal year 2017. Documentation provided to ALA revealed that CMS had denied the Agency’s request for a waiver from the timely filing regulations.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-011 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1505AR5MAP; 05-1605AR5MAP; 05-1605AR5021; 05-1705AR0301
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Period of Performance
Type of Finding:	Noncompliance and Material Weakness

Condition and Context (Continued):

ALA obtained claims data for all claims payments made during state fiscal year 2017 through a direct data download established with the Agency. From the data, ALA identified all claims that failed to meet the timely filing requirement. These claims were separated into three populations for review. To determine if claims were allowable, ALA requested documentation of previously filed claims in accordance with section 302.400 of the provider manual or documentation of a court order, hearing decision, or corrective action, in accordance with 42 CFR § 447.45, for the identified claims for each population.

Medicare Crossover Claims: ALA identified 4,526 Medicare crossover claims totaling \$585,254 that did not meet the timely filing requirement. The Agency failed to provide documentation showing compliance with federal regulations or the provider manual. Questioned costs totaled \$407,864 for the Medical Assistance Program.

Pharmacy Claims: ALA identified 10 pharmacy claims totaling \$4,857 that did not meet the timely filing requirement. Further review revealed the Agency improperly approved a manual override of the timely filing edit in the pharmacy system to allow payment of these claims. Questioned costs totaled \$2,615 for the Medical Assistance Program and \$1,104 for the Children’s Health Insurance Program (CHIP).

ALA also identified 205 pharmacy claims totaling \$12,388 with a future claim submittal date embedded into the claim number, causing the claim number to be invalid. The Agency identified an additional 4,563 claims totaling \$283,152 with invalid claim numbers due to a future claim submittal date. Questioned costs totaled \$183,796 for the Medical Assistance Program and \$31,807 for CHIP.

Other Claims: ALA identified 37,418 non-Medicare crossover claims totaling \$10,902,877 that did not meet the timely filing requirement. The Agency provided documentation of claims that had been filed as required per section 302.400 for 6,808 claims; however, ALA was unable to trace this additional documentation to any specific claims included in the population. Questioned costs total \$7,353,279 for the Medical Assistance Program and \$357,244 for CHIP.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

CFDA 93.767 – Children’s Health Insurance Program: \$390,155

CFDA 93.778 – Medical Assistance Program: \$7,947,554

Cause:

Eligibility determinations were delayed due to problems with the CURAM system that occurred from October 1, 2013 through December 31, 2016. As a result, there were instances in which providers failed to file claims for recipients because eligibility had not been determined. To remedy this situation, the Agency removed the timely filing requirement edit check in MMIS without approval from CMS and knowingly allowed claims with dates of service on or after October 1, 2013, to be paid.

Effect:

Failure to develop and implement internal controls places limits on the Agency’s ability to manage grants and track expenditures effectively.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-011 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1505AR5MAP; 05-1605AR5MAP;
05-1605AR5021; 05-1705AR0301;
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Period of Performance
Type of Finding: Noncompliance and Material Weakness

Recommendation:

ALA staff recommend the Agency promptly develop and implement internal controls over claims payments in MMIS to ensure consistency and accuracy. The Agency should allow existing internal controls that are operating effectively to remain in place. The Agency should establish a process to manually review the claims that MMIS rejects due to timely filing requirements.

Views of Responsible Officials and Planned Corrective Action:

The timely filing edit was turned off from October 1, 2013 until June 30, 2016, as acknowledged in a letter dated April 14, 2016, from CMS. The internal controls were effective. Claims were denied due to timely filing. The new CURAM system had implementation issues, and eligibility was not established timely. Newborns were not determined eligible until two years after the date of birth. As a result, providers were unable to bill timely and receive payment for services rendered.

Anticipated Completion Date: The timely filing edits were turned back on effective July 1, 2016.

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-011 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1505AR5MAP; 05-1605AR5MAP; 05-1605AR5021; 05-1705AR0301;
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Period of Performance
Type of Finding:	Noncompliance and Material Weakness

Additional Comments from the Auditor:

The Agency’s response regarding the time frame for the timely filing edit being turned off is inaccurate. The edit was actually turned off effective October 15, 2016 through June 30, 2017, to allow payments for claims with dates of service from October 1, 2013 through June 30, 2016, that had not been submitted within the one-year deadline. (The edits were reinstated beginning July 1, 2017.)

In addition, the Agency stated that internal controls were effective. However, the Agency actually circumvented controls when the timely filing edits were turned off without CMS approval. The Agency’s response also implies that CMS approved the process. The following is an excerpt from the April 14, 2016, letter from CMS to the Agency:

“The Centers for Medicare and Medicaid Services (CMS) has received and reviewed your State’s request to waive the federal 365-day timely filing deadlines as stated in 42 Code of Federal Regulations (CFR) 447.45(d)(1), however, the regulation does not provide authority for a waiver of these deadlines.

We understand that during the time period of October 1, 2013 to present, due to an administrative error, a timely eligibility determination was not rendered for many eligible newborns who received services during this period. The State of Arkansas has presented an action plan for how and when it is resolving those eligibility cases.

In the case of administrative error, the State may permit variances in the processing of claims to effectuate a corrective action; see 42 CFR 431.221 regarding fair hearings, and 42 CFR 431.246, regarding corrective actions. These regulations provide for a decision in favor of the beneficiary before a hearing, and 42 CFR 431.250(c) provides for FFP for such corrective actions. Once the eligibility determination corrective action has been implemented, the State must follow all applicable regulations and policies regarding eligibility determinations and claims processing.”

The Agency did not follow the protocol provided by CMS.

Finally, of the \$8,337,709 questioned costs, only \$3,162,287 affected newborn claims with dates of service within the time frame established by the Agency, October 1, 2013 through June 30, 2016. The remaining \$5,175,422 was for claims for individuals with dates of birth prior to October 1, 2013.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Finding Number: 2017-012
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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5021; 05-1705AR0301
(Children’s Health Insurance Program)
05-1705AR5MAP
(Medicaid Cluster)
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Special Tests and Provisions – Provider Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Repeat Finding:
Not applicable

Criteria:

According to section 140.00, Provider Participation, any provider of health services must be enrolled in the Arkansas Medicaid Program prior to reimbursement for any services provided to Arkansas Medicaid beneficiaries. Enrollment is considered complete when a provider has signed and submitted the following forms:

- Application.
- W-9 tax form.
- Medicaid provider contract.
- PCP agreement, if applicable.
- EPSDT agreement, if applicable.
- Change in ownership control or conviction of crime form.
- Disclosure of significant business transactions form.
- Specific license or certification based on provider type and specialty, if applicable.
- Participation in the Medicare program, if applicable.

Effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance, is 42 CFR § 455.414, which states that the State Medicaid Agency must revalidate the enrollment of all providers at least every five years. Revalidation includes a new application; satisfactory completion of screening activities; and if applicable, fee payment. Screening activities vary depending on the risk category of the provider as follows:

- The limited risk category includes database checks.
- The moderate risk category includes those required for limited risk plus site visits.
- The high risk category includes those required for limited and moderate risk plus fingerprint background checks.

Condition and Context:

The Agency provided ALA with a listing of providers that, according to the Agency, had NOT been revalidated. This listing was utilized by ALA to develop two populations for testing. To test the accuracy of the listing and ensure that all providers who had amounts paid during state fiscal year 2017 were subject to testing, samples from both populations were tested.

The first population represented providers that were not on the listing, which indicated they had been through the revalidation process and were properly enrolled as a provider. ALA review of 60 provider files revealed the following 29 deficiencies affecting both Medicaid and the Children’s Health Insurance Program (CHIP):

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-012 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5021; 05-1705AR0301
(Children’s Health Insurance Program)
05-1705AR5MAP
(Medicaid Cluster)
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Special Tests and Provisions – Provider Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Condition and Context:

- Seventeen high risk providers had new applications but did not comply with the screening requirements. Questioned costs totaled \$2,606,794 and \$2,401 for Medicaid and CHIP, respectively.
- Seven moderate risk providers had new applications but did not comply with the screening requirements. Questioned costs totaled \$2,396,218 and \$66,441 for Medicaid and CHIP, respectively.
- Three high risk providers did not have new applications on file and did not comply with the screening requirements. Questioned costs totaled \$8,582 for Medicaid.
- One moderate risk provider did not have a new application on file and did not comply with the screening requirements. Questioned costs totaled \$204,923 for Medicaid.
- One moderate risk provider did not have a new application on file, did not comply with the screening requirements, and did not have disclosure forms on file. Questioned costs totaled \$1,480,320 and \$25,900 for Medicaid and CHIP, respectively.

The second population represented providers the Agency had identified as NOT having been through the revalidation process. ALA review of the 60 provider files revealed the following 55 deficiencies affecting both Medicaid and CHIP:

- Two high risk providers had new applications but did not comply with the screening requirements. Questioned costs totaled \$658,117 for Medicaid.
- One moderate risk provider did not have a new application on file and did not comply with the screening requirements. Questioned costs totaled \$22,181 and \$3,177 for Medicaid and CHIP, respectively.
- One moderate risk provider did not have a new application on file, did not comply with the screening requirements, and did not have disclosure forms on file. Questioned costs totaled \$6,882 and \$2,990 for Medicaid and CHIP, respectively.
- Twenty-three limited risk providers did not have a new application on file, did not comply with screening requirements, and did not have disclosure forms on file. Questioned costs totaled \$4,085,902 and \$158,876 for Medicaid and CHIP, respectively.
- Three limited risk providers did not have a new application on file, did not comply with the screening requirements, and did not have a W-9 or disclosure forms on file. Questioned costs totaled \$46,899 and \$1,217, for Medicaid and CHIP, respectively.
- One limited risk provider did not have a new application or a W-9 on file. Questioned costs totaled \$5,530 and \$34 for Medicaid and CHIP, respectively.
- Twenty-four limited risk providers did not have a new application on file. Questioned costs totaled \$787,263 and \$214,582 for Medicaid and CHIP, respectively.

Statistically Valid Sample:

Not a statistically valid sample

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-012 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5021; 05-1705AR0301
(Children’s Health Insurance Program)
05-1705AR5MAP
(Medicaid Cluster)
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Special Tests and Provisions – Provider Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Questioned Costs:

State Fiscal Year 2017 – \$12,309,611 (Medicaid)
State Fiscal Year 2017 – \$475,618 (CHIP)

Cause:

Although the Agency has designed internal control procedures to review provider 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.

Specifically, the Agency should ensure that adequate procedures are in place to ensure compliance with the federal requirement related to the revalidation of providers. Based on testing results, most deficiencies were related to the additional screening requirements, which are due upon revalidation. There was no documentation provided of any site visits or fingerprint background checks performed. According to the Agency, the old Medicaid Management Information System (MMIS) did not have the capability to house the provider fingerprints, but the new MMIS system should have this capability.

Although the Agency had the option to utilize the Medicare Provider Enrollment, Chain, and Ownership System (PECOS) to comply with the revalidation requirement, for any provider that was reviewed by Medicare within the last year, the Agency did not utilize this resource for this purpose.

Effect:

Claims payments to ineligible providers were processed.

Recommendation:

ALA staff recommend the Agency strengthen controls to ensure required enrollment documentation is maintained to support provider eligibility.

Views of Responsible Officials and Planned Corrective Action:

Site visit requirements and fingerprint-based background checks were not implemented by the State, which caused the findings listed above. The amount of work required to fully implement these processes into the legacy Medicaid Management Information System (MMIS) was considered too costly and untimely in that both could be incorporated into the new interchange MMIS that was being designed. A panel to capture fingerprint-based information was designed in interchange. DMS is currently working with CMS Program Integrity staff to schedule time with their FBI contact and the Arkansas Crime Information Center to automate this process. Work requirements to implement this process are being addressed with the Project Management Office (PMO) and our MMIS IT vendor as well. Forms to capture site-visit data have been developed, and DMS is identifying staff to conduct the visits.

Response: Approximately 80% of all enrolled providers have re-enrolled/revalidated. The remainder of re-enrollments/revalidations of providers have been delayed as staff redesigned and implemented the new MMIS. Staff’s plan is to go through a stabilization period for the new MMIS and resume sending notices and revalidating providers by the end of March 2018.

Anticipated Completion Date: December 2018

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-012 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1605AR5021; 05-1705AR0301 (Children’s Health Insurance Program) 05-1705AR5MAP (Medicaid Cluster)
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Special Tests and Provisions – Provider Eligibility
Type of Finding:	Material Noncompliance and 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, 2017

Finding Number: 2017-013
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
Federal Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1505AR5021; 05-1505AR1081;
05-1605AR5021; 05-1705AR0301
Federal Award Year(s): 2015, 2016, and 2017
Compliance Requirement(s) Affected: Reporting
Type of Finding: Material 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 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 other 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.

42 CFR § 457.630 states that form CMS-64 (Quarterly Medicaid Statement of Expenditures for the Medicaid Program) and form CMS-21 (Quarterly Children’s Health Insurance Program Statement of Expenditures for Title XXI) must be submitted to CMS no later than 30 days after the end of the quarter.

Condition and Context:

ALA staff reviewed the CMS-64.21U report to determine if the expenditure information was accurate and complete. ALA review revealed that expenditures for the quarter ended March 31, 2017, totaled \$24,096,422, but the Agency knowingly reported inaccurate expenditures totaling \$13,668,581, resulting in an understatement totaling \$10,427,841.

The understatement is the result of a breakdown in communication and flow of information between program staff within the Division of Medical Services (DMS), who are responsible for providing timely reportable expenditure information, and staff in managerial accounting, who are responsible for completing and submitting the report to the federal awarding agency. DMS does not provide information to managerial accounting timely, and managerial accounting does not adequately communicate concerns with the data received or the timeline in which the data are received. Because of this breakdown, managerial accounting purposely reported expenditures from the previous quarter (December 31, 2016) and would knowingly adjust the report at a later date.

Contributing to this breakdown is the Agency’s failure to develop documented internal control procedures for this reporting process. This failure was addressed in the 2016 Single Audit and is again addressed in current-year finding **2017-014**.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-013 (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
Federal Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1505AR5021; 05-1505AR1081; 05-1605AR5021; 05-1705AR0301
Federal Award Year(s):	2015, 2016, and 2017
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Material Noncompliance and Material Weakness

Condition and Context (Continued):

In addition, reports are required to be submitted to the federal awarding agency no later than 30 days after the end of each quarter unless an extension has been approved by the federal awarding agency. The Agency did not receive any extensions and failed to submit all four CMS 64.21U and CMS 21 reports for fiscal year 2017 timely as summarized below:

CMS 64.21U

- Quarter ended September 30, 2016 – certified on November 23, 2016, 24 days late.
- Quarter ended December 31, 2016 – certified on February 10, 2017, 11 days late.
- Quarter ended March 31, 2017 – certified on May 19, 2017, 19 days late.
- Quarter ended June 30, 2017 – certified on August 11, 2017, 12 days late.

(Note: The CMS 64.21U is a portion of the CMS 64 Report. Because of numerous errors, CMS rejected the CMS 64 Report for December 31, 2016, and June 30, 2017, reports so that the Agency could make necessary corrections, including prior period adjustments. Final certification of the December 31, 2016, report was on March 3, 2017, 62 days after the end of the quarter, and final certification of the June 30, 2017, report was on September 15, 2017, 77 days after the end of the quarter.)

CMS 21

- Quarter ended September 30, 2016 – certified on November 23, 2016, 24 days late.
- Quarter ended December 31, 2016 – certified on February 16, 2017, 16 days late.
- Quarter ended March 31, 2017 – certified on May 19, 2017, 19 days late.
- Quarter ended June 30, 2017 – certified on August 16, 2017, 17 days late.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$10,427,841

Cause:

The Agency has experienced tremendous staff turnover and, again, has not developed or documented internal control procedures over compliance for reporting, making it extremely difficult for new or re-assigned staff to perform required duties and remain in compliance with grant requirements.

Effect:

Failure to establish an adequate process ensuring expenditures are accurately reported negates the intended purpose of the reports submitted to the federal awarding agency.

Recommendation:

ALA staff recommend the Agency immediately establish and implement internal control procedures to ensure expenditure information submitted quarterly to the federal awarding agency is accurate and complete.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-013 (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
Federal Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1505AR5021; 05-1505AR1081;
05-1605AR5021; 05-1705AR0301
Federal Award Year(s): 2015, 2016, and 2017
Compliance Requirement(s) Affected: Reporting
Type of Finding: Material Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action:

The Department is shifting to an automated Federal reporting system with the completion of the quarter ending March 31, 2018, CMS-64 and CMS-21. As part of this process, the Department is establishing internal controls and manuals for the completion of the Federal reports for Medicaid and CHIP. Additionally, the Department has been in communication with CMS concerning additional training for current staff. Other training sources are being explored to allow the staff to be able to complete the forms by the required deadline. The Department works with CMS on a quarterly basis to ensure that all cost is properly documented.

Anticipated Completion Date: April 30, 2018

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-014
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
Federal Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1505AR5021; 05-1505AR1081;
05-1605AR5021; 05-1705AR0301
Federal Award Year(s): 2015, 2016, and 2017
Compliance Requirement(s) Affected: Reporting
Type of Finding: Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding **2016-017**.

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:

The Agency has again failed to develop and document internal control procedures over the reporting compliance requirement. As a result, Agency staff continue to struggle maintaining program compliance.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

Although the Agency was notified in July 2015 to develop and document procedures for internal control over compliance, it failed to prioritize this task during the previous audit cycle and, again, during this current audit cycle.

Effect:

The Agency’s inability to effectively manage the award and maintain compliance is severely impacted as evidenced by numerous audit findings.

Recommendation:

ALA staff again recommend the Agency immediately develop, document, and implement procedures for internal control over compliance for reporting to ensure compliance with applicable laws and regulations.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-014 (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
Federal Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1505AR5021; 05-1505AR1081; 05-1605AR5021; 05-1705AR0301
Federal Award Year(s):	2015, 2016, and 2017
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Material Weakness

Views of Responsible Officials and Planned Corrective Action:

The Department is shifting to an automated Federal reporting system with the completion of the quarter ending March 31, 2018, CMS-64 and CMS-21. As part of this process, the Department is establishing internal controls and manuals for the completion of the Federal reports for Medicaid and CHIP. Additionally, the Department has been in communication with CMS concerning additional training for current staff. Other training sources are being explored to allow the staff to be able to complete the forms by the required deadline. The Department works with CMS on a quarterly basis to ensure that all cost is properly documented.

Anticipated Completion Date: April 30, 2018

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-015
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
Federal Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1505AR5021; 05-1505AR1081; 05-1605AR5021; 05-1705AR0301
Federal Award Year(s):	2015, 2016, and 2017
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 federal award. This includes a process ensuring federal expenditures recorded in the Agency’s financial management system and federal expenditures reported to the federal awarding agency are accurate and complete.

Condition and Context:

ALA discussions with Agency staff revealed an adequate process is not in place to ensure expenditures reported are accurate and complete, as well as reflect expenditures recorded in the Agency’s financial management system. The Agency has previously stated that it prepares quarterly reconciliations to ensure expenditures are reported correctly. On June 19, 2017, ALA requested the Children’s Health Insurance Program (CHIP) reconciliations for the first three quarters of fiscal year 2017, which should have been readily available. However, Agency staff stated that due to time constraints, the reconciliations had not been completed. As a result, the Agency could not provide documentation to ensure the accuracy or completeness of the reported expenditures.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

The Agency has experienced tremendous staff turnover and, again, has not developed or documented internal control procedures over compliance for reporting, making it extremely difficult for new or re-assigned staff to perform required duties and remain in compliance with grant requirements.

Effect:

Failure to establish an adequate process ensuring expenditures are accurately reported negates the intended purpose of the reports submitted to the federal awarding agency.

Recommendation:

ALA staff recommend the Agency immediately establish and implement internal control procedures to ensure expenditure information submitted quarterly to the federal awarding agency is accurate and complete.

Views of Responsible Officials and Planned Corrective Action:

The Department is shifting to an automated Federal reporting system with the completion of the quarter ending March 31, 2018, CMS-64 and CMS-21. As part of this process, the Department is establishing internal controls and manuals for the completion of the Federal reports for Medicaid and CHIP. Additionally, the Department has been in communication with CMS concerning additional training for current staff. Other training sources are being explored to allow the staff to be able to complete the forms by the required deadline. The Department works with CMS on a quarterly basis to ensure that all cost is properly documented.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-015 (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
Federal Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1505AR5021; 05-1505AR1081; 05-1605AR5021; 05-1705AR0301
Federal Award Year(s):	2015, 2016, and 2017
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Material Weakness

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

Anticipated Completion Date: April 30, 2018

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Finding Number: 2017-016
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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1305AR5MAP; 05-1405AR5MAP;
05-1505AR5MAP; 05-1605AR5MAP;
05-1705AR5MAP; 05-1305ARBIPP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2013, 2014, 2015, 2016, and 2017
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings **2016-025**, **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 application 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, and in that case, the initial determination should be made within 90 days. Also, 42 CFR § 435.916 governs eligibility redeterminations 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. The review revealed deficiencies as summarized below:

- One client file, with 69 claims totaling \$32,359, did not contain documentation supporting the resources or income criteria, affecting all 69 claims. Questioned costs totaled \$22,577.
In addition, 114 claims paid in 2016 and 2015 were also affected. Questioned costs totaled \$21,102 and \$5,878, respectively.
The annual reevaluations were also not completed timely. The 2015 reevaluation, due in March 2015, had not been completed at the conclusion of audit fieldwork, and there were no reevaluations for 2016 or 2017 (Aid to the Aged).
- One client file, with 140 claims totaling \$5,838, did not contain documentation supporting the resources criteria, affecting 6 claims. Questioned costs totaled \$215.
Additionally, the annual reevaluation was not completed timely, as it was due in April 2017 but was not completed until May 16, 2017 (Aid to the Aged).
- One client file, with 94 claims totaling \$57,398, did not contain documentation supporting the resources criteria, affecting 15 claims. Questioned costs totaled \$2,731.
Additionally, the annual reevaluation was not completed timely, as it was due in July 2016 but was not completed until October 28, 2016 (Aid to the Aged).
- One client file, with 288 claims totaling \$38,681, did not contain a DCO-704 signed by a registered nurse verifying medical necessity and did not contain documentation supporting the resources criteria, affecting 48 claims. Questioned costs totaled \$3,751.
Additionally, the annual reevaluation was not completed timely, as it was due in September 2016 but was not completed until November 7, 2017, after the recipient's file was selected for review (Aid to the Aged).

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-016 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1305AR5MAP; 05-1405AR5MAP; 05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1305ARBIPP; 05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s):	2013, 2014, 2015, 2016, and 2017
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Material Noncompliance and Material Weakness

Condition and Context (Continued):

- One client file, with 20 claims totaling \$33,903, did not contain documentation supporting the resources or income criteria, affecting all 20 claims. Questioned costs totaled \$23,682.
In addition, 29 claims paid in 2016 were also affected. Questioned costs totaled \$19,935.
The annual reevaluations were also not completed timely. The 2016 reevaluation, due in January 2016, had not been completed at the conclusion of audit fieldwork, and there was no reevaluation for 2017 (Aid to the Aged).
- One client file, with 202 claims totaling \$38,365, did not contain documentation supporting the resources or income criteria, affecting all 202 claims. Questioned costs totaled \$26,766.
In addition, 1,100 claims paid in 2016, 2015, 2014, and 2013 were also affected. Questioned costs totaled \$31,791, \$33,878, \$31,585, and \$9,589, respectively.
The annual reevaluations were also not completed timely. The 2013 reevaluation, due in March 2013, had not been completed at the conclusion of audit fieldwork, and there were no reevaluations for 2014, 2015, 2016, or 2017 (Aid to the Disabled).
- One client file, with 400 claims totaling \$71,769, did not contain documentation supporting the income or resources criteria, affecting 374 claims. Questioned costs totaled \$46,406.
The annual reevaluation was also not completed timely. The 2017 reevaluation, due in July 2016, had not been completed at the conclusion of audit fieldwork (Aid to the Disabled).
- One client file, with 160 claims totaling \$21,970, did not contain documentation supporting the income or resources criteria, affecting 57 claims. Questioned costs totaled \$6,885.
The annual reevaluation was also not completed timely. The 2017 reevaluation, due in November 2016, had not been completed at the conclusion of audit fieldwork (Aid to the Aged).
- One client file, with 170 claims totaling \$52,435, did not contain documentation supporting the resources or income criteria, affecting 86 claims. Questioned costs totaled \$35,813.
In addition, 9 claims paid in 2016 were also affected. Questioned costs totaled \$5,738.
The annual reevaluations were also not completed timely. The 2016 reevaluation, due in May 2016, had not been completed at the conclusion of audit fieldwork and there was no reevaluation for 2017 (Aid to the Aged).
- One client file, with 26 claims totaling \$35,397, did not contain documentation a DCO-662 Third Party Resource form verifying assignment of rights nor did it contain documentation supporting the resources or income criteria, affecting all 26 claims. Questioned costs totaled \$24,709.
In addition, 113 claims paid in 2016 and 2015 were also affected. Questioned costs totaled \$32,387 and \$14,608, respectively.
The annual reevaluations were also not completed timely. The 2015 reevaluation, due in January 2015, had not been completed at the conclusion of audit fieldwork and there were no reevaluations for 2016 or 2017 (Aid to the Aged).

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-016 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1305AR5MAP; 05-1405AR5MAP;
05-1505AR5MAP; 05-1605AR5MAP;
05-1705AR5MAP; 05-1305ARBIPP;
05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s): 2013, 2014, 2015, 2016, and 2017
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Material Noncompliance and Material Weakness

Condition and Context (Continued):

- One client file, with 104 claims totaling \$57,660, did not contain a DCO-704 signed by a registered nurse verifying medical necessity and did not contain documentation supporting the resources or income criteria, affecting all 104 claims. Questioned costs totaled \$40,227.
In addition, 36 claims paid in 2016 were also affected. Questioned costs totaled \$15,644.
The annual reevaluations were also not completed timely. The 2016 reevaluation, due in February 2016, had not been completed at the conclusion of audit fieldwork and there was no reevaluation for 2017. (Aid to the Aged).
- One client file, with 208 claims totaling \$17,762, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 118 claims. Questioned costs totaled \$8,363.
The annual reevaluation was also not completed timely. It was due in March 2017 but was not completed until May 26, 2017 (Aid to the Aged).
- One client file, with 3 claims totaling \$36, did not contain a DCO-704 signed by a registered nurse verifying medical necessity but Questioned costs totaled \$0.
However, two claims paid in 2016 were affected. Questioned costs totaled \$17 (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child).
- One client file, with 86 claims totaling \$50,415, did not contain documentation supporting the resources criteria, affecting 8 claims. Questioned costs totaled \$4,940.
Additionally, the annual reevaluation was not completed timely, as it was due in May 2017 but was not completed until October 30, 2017, after the recipient's file was selected for review (Aid to the Aged).
- One client file, with 95 claims totaling \$19,026, did not contain documentation supporting the resources criteria, affecting 14 claims. Questioned costs totaled \$1,993.
The annual reevaluation was also not completed timely. It was due in April 2017 but was not completed until July 13, 2017 (Aid to the Aged).
- One client file, with 86 claims totaling \$50,497, did not contain documentation supporting the income or resources criteria, affecting 14 claims. Questioned costs totaled \$4,565.
The annual reevaluation was also not completed timely. The 2017 reevaluation, due in March 2017, had not been completed at the conclusion of audit fieldwork (Aid to the Aged).
- One client file, with 17 claims totaling \$772, did not contain documentation supporting the resources criteria, affecting all 17 claims. Questioned costs totaled \$538.
The initial eligibility determination was also not completed timely. The application was received on January 19, 2017, but was not approved until April 25, 2017, exceeding the 90-day limit for disability determinations (Aid to the Disabled).

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

- One client file did not have a timely initial eligibility determination. The application was received on May 26, 2016, but was not approved until September 7, 2016, exceeding the 90-day limit for disability determinations (Aid to the Disabled).

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Finding Number:	2017-016 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1305AR5MAP; 05-1405AR5MAP; 05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1305ARBIPP; 05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s):	2013, 2014, 2015, 2016, and 2017
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 initial eligibility determination. The application was received on July 11, 2016, but was not approved until September 29, 2016, exceeding the 45-day limit (Aid to the Aged)

Deficiencies related to eligible recipients with late redeterminations (no questioned costs) are listed below. 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 5, 2017, for dates of services between the time the reevaluation was due and the day before it was performed is noted below in order 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 July 2016 but was not completed until September 23, 2016. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$3,943 in state fiscal year 2017 (Aid to the Disabled).
- One client file did not have a timely reevaluation, as it was due in February 2017 but was not completed until March 23, 2017. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$6,018 in state fiscal year 2017 (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in March 2016 but the 2016 and 2017 reevaluations were not completed until November 2, 2017, 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 \$21,707, \$70,481, and \$25,169 in state fiscal years 2016, 2017, and 2018, respectively (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in October 2014 but the 2015, 2016, and 2017 reevaluations were not completed until November 3, 2017, 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 \$10,112, \$13,717, \$15,169, and \$5,784 in state fiscal years 2015, 2016, 2017, and 2018, respectively (Aid to the Disabled).
- One client file did not have a timely reevaluation, as it was due in May 2017 but was not completed until October 23, 2017, 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 \$9,002 in state fiscal year 2017 and \$21,601 in state fiscal year 2018 (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in December 2016 but was not completed until January 18, 2017. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$3,523 in state fiscal year 2017 (Aid to the Disabled).
- One client file did not have a timely reevaluation, as it was due in April 2017 but was not completed until November 1, 2017, 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 \$11,859 in state fiscal year 2017 and \$20,081 in state fiscal year 2018 (Aid to the Aged).

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Finding Number:	2017-016 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1305AR5MAP; 05-1405AR5MAP; 05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1305ARBIPP; 05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s):	2013, 2014, 2015, 2016, and 2017
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 February 2016 but the 2016 and 2017 reevaluations were not completed until November 1, 2017, 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 \$24,923, \$52,371, and \$28,275 in state fiscal years 2016, 2017, and 2018, respectively (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in February 2016 but the 2016 and 2017 reevaluations were not completed until November 2, 2017, 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 \$18,519, \$43,223, and \$15,933 in state fiscal years 2016, 2017, and 2018, respectively (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in April 2017 but was not completed until October 23, 2017, 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 \$31,899 in state fiscal year 2017 and \$27,154 in state fiscal year 2018 (Aid to the Disabled).
- One client file did not have a timely reevaluation, as it was due in November 2016 but was not completed until April 10, 2017. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$30,131 in state fiscal year 2017. (Aid to the Aged)
- One client file did not have a timely reevaluation, as it was due in September 2016 but was not completed until November 14, 2016. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$13,417 in state fiscal year 2017 and (\$2) in state fiscal year 2018 (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in December 2016 but was not completed until October 16, 2017, 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 \$35,919 in state fiscal year 2017 and \$21,281 in state fiscal year 2018 (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in March 2017 but was not completed until November 3, 2017, 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 \$13,924 in state fiscal year 2017 and \$17,146 in state fiscal year 2018 (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in June 2017 but was not completed until October 19, 2017, 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 \$2,666 in state fiscal year 2017 and \$15,761 in state fiscal year 2018 (Aid to the Aged).
- One client file did not have a timely reevaluation, as it was due in August 2016 but was not completed until September 12, 2016. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$2,492 in state fiscal year 2017 (Aid to the Disabled).
- One client file did not have a timely reevaluation, as it was due in October 2016 but was not completed until May 3, 2017. The claims paid for dates of services between when the reevaluation was due and the day before it was performed was \$17,008 in state fiscal year 2017 (Aid to the Aged).

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-016 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1305AR5MAP; 05-1405AR5MAP; 05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1305ARBIPP; 05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s):	2013, 2014, 2015, 2016, and 2017
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 April 2017 but was not completed until June 2, 2017. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled \$5,888 in state fiscal year 2017 (Aid to the Aged).

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

State Fiscal Year 2013 – \$9,589
State Fiscal Year 2014 – \$31,585
State Fiscal Year 2015 – \$54,364
State Fiscal Year 2016 – \$126,614
State Fiscal Year 2017 – \$254,161

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.

Based on testing results, specific areas related to resource and income criteria require continued communication and training. Additionally, the Agency should review its procedures related to making determinations timely to ensure that both the initial determinations as well as the redeterminations are made in accordance with federal regulations.

Of the 17 ineligible recipients noted above, nine of them did not have state fiscal year 2017 reevaluations performed by the end of fieldwork. Additionally, some reevaluations, due in prior years and as far back as 2013, had not been performed.

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:

The Division of County Operations concurs with the findings. Effective October 1, 2017, financial eligibility for the Long Term Services and Supports Program was transferred to the Division of County Operations. The Long Term Services and Supports staff are specialized to focus only on this program. Additional resources have been allocated to this unit to reduce and eliminate the backlog of overdue re-evaluations and increase the number of second party reviews completed on these cases to ensure that appropriate documentation is included in the case files. The reallocation of staff is complete as of March 2018. Progress has been made to reduce the backlog of overdue re-evaluations since October 2017.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-016 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1305AR5MAP; 05-1405AR5MAP; 05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1305ARBIPP; 05-1405ARBIPP; 05-1505ARBIPP
Federal Award Year(s):	2013, 2014, 2015, 2016, and 2017
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: March 2018

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-017
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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5MAP; 05-1705AR5MAP;
05-1605AR5ADM; 05-1705AR5ADM;
05-1605ARINCT; 05-1705ARINCT;
05-1605ARIMPL; 05-1705ARIMPL
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding **2016-016**.

Criteria:

42 CFR §§ 433.10 and 433.15 established rates to be used to calculate non-administrative and administrative state match and require that the State pay part of the costs for providing and administering the Medical Assistance Program (Medicaid).

Also, 42 CFR § 433.32 states that the State Medicaid Agency administering the program must maintain an accounting system and supporting fiscal records to assure that claims for federal funds are in accordance with applicable federal requirements.

Condition and Context:

ALA staff reviewed monthly funding reports maintained by the Agency to determine if state match was adequate for the quarters ended March 31, 2017, and June 30, 2017. ALA review revealed that the match reported to the federal awarding agency (CMS) on the CMS-64 reports did not agree with the match recorded in the Agency's financial management system. The CMS-64 report for March 31, 2017, overstated match totaling \$67,753,404, and the CMS-64 report for June 30, 2017, overstated match totaling \$20,910,864. ALA staff requested documentation that would support the variances between the match reported to CMS and the actual matching expenditures in the financial records, but the Agency was unable to provide any information to ALA by the end of fieldwork. As a result, it appears the Agency did not meet the match requirement for both quarters.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

\$88,664,268

Cause:

The Agency did not perform a reconciliation between the monthly federal/state match funding reports and the CMS-64 to ensure source of variances are identified timely.

Effect:

Failure to implement appropriate controls over expenditure reporting could result in an over/under match of Federal and State funds.

Recommendation:

ALA staff recommend the Agency establish and implement procedures to ensure amounts reported on monthly state/federal match funding reports agree to totals computed and reported to the federal awarding agency. This will ensure variances are properly researched and resolved timely.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-017 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5MAP; 05-1705AR5MAP;
05-1605AR5ADM; 05-1705AR5ADM;
05-1605ARINCT; 05-1705ARINCT;
05-1605ARIMPL; 05-1705ARIMPL
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action:

The Department is shifting to an automated Federal reporting system with the completion of the quarter ending March 31, 2018, CMS-64 and CMS-21. As part of this process the Department is establishing internal controls and manuals for the completion of the Federal reports for Medicaid and CHIP. Additionally, the Department has been in communication with CMS concerning additional training for current staff. Other training sources are being explored to allow the staff to be able to complete the forms by the required deadline. The Department works with CMS on a quarterly basis to ensure that all cost is properly documented.

Anticipated Completion Date: April 30, 2018

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-018
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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1605AR5MAP; 05-1705AR5MAP; 05-1605AR5ADM; 05-1705AR5ADM; 05-1605ARINCT; 05-1705ARINCT; 05-1605ARIMPL; 05-1705ARIMPL
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Matching, Level of Effort, Earmarking
Type of Finding:	Material Weakness

Repeat Finding:

A similar issue was reported in prior-year finding **2016-015**.

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 2017.

According to the Agency, reports were prepared for the quarters ended March 31, 2017, and June 30, 2017, as a monitoring tool to ensure the required state match was met. ALA requested a copy of these reports in order to verify management was providing adequate monitoring of the required match, but the Agency never provided the reports to us. As a result, ALA concluded that the Agency does not have adequate controls in place over this compliance requirement.

In addition, because the Agency did not prioritize developing and documenting internal controls or maintain copies of the reports it claims to have used to monitor match, the Agency failed to comply with match requirements as noted in current-year finding **2017-017**.

Statistically Valid Sample:

Not applicable

Questioned Costs:

None

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-018 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5MAP; 05-1705AR5MAP;
05-1605AR5ADM; 05-1705AR5ADM;
05-1605ARINCT; 05-1705ARINCT;
05-1605ARIMPL; 05-1705ARIMPL
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking
Type of Finding: Material Weakness

Cause:

Although the Agency was notified in July 2015 to develop and document procedures for internal control over compliance, it failed to prioritize this task during the previous audit cycle and, again, during this current audit cycle. ALA was informed that due to staff turnover and workloads, program staff did not have time to prepare documented written internal controls.

Also, ALA was informed that comparison reports were created in preparation of its 2017 Schedule of Expenditures of Federal Awards (SEFA). However, Agency staff could not provide copies of these reports to ALA.

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 Department is shifting to an automated Federal reporting system with the completion of the quarter ending March 31, 2018, CMS-64 and CMS-21. As part of this process the Department is establishing internal controls and manuals for the completion of the Federal reports for Medicaid and CHIP. Additionally, the Department has been in communication with CMS concerning additional training for current staff. Other training sources are being explored to allow the staff to be able to complete the forms by the required deadline. The Department works with CMS on a quarterly basis to ensure that all cost is properly documented.

Anticipated Completion Date: April 30, 2018

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-019
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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5MAP; 05-1705AR5MAP;
05-1605ARINCT; 05-1705ARINCT;
05-1505ARBIPP
Federal Award Year(s): 2015, 2016, and 2017
Compliance Requirement(s) Affected: Procurement and Suspension and Debarment
Type of Finding: Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings 2016-027 and 2015-024.

Criteria:

In accordance with 45 CFR § 75.303, the 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. This includes establishing internal controls to document the Agency's reviews to ensure compliance with program regulations.

In addition, 42 CFR § 455.436 (c)(2) requires the State Medicaid Agency to check the List of Excluded Individuals and Entities (LEIE), maintained by the U.S. Office of Inspector General, and Excluded Parties List System (EPLS), maintained by the General Services Administration (GSA), no less frequently than monthly because, as stated in 2 CFR § 180.415(a), if a participant in the Medicaid Program is excluded by a federal agency after entering into covered transactions, the 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.

Condition and Context:

According to Division of Medical Services (DMS) staff, DXC 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 EPLS and the LEIE. Each month, DXC is contracted to provide 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. ALA review revealed that the Agency failed to perform monthly reviews from July 2016 through December 2016, as well as in June 2017, and that DXC failed to provide DMS with four monthly reports during the fiscal year.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

DMS failed to ensure the transition of duties for monitoring monthly LexisNexis reports from the Program Integrity Unit when it was moved from DMS to the Office of Medicaid Inspector General. The Agency then failed to establish and implement proper controls to ensure LexisNexis reviews were completed in accordance with the contract.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-019 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5MAP; 05-1705AR5MAP;
05-1605ARINCT; 05-1705ARINCT;
05-1505ARBIPP
Federal Award Year(s): 2015, 2016, and 2017
Compliance Requirement(s) Affected: Procurement and Suspension and Debarment
Type of Finding: Material Weakness

Effect:

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

Recommendation:

ALA staff recommend the Agency adhere to its established internal control procedures regarding suspension and debarment to ensure that enrolled providers in the Arkansas Medicaid Program are not excluded from participation.

Views of Responsible Officials and Planned Corrective Action:

Along with concerns mentioned above, a staff vacancy existed for a period of time during the dates cited. The new staff hired is processing and running these reports as required. An internal control document exists and is being followed to ensure key dates and deliverables are met as outlined in the document.

Anticipated Completion Date: Complete

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-020
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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1605AR5MAP; 05-1705AR5MAP; 05-1605AR5ADM; 05-1705AR5ADM; 05-1605ARINCT; 05-1705ARINCT; 05-1605ARIMPL; 05-1705ARIMPL
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Material Noncompliance and Material Weakness

Repeat Finding:

A similar issue was reported in prior-year findings **2016-028**, **2015-025**, and **2014-021**.

Criteria:

In accordance with 45 CFR § 75.303, the 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.

Additionally, 42 CFR § 430.30(c) requires submission of a quarterly statement of expenditures report (CMS-64) for the Medical Assistance Program (MAP) not later than 30 days after the end of each quarter. 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, as well as review, investigate, and provide explanations for identified variances. Reconciliations, along with the variance explanations, should be included as supporting documentation for the CMS-64.

Condition and Context:

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 for reporting administrative expenditures and did not appear complete. Documentation provided included only instructions for pulling expenditure reports from the Agency's cost allocation system. The instructions included names of individuals who left the Agency up to three years ago.

ALA staff 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 reconciliations for quarter ended March 31, 2017, revealed it was not reviewed prior to certification and submission to the federal awarding agency. The workbook for this quarter also contained an error representing a "hard keyed" expenditure amount that had been carried forward from the previous quarter.

ALA staff also performed testing of expenditures reported on the CMS-64 for the quarters ended March 31, 2017, and June 30, 2017, to confirm accuracy and completeness with the expenditures recorded in Agency's financial management system. ALA review revealed the following errors:

From the March 31, 2017, report:

- Twenty-nine report line items totaling \$1,539,392,590 and representing 91% of MAP expenditures were selected. Because of errors in the reallocation of expenditures between the Children's Health Insurance Program (CHIP) and the Medical Assistance Program, ALA staff were unable to perform testing for 13 of the line items with expenditures totaling \$416,152,201. The current-year finding regarding the reallocation for CHIP is **2017-013**.
- Twelve report line items totaling \$97,924,677 and representing 96% of administrative expenditures were selected. Errors were identified in 4 of the line items, resulting in an understatement totaling \$616,945.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-020 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5MAP; 05-1705AR5MAP;
05-1605AR5ADM; 05-1705AR5ADM;
05-1605ARINCT; 05-1705ARINCT;
05-1605ARIMPL; 05-1705ARIMPL
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Reporting
Type of Finding: Material Noncompliance and Material Weakness

Condition and Context (Continued):

From the June 30, 2017, report:

- Thirty report line items totaling \$1,434,188,118 and representing 91% of MAP expenditures were selected. Errors were identified in 9 of the line items, resulting in an overstatement totaling \$2,039,166.
- Thirteen report line items totaling \$117,805,082 and representing 97% of administrative expenditures were selected. Errors were identified in 4 of the line items, resulting in an overstatement totaling \$409,036.

It appears that although the Agency has developed and documented internal control policies and procedures over reporting, controls are not operating effectively to ensure accurate and complete reporting.

Finally, ALA staff performed procedures to determine if the CMS-64 reports were submitted within 30 days of the end of each quarter as required. ALA review revealed all CMS-64 reports for state fiscal year 2017 had not been submitted timely as follows:

- The September 30, 2016, report, due for submission on October 30, 2016, was submitted on November 23, 2016, 24 days late.
- The December 31, 2016, report, due for submission on January 30, 2017, was submitted on February 10, 2017, 11 days late.
- The March 31, 2017, report, due for submission on April 30, 2017, was submitted on May 19, 2017, 19 days late.
- The June 30, 2017, report, due for submission on July 30, 2017, was submitted on August 11, 2017, 12 days late.

(Note: Because of numerous errors, CMS rejected the December 31, 2016, and June 30, 2017, reports so that the Agency could make necessary corrections, including prior period adjustments. Final certification of the December 31, 2016, report was on March 3, 2017, 62 days after the end of the quarter, and final certification of the June 30, 2017, report was on September 15, 2017, 77 days after the end of the quarter.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

Unknown

Cause:

The Agency failed to prioritize timely and accurate completion of the federal expenditure reports. According to the Agency, individuals completing the quarterly expenditure reports are unable to review expenditure calculations, complete reconciliations, and investigate variances prior to submission of the reports due to limited staff and complexity of the reporting process.

In addition, the Agency chose to delay updates to procedures until new systems were implemented.

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-020 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5MAP; 05-1705AR5MAP;
05-1605AR5ADM; 05-1705AR5ADM;
05-1605ARINCT; 05-1705ARINCT;
05-1605ARIMPL; 05-1705ARIMPL
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Reporting
Type of Finding: Material Noncompliance and Material Weakness

Effect:

Failure to implement appropriate controls over expenditure reporting could result in an overpayment or underpayment of federal funds.

Recommendation:

ALA staff recommend the Agency review reporting processes and update existing procedures for preparation of the CMS-64 report to ensure timely submission of accurate reports. In addition, the Agency should complete and review reconciliations of reported expenditures to the Agency's fiscal records prior to certification of the quarterly expenditure reports.

Views of Responsible Officials and Planned Corrective Action:

The Department is shifting to an automated Federal reporting system with the completion of the quarter ending March 31, 2018, CMS-64 and CMS-21. As part of this process, the Department is establishing internal controls and manuals for the completion of the Federal reports for Medicaid and CHIP. Additionally, the Department has been in communication with CMS concerning additional training for current staff. Other training sources are being explored to allow the staff to be able to complete the forms by the required deadline. The Department works with CMS on a quarterly basis to ensure that all cost is properly documented.

Anticipated Completion Date: April 30, 2018

Contact Person: David McMahon
Chief Financial Officer for Medicaid Services
Department of Human Services
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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-021
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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1605AR5MAP; 05-1705AR5MAP
Federal Award Year(s): 2016 and 2017
Compliance Requirement(s) Affected: Special Tests and Provisions –
Inpatient Hospital & Long-Term Care
Type of Finding: Noncompliance and Significant Deficiency

Repeat Finding:
Not applicable

Criteria:

Attachment 4.19-A of the Arkansas Medicaid State Plan states that each hospital participating in the Arkansas Medicaid Program shall submit an annual cost report. The cost reports are reviewed by outside contractors that must determine acceptability of the report within 30 days of receipt.

In addition, 45 CFR § 75.303(a) 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.

Furthermore, 45 CFR § 75.303(e) requires the non-federal entity to take reasonable measures to ensure information considered sensitive is safeguarded.

Condition and Context:

ALA reviewed 10 inpatient hospital cost reports to determine if the Agency's submission to the outside contractor was timely and confirm review by the contractor, ensuring per diem rates paid to providers are accurate. This review revealed that a cost report was lost when mailed to the outside contractor. The noncompliance resulting from the Agency's inadequate control procedures was discovered by the contractor after six months had passed. As of the end of field work on November 21, 2017, the original cost report had not been located, and the provider had not submitted a replacement report.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

Unknown

Cause:

The Agency failed to implement adequate control procedures to ensure that all cost reports submitted to the outside contractor were received and reviewed timely.

Effect:

The per diem rates paid to providers have not been properly reviewed and could result in an inappropriate payment to providers.

Recommendation:

ALA staff recommend the Agency implement adequate control procedures to ensure all provider cost reports are received by the contractor and are reviewed timely.

Views of Responsible Officials and Planned Corrective Action:

The Department will develop a plan for tracking cost report submissions, reviews, and cost settlements with its contractor to ensure proper oversight of the process.

Anticipated Completion Date: June 30, 2018

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number:	2017-021 (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 Awarding Agency:	U.S. Department of Health and Human Services
Federal Award Number(s):	05-1605AR5MAP; 05-1705AR5MAP
Federal Award Year(s):	2016 and 2017
Compliance Requirement(s) Affected:	Special Tests and Provisions – Inpatient Hospital & Long-Term Care
Type of Finding:	Noncompliance and Significant Deficiency

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

Contact Person:	David McMahon Chief Financial Officer for Medicaid Services Department of Human Services P.O. Box 1437, Slot W401 Little Rock, AR 72203-1437 (501) 398-6421 David.McMahon@dhs.arkansas.gov
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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-022
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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP
Federal Award Year(s): 2014, 2015, 2016, and 2017
Compliance Requirement(s) Affected: Special Tests and Provisions – Claims Paid Subsequent to Recipient Death
Type of Finding: Noncompliance and Significant Deficiency

Repeat Finding:
Not applicable

Criteria:

It is the State's responsibility to ensure that claims are only paid for eligible Medicaid recipients and that any changes to a recipient's eligibility be updated timely. According to Section I-600 of the Medical Service Policy Manual, the Arkansas Department of Human Services (DHS) is required to act on any change that may alter eligibility within 10 days of receiving the change. One of the changes listed that could affect eligibility is death of the recipient. Additionally, Section I-610 of the manual indicates that a recipient loses eligibility upon death.

Condition and Context:

The Arkansas Department of Health provided ALA with a listing of deceased individuals, which ALA used to identify individuals who had claims paid or adjusted in state fiscal year 2017 with dates of service after their date of death. The resulting claims population was split into those related to Arkansas Works premiums only and all others.

ALA staff reviewed 60 recipients who had Arkansas Works premiums paid for dates of service subsequent to the date of death. Testing results revealed the following:

- Nine recipients had premiums paid for dates of service after their date of death that were not subsequently recouped as of fieldwork date November 29, 2017. Questioned costs totaled \$31,245, \$29,749, and \$3,361 for state fiscal years 2017, 2016, and 2015, respectively.
- Eleven recipients either did not have a date of death or did not have the correct date of death in the Medicaid Management Information System (MMIS).
- Twenty-two recipients had a period greater than six months from the time of death until the latest date of service of all premiums paid through June 30, 2017, for dates of service subsequent to the date of death.

ALA staff reviewed 60 recipients who had non-Arkansas Works claims paid for dates of service subsequent to the date of death. Testing results revealed the following:

- Eighteen recipients had claims paid for dates of service after their date of death that were not subsequently recouped as of fieldwork date November 29, 2017. Questioned costs totaled \$2,752, \$473, and \$57 for state fiscal years 2017, 2016, and 2015, respectively.
- Twelve recipients either did not have a date of death or did not have a correct date of death in the MMIS system.
- Ten recipients had a period greater than six months from the time of death until the latest date of service of all claims paid through June 30, 2017, for dates of service subsequent to the date of death.

Statistically Valid Sample:

Not a statistically valid sample

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding Number: 2017-022 (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 Awarding Agency: U.S. Department of Health and Human Services
Federal Award Number(s): 05-1405AR5MAP; 05-1505AR5MAP;
05-1605AR5MAP; 05-1705AR5MAP
Federal Award Year(s): 2014, 2015, 2016, and 2017
Compliance Requirement(s) Affected: Special Tests and Provisions –
Claims Paid Subsequent to Recipient Death
Type of Finding: Noncompliance and Significant Deficiency

Questioned Costs:

State Fiscal Year 2015 – \$3,418
State Fiscal Year 2016 – \$30,222
State Fiscal Year 2017 – \$33,997

Cause:

Although the Agency has designed internal control procedures to ensure recipient files are updated upon the death of a recipient, certain areas still require continued communication to and training of the appropriate Agency personnel.

The Agency should review procedures to ensure that the death information they are utilizing to update both recipient eligibility systems is complete. Additionally, procedures related to the closure of recipients' cases in the eligibility systems due to death should be reviewed as these closures are sometimes manual in nature and would, therefore, be subject to human error.

Effect:

Claims payments were made on behalf of deceased recipients.

Recommendation:

ALA staff recommend the Agency strengthen controls to ensure recipient files are updated when a recipient dies in a timely manner so that claims for dates of service subsequent to the date of death are not paid.

Views of Responsible Officials and Planned Corrective Action:

The Division of County Operations concurs with the finding. The Division of County Operations will provide refresher guidance to staff on the process of closing cases due to death. Supervisors will complete random second party reviews to ensure that cases have been properly closed due to death.

Anticipated Completion Date: March 5, 2018

Contact Person:

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**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS

Finding Number: 2017-023
State/Educational Agency(s): University of Arkansas for Medical Sciences
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.007 – Federal Supplemental Educational Opportunity Grants
84.033 – Federal Work Study Program
84.038 – Federal Perkins Loan Program_Capital Contributions
84.063 – Federal Pell Grant Program
84.268 – Federal Direct Student Loans
93.264 – Nurse Faculty Loan Program (NFLP)
93.342 – Health Professions Student Loans, Including
Primary Care Loans/Loans for Disadvantaged Students
93.364 – Nursing Student Loans
(Student Financial Assistance Cluster)
Federal Awarding Agency: Various
Federal Award Number(s): Various
Federal Award Year(s): July 1, 2016 – June 30, 2017
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Control Deficiency

Repeat Finding:
Not applicable

Criteria:

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to U.S. Department of Education (ED) as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR Section 668.173(b)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew (34 CFR Section 668.22(j)).

An institution returns Title IV funds timely if:

- a) The institution deposits or transfers the funds into the bank account it maintains under 34 CFR Section 668.163 as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;
- b) The institution initiates an EFT as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;
- c) The institution initiates an electronic transaction as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance, which informs the lender to adjust the borrower's loan account for the amount returned; or
- d) The institution issues a check as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance. An institution does not satisfy this requirement if:
 - 1) The institution's records show that the check was issued more than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance; or
 - 2) The date on the canceled check shows that the bank used by the secretary endorsed that check more than 45 days after the date that the institution becomes aware that the student will not or has not begun attendance (34 CFR Section 668.21(d)).

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number: 2017-023 (Continued)
State/Educational Agency(s): University of Arkansas for Medical Sciences
Pass-Through Entity: Not Applicable
CFDA Number(s) and Program Title(s): 84.007 – Federal Supplemental Educational Opportunity Grants
84.033 – Federal Work Study Program
84.038 – Federal Perkins Loan Program_Capital Contributions
84.063 – Federal Pell Grant Program
84.268 – Federal Direct Student Loans
93.264 – Nurse Faculty Loan Program (NFLP)
93.342 – Health Professions Student Loans, Including
Primary Care Loans/Loans for Disadvantaged Students
93.364 – Nursing Student Loans
(Student Financial Assistance Cluster)
Federal Awarding Agency: Various
Federal Award Number(s): Various
Federal Award Year(s): July 1, 2016 – June 30, 2017
Compliance Requirement(s) Affected: Reporting
Type of Finding: Noncompliance and Control Deficiency

Condition and Context:

The control that governs the timely notification of an official withdrawal or dismissal date had an instance of failure. During our test work over Student Financial Aid Cluster, we selected a sample of 25 for control and compliance test work. We noted one instance where funds were not timely returned. In this instance, we noted that a student withdrew on October 19, 2016. The applicable funds were returned on February 15, 2017, which is more than 45 days after the institution determined the student withdrew.

Statistically Valid Sample:

Not a statistically valid sample

Questioned Costs:

None

Cause:

A clerical error made during the processing of the student withdrawal resulted in a failure of the Office of the University Registrar from notifying the UAMS Student Financial Services until February 14, 2017. The UAMS Student Financial Services promptly returned the funds the next business day.

Effect:

The failure to return the funds until February 14, 2017 resulted in non-compliance with the requirement to do so within 45 days of knowing the student withdrew.

Recommendation:

We recommend that management strengthen the institution's review procedures to help ensure that timely notifications of student withdrawals are made to the UAMS Student Financial Services such that the return of funds will occur in the mandated time frame.

Views of Responsible Officials and Planned Corrective Action:

Management concurs with this finding. Management has recognized and addressed the communication oversight between the Office of the University Registrar and the Student Financial Services Office, which led to this delay in returning funds. This oversight occurred during the transition to a new student information software system. Since then, new processes and reports have been implemented whereby the appropriate staff are notified by the Registrar of enrollment changes in a timely manner.

Anticipated Completion Date: Completed

**State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	2017-023 (Continued)
State/Educational Agency(s):	University of Arkansas for Medical Sciences
Pass-Through Entity:	Not Applicable
CFDA Number(s) and Program Title(s):	84.007 – Federal Supplemental Educational Opportunity Grants 84.033 – Federal Work Study Program 84.038 – Federal Perkins Loan Program_Capital Contributions 84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans 93.264 – Nurse Faculty Loan Program (NFLP) 93.342 – Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students 93.364 – Nursing Student Loans (Student Financial Assistance Cluster)
Federal Awarding Agency:	Various
Federal Award Number(s):	Various
Federal Award Year(s):	July 1, 2016 – June 30, 2017
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance and Control Deficiency

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

Contact Person:	Gloria Kemp Director, Student Financial Services University of Arkansas for Medical Sciences 4301 West Markham Little Rock, AR 72205 (501) 686-6128 Kempgloriad@uams.edu
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State of Arkansas Single Audit

***Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017***

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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			\$ 516,949,256	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			30,476,307	
Total United States Department of Agriculture				<u>547,425,563</u>	
Total SNAP CLUSTER				<u>547,425,563</u>	
CHILD NUTRITION CLUSTER					
United States Department of Agriculture					
School Breakfast Program	10.553			54,313,208	\$ 53,001,158
National School Lunch Program	10.555			153,477,045	135,209,295
Summer Food Service Program for Children	10.559			5,688,299	
Total United States Department of Agriculture				<u>213,478,552</u>	<u>188,210,453</u>
Total CHILD NUTRITION CLUSTER				<u>213,478,552</u>	<u>188,210,453</u>
FOOD DISTRIBUTION CLUSTER					
United States Department of Agriculture					
Commodity Supplemental Food Program	10.565			767,286	245,625
Emergency Food Assistance Program (Administrative Costs)	10.568			475,779	475,134
Emergency Food Assistance Program (Food Commodities)	10.569			6,719,871	
Total United States Department of Agriculture				<u>7,962,936</u>	<u>720,759</u>
Total FOOD DISTRIBUTION CLUSTER				<u>7,962,936</u>	<u>720,759</u>
FOREST SERVICE SCHOOLS AND ROADS CLUSTER					
United States Department of Agriculture					
Schools and Roads - Grants to States	10.665			2,944,289	2,944,289
Total United States Department of Agriculture				<u>2,944,289</u>	<u>2,944,289</u>
Total FOREST SERVICE SCHOOLS AND ROADS CLUSTER				<u>2,944,289</u>	<u>2,944,289</u>

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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			\$ 748,811	
Total United States Department of Commerce				<u>748,811</u>	
Total ECONOMIC DEVELOPMENT CLUSTER				<u>748,811</u>	
CDBG – ENTITLEMENT GRANTS CLUSTER					
United States Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants	14.218			449,636	\$ 411,056
Total United States Department of Housing and Urban Development				<u>449,636</u>	<u>411,056</u>
Total CDBG – ENTITLEMENT GRANTS CLUSTER				<u>449,636</u>	<u>411,056</u>
477 CLUSTER					
United States Department of the Interior					
Indian Education_Higher Education Grant	15.114			230,034	
Total United States Department of the Interior				<u>230,034</u>	
United States Department of Health and Human Services					
Community Services Block Grant	93.569			8,316,827	7,997,474
Total United States Department of Health and Human Services				<u>8,316,827</u>	<u>7,997,474</u>
Total 477 CLUSTER				<u>8,546,861</u>	<u>7,997,474</u>
FISH AND WILDLIFE CLUSTER					
United States Department of the Interior					
Sport Fish Restoration	15.605			4,407,522	
Wildlife Restoration and Basic Hunter Education	15.611			14,392,828	10,065
Total United States Department of the Interior				<u>18,800,350</u>	<u>10,065</u>
Total FISH AND WILDLIFE CLUSTER				<u>18,800,350</u>	<u>10,065</u>

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
EMPLOYMENT SERVICE CLUSTER					
United States Department of Labor					
Employment Service/Wagner-Peyser Funded Activities	17.207			\$ 5,601,783	
Disabled Veterans' Outreach Program (DVOP)	17.801			1,046,326	
Local Veterans' Employment Representative Program	17.804			288,193	
Total United States Department of Labor				<u>6,936,302</u>	
Total EMPLOYMENT SERVICE CLUSTER				<u>6,936,302</u>	
WIOA CLUSTER					
United States Department of Labor					
WIA/WIOA Adult Program	17.258			7,184,435	\$ 6,194,035
WIA/WIOA Youth Activities	17.259			7,129,968	6,079,329
WIA/WIOA Dislocated Worker Formula Grants	17.278			7,677,661	5,549,332
Total United States Department of Labor				<u>21,992,064</u>	<u>17,822,696</u>
Total WIOA CLUSTER				<u>21,992,064</u>	<u>17,822,696</u>
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER					
United States Department of Transportation					
Highway Planning and Construction	20.205			740,843,934	34,605,130
Recreational Trails Program	20.219			705,847	687,124
Federal Lands Access Program	20.224			5,644,646	43,185
Total United States Department of Transportation				<u>747,194,427</u>	<u>35,335,439</u>
Total HIGHWAY PLANNING AND CONSTRUCTION CLUSTER				<u>747,194,427</u>	<u>35,335,439</u>
FEDERAL TRANSIT CLUSTER					
United States Department of Transportation					
Federal Transit_Formula Grants	20.507			648,918	
Bus and Bus Facilities Formula Program	20.526			2,777,995	321,861
Total United States Department of Transportation				<u>3,426,913</u>	<u>321,861</u>
Total FEDERAL TRANSIT CLUSTER				<u>3,426,913</u>	<u>321,861</u>

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
TRANSIT SERVICES PROGRAMS CLUSTER					
United States Department of Transportation					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			\$ 3,985,931	
Job Access And Reverse Commute Program	20.516			204,166	\$ 103,628
Total United States Department of Transportation				<u>4,190,097</u>	<u>103,628</u>
Total TRANSIT SERVICES PROGRAMS CLUSTER				<u>4,190,097</u>	<u>103,628</u>
HIGHWAY SAFETY CLUSTER					
United States Department of Transportation					
State and Community Highway Safety	20.600			3,006,452	629,318
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601			306,369	
Safety Belt Performance Grants	20.609			637,411	
National Priority Safety Programs	20.616			2,821,990	427,410
Total United States Department of Transportation				<u>6,772,222</u>	<u>1,056,728</u>
Total HIGHWAY SAFETY CLUSTER				<u>6,772,222</u>	<u>1,056,728</u>
CLEAN WATER STATE REVOLVING FUND CLUSTER					
Environmental Protection Agency					
Capitalization Grants for Clean Water State Revolving Funds	66.458			9,131,435	8,696,384
Total Environmental Protection Agency				<u>9,131,435</u>	<u>8,696,384</u>
Total CLEAN WATER STATE REVOLVING FUND CLUSTER				<u>9,131,435</u>	<u>8,696,384</u>
DRINKING WATER STATE REVOLVING FUND CLUSTER					
Environmental Protection Agency					
Capitalization Grants for Drinking Water State Revolving Fund s	66.468			16,044,678	8,133,761
Total Environmental Protection Agency				<u>16,044,678</u>	<u>8,133,761</u>
Total DRINKING WATER STATE REVOLVING FUND CLUSTER				<u>16,044,678</u>	<u>8,133,761</u>
SPECIAL EDUCATION CLUSTER (IDEA)					
United States Department of Education					
Special Education_Grants to States	84.027			117,663,990	113,643,329
Special Education_Preschool Grants	84.173			5,651,489	5,651,487
Total United States Department of Education				<u>123,315,479</u>	<u>119,294,816</u>
Total SPECIAL EDUCATION CLUSTER (IDEA)				<u>123,315,479</u>	<u>119,294,816</u>

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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			\$ 6,715,819	
TRIO_Talent Search	84.044			3,678,538	
TRIO_Upward Bound	84.047			6,125,408	
TRIO_Educational Opportunity Centers	84.066			2,012,926	
TRIO_McNair Post-Baccalaureate Achievement	84.217			388,318	
Total United States Department of Education				<u>18,921,009</u>	
Total TRIO CLUSTER				<u>18,921,009</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			3,355,640	\$ 2,914,996
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045			5,628,107	5,628,107
Nutrition Services Incentive Program	93.053			2,846,505	2,846,505
Total United States Department of Health and Human Services				<u>11,830,252</u>	<u>11,389,608</u>
Total AGING CLUSTER				<u>11,830,252</u>	<u>11,389,608</u>
MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER					
United States Department of Health and Human Services					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505			7,339,073	
Pass-Through from Arkansas Children's Hospital	93.505		D89MC23141-02	379,672	
Pass-Through from Arkansas Children's Hospital	93.505		N/A	85,709	
Total United States Department of Health and Human Services				<u>7,804,454</u>	
Total MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING CLUSTER				<u>7,804,454</u>	
TANF CLUSTER					
United States Department of Health and Human Services					
Temporary Assistance for Needy Families	93.558			51,778,302	7,558,485
Total United States Department of Health and Human Services				<u>51,778,302</u>	<u>7,558,485</u>
Total TANF CLUSTER				<u>51,778,302</u>	<u>7,558,485</u>

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CCDF CLUSTER					
United States Department of Health and Human Services					
Child Care and Development Block Grant	93.575			\$ 25,674,369	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			18,141,910	
Total United States Department of Health and Human Services				<u>43,816,279</u>	
Total CCDF CLUSTER				<u>43,816,279</u>	
MEDICAID CLUSTER					
United States Department of Health and Human Services					
State Medicaid Fraud Control Units	93.775			1,747,497	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777			9,707,534	
Medical Assistance Program	93.778			5,270,488,910	
Total United States Department of Health and Human Services				<u>5,281,943,941</u>	
Total MEDICAID CLUSTER				<u>5,281,943,941</u>	
FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER					
Corporation for National and Community Service					
Foster Grandparent Program	94.011			173,504	
Total Corporation for National and Community Service				<u>173,504</u>	
Total FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER				<u>173,504</u>	
DISABILITY INSURANCE/SSI CLUSTER					
Social Security Administration					
Social Security_Disability Insurance	96.001			45,681,776	
Total Social Security Administration				<u>45,681,776</u>	
Total DISABILITY INSURANCE/SSI CLUSTER				<u>45,681,776</u>	
RESEARCH AND DEVELOPMENT CLUSTER					
United States Department of Agriculture					
Agricultural Research_Basic and Applied Research	10.001			2,053,448	\$ 260,560
Plant and Animal Disease, Pest Control, and Animal Care	10.025			347,396	
Specialty Crop Block Grant Program - Farm Bill	10.170			43,182	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
United States Department of Agriculture (Continued)					
Local Food Promotion Program	10.172			\$ 17,718	\$ 7,566
Grants for Agricultural Research, Special Research Grants	10.200			82,289	
Pass-Through from University of Georgia	10.200		LS12-250	5,299	
Pass-Through from University of Georgia	10.200		RD309-129/S000830	11,033	
Pass-Through from University of Georgia	10.200		RD309-129/S001035	22,222	
Pass-Through from University of Florida	10.200		1500384407	3,163	
Pass-Through from University of Florida	10.200		1600411194	19,800	
Pass-Through from University of Florida	10.200		1600472672	2,500	
Pass-Through from University of Florida	10.200		1600474746	37,894	
Cooperative Forestry Research	10.202			1,055,127	
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203			4,298,371	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205			2,210,262	
Animal Health and Disease Research	10.207			77,353	
Sustainable Agriculture Research and Education	10.215			31,757	
Pass-Through from University of Georgia	10.215		RD309-129/S000844	3,595	
Pass-Through from University of Georgia	10.215		RD309-134/S001150	22,222	
Pass-Through from University of Georgia	10.215		RD309-134/S001164	3,722	
Pass-Through from University of Georgia	10.215		RD309-134/S001225	1,422	
Pass-Through from University of Georgia	10.215		RD309-137/S001415	5,026	
Pass-Through from Texas A&M AgriLife Extension Service	10.215		RD309-129/S001035	20,114	
Pass-Through from Georgia State University	10.215		RD309-129/S000838	6,627	
Pass-Through from Georgia State University	10.215		RD309-134/S001159	389	
1890 Institution Capacity Building Grants	10.216			491,902	144,124
Pass-Through from Delaware State University	10.216		16-012HEH	20,403	
Higher Education - Institution Challenge Grants Program	10.217			26,373	
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250			30,932	
Agricultural Market and Economic Research					
Pass-Through from University of Missouri	10.290		C00052286-1	26,426	
Integrated Programs	10.303			271,923	94,763

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
United States Department of Agriculture (Continued)					
Organic Agriculture Research and Extension Initiative	10.307			\$ 40,433	
Pass-Through from University of Georgia	10.307		RC293-636/S000869	13,110	
Pass-Through from Texas A&M AgriLife Extension Service	10.307		06-S160648	48,881	
Specialty Crop Research Initiative	10.309			185,223	\$ 12,102
Pass-Through from Michigan State University	10.309		RC104285E	11,609	
Agriculture and Food Research Initiative (AFRI)	10.310			1,173,718	245,576
Pass-Through from University of Wisconsin	10.310		466K734	62,846	
Pass-Through from University of California - Davis	10.310		201603566-01	27,642	
Pass-Through from University of Arizona	10.310		297505	5,158	
Pass-Through from Texas A&M AgriLife Extension Service	10.310		06-S160693	23,499	
Pass-Through from Purdue University	10.310		8000053330-AG	133,917	
Pass-Through from North Carolina State University	10.310		2011-0494-24	51,103	
Pass-Through from Louisiana State University	10.310		55135	22,944	
Pass-Through from Louisiana State University	10.310		64908	22,791	
Pass-Through from Kansas State University	10.310		S13168	109,238	
Pass-Through from Iowa State University	10.310		416-41-07E	26,763	
Beginning Farmer And Rancher Development Program	10.311			732,073	196,258
Pass-Through from University of Vermont	10.311		20157001723898	15,970	
Sun Grant Program					
Pass-Through from Oklahoma State University	10.320		AB-5-68990	1,972	
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326			209,406	79,512
National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program					
Pass-Through from Virginia Polytechnic Institute	10.328		545954-19102	1,576	
Crop Protection and Pest Management Competitive Grants Program					
Pass-Through from Texas A&M AgriLife Extension Service	10.329		06-S150637	1,040	
Indian Tribes and Tribal Corporation Loans	10.421			50,000	
Risk Management Education Partnerships	10.460			96,729	55,000
Cooperative Extension Service	10.500			5,180	
Child and Adult Care Food Program	10.558			38,437	
Team Nutrition Grants	10.574			49,709	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
United States Department of Agriculture (Continued)					
Forestry Research	10.652			\$ 575,626	
Cooperative Forestry Assistance	10.664			1,862	
Wood Utilization Assistance	10.674			26,487	
Forest Health Protection	10.680			42,666	
Rural Development Cooperative Agreement Program	10.890			31,467	
Soil and Water Conservation	10.902			51,655	
Environmental Quality Incentives Program	10.912			231,718	
Pass-Through from North Carolina State University	10.912		2012-1632-07	2,775	
Pass-Through from Maus Farms	10.912		NRCS-CPA_1156	15,276	
Conservation Stewardship Program	10.924			19,048	
Miscellaneous US Department of Agriculture Programs	10.RD	15-JV-11330129-032		59,876	
		13-8130-1325-CA,			
Miscellaneous US Department of Agriculture Programs	10.RD	14-8130-0403-CA		76,851	
Pass-Through from Wildy Farms	10.RD		Wildy Farms	23,319	
Pass-Through from S & R Farms	10.RD		S&R Farms	10,138	
Pass-Through from Proton OnSite	10.RD		EC-015996-02	35,001	
Pass-Through from Poinsett County Conservation District	10.RD		Poinsett Co	8,751	
Pass-Through from Gordon Miller Farms Partnership	10.RD		GMFP	5,144	
Pass-Through from Arkansas Research Alliance	10.RD		HHSF223201610111C	34,055	
Total United States Department of Agriculture				<u>15,662,572</u>	<u>\$ 1,095,461</u>
United States Department of Commerce					
Economic Development_Technical Assistance	11.303			120,558	
Economic Adjustment Assistance	11.307			287,668	
Sea Grant Support	11.417			22,422	11,876
Measurement and Engineering Research and Standards	11.609			164,162	
Science, Technology, Business and/or Education Outreach					
Pass-Through from AxNano LLC	11.620		1/UARK	28,439	
Total United States Department of Commerce				<u>623,249</u>	<u>11,876</u>

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
United States Department of Defense					
Issue of Department of Defense excess equipment	12.000			6,896	
Pass-Through from Orsa Technology	12.000		SOT-UARK-RCARG-16-05	106,582	
Pass-Through from Battelle Memorial Institute	12.000		US001-0000573091	20,838	
Pass-Through from Battelle Memorial Institute	12.000		W911NF-11-D-0001	239,164	
Pass-Through from Arktonics	12.000		FA9650-16-C-0016	83,989	
Pass-Through from ABB, Inc.	12.000		N0001414C0122	25,690	
Basic and Applied Scientific Research	12.300			\$ 464,831	
Scientific Research - Combating Weapons of Mass Destruction	12.351			100,538	
Military Medical Research and Development	12.420			2,189,025	\$ 411,596
Pass-Through from University of Washington	12.420		W81XWH-16-2-004	17,177	
Pass-Through from Brainscope, Inc.	12.420		DN42032	42,327	
Pass-Through from Armed Forces Radiobiology Research Institute	12.420		854770	250,861	
Basic Scientific Research	12.431			275,929	
Pass-Through from University of Tennessee	12.431		A15-0125-S001	89,574	
Pass-Through from Mott Physics	12.431		W911NF-11-1-0200	94,522	
Pass-Through from Intelligent Automation	12.431		N00014-15-P-1187	1,549	
DOD, NDEP, DOTC-STEM Education Outreach Implementation	12.560			1,918	
Basic, Applied, and Advanced Research in Science and Engineering					
Pass-Through from Davidson College	12.630		OGC 2013-37	15,685	
Air Force Defense Research Sciences Program	12.800			389,120	
Research and Technology Development	12.910			446,397	
Pass-Through from Dartmouth College	12.910		R8870	136,113	
Total United States Department of Defense				<u>4,998,725</u>	<u>411,596</u>
United States Department of the Interior					
Wildlife Restoration and Basic Hunter Education	15.611			41,236	
Cooperative Endangered Species Conservation Fund	15.615			30,554	
State Wildlife Grants	15.634			185,430	8,562
Migratory Bird Joint Ventures	15.637			9,400	
Research Grants (Generic)	15.650			49,594	
Assistance to State Water Resources Research Institutes	15.805			71,594	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
United States Department of the Interior (Continued)					
U.S. Geological Survey_ Research and Data Collection	15.808			\$ 27,560	
Pass-Through from American View	15.808		AV13-AR01	24,416	
Cooperative Research Units	15.812			47,034	
Native American Graves Protection and Repatriation Act	15.922			20,023	
Preservation of Japanese American Confinement Sites	15.933			103,690	
Natural Resource Stewardship	15.944			14,637	
Cooperative Research and Training Programs Resources of the National Park System	15.945			50,528	
Miscellaneous US Department of the Interior Programs	15.RD	N/A		628	
		NNX15AR71H			
Miscellaneous US Department of the Interior Programs	15.RD	242031-17-UCA		2,830	
Total United States Department of the Interior				<u>679,154</u>	<u>\$ 8,562</u>
United States Department of Justice					
Juvenile Accountability Block Grants	16.523			6,629	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560			529,973	286,341
Pass-Through from Mississippi State University	16.560		038900.361824.01	6,230	
Miscellaneous US Department of Justice Programs	16.RD	6L-CIV02-0850		277,257	
Pass-Through from Washington/Madison County Adult Drug Court	16.RD		2015-VV-BX-0018	22,896	
Total United States Department of Justice				<u>842,985</u>	<u>286,341</u>
United States Department of State					
Miscellaneous US Department of State Programs	19.RD	ASOR-2016-022		13,084	
Total United States Department of State				<u>13,084</u>	
United States Department of Transportation					
Highway Research and Development Program Pass-Through from Auburn University	20.200		16-NCAT-208168-UAF	83,392	
Highway Planning and Construction	20.205			609,633	30,797
Highway Training and Education	20.215			32,893	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
United States Department of Transportation (Continued)					
University Transportation Centers Program	20.701			\$ 1,130,744	\$ 531,123
Pass-Through from University of Oklahoma	20.701		2014-29	79,525	
Transportation Planning, Research and Education	20.931			108,385	74,299
Total United States Department of Transportation				<u>2,044,572</u>	<u>636,219</u>
National Aeronautics and Space Administration					
Science	43.001			616,851	31,962
Pass-Through from University of Central Florida	43.001		NNX11AD87G	13,836	
Pass-Through from Smithsonian Astrophysical Observatory	43.001		G03-14145B	7,296	
Pass-Through from Smithsonian Astrophysical Observatory	43.001		G04-15090D	581	
Space Operations	43.007			114,888	
Education	43.008			485,397	57,343
Cross Agency Support	43.009			45,287	
Miscellaneous National Aeronautics and Space Administration Programs	43.RD	N/A		6,661	
Miscellaneous National Aeronautics and Space Administration Programs	43.RD	NNX10AE10G		1,463	
Pass-Through from National Space Biomedical Research Institute	43.RD		RE03701/RE04001	938,035	
Pass-Through from University Space Research Association	43.RD		06816-01	20,344	
Pass-Through from Loma Linda University Medical Center	43.RD		607195-3102	16	
Total National Aeronautics and Space Administration				<u>2,250,655</u>	<u>89,305</u>
Institute of Museum and Library Services					
Museums for America	45.301			34,970	
Total Institute of Museum and Library Services				<u>34,970</u>	
National Endowment for the Humanities					
Promotion of the Humanities_Challenge Grants	45.130			110,239	
Promotion of the Humanities_Division of Preservation and Access	45.149			54,091	
Total National Endowment for the Humanities				<u>164,330</u>	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
National Science Foundation					
Engineering Grants	47.041			\$ 3,519,473	\$ 199,389
Pass-Through from University of Illinois - Urbana	47.041		2014-00555-04	83,106	
Pass-Through from University of Colorado	47.041		IIP-1432952	12,911	
Pass-Through from Binghamton University	47.041		73033	133,086	
Mathematical and Physical Sciences	47.049			1,244,802	
Pass-Through from University of Akron	47.049		DMR-1411046	13,754	
Geosciences	47.050			699,873	
Computer and Information Science and Engineering	47.070			1,323,294	18,408
Pass-Through from University of Illinois - Urbana	47.070		15858	11,005	
Pass-Through from University of Illinois - Urbana	47.070		083842-16114	49,208	
Pass-Through from Emory University	47.070		T674802	20,512	
Biological Sciences	47.074			1,384,941	
Pass-Through from University of Massachusetts - Amherst	47.074		12-006231 A 04	26,124	
Pass-Through from University of Illinois	47.074		2015-01980-01	6,161	
Pass-Through from University of California - Davis	47.074		27522	36,485	
Pass-Through from Mississippi State University	47.074		191400.362648.01	31,021	
Social, Behavioral, and Economic Sciences	47.075			201,381	
Pass-Through from University of Colorado	47.075		1554392	22,906	
Pass-Through from University of Colorado	47.075		PO 1000476838	2,251	
Pass-Through from San Diego State University	47.075		SA0000405	18,254	
Education and Human Resources	47.076			1,454,801	
Pass-Through from University of Tulsa	47.076		14-2-1203452-94802	37,628	
Pass-Through from Mathematical Association of America	47.076		3-8-710-914	3,295	
Pass-Through from Florida International University	47.076		800005284-01UG	10,711	
Office of International Science and Engineering	47.079			4,620,523	14,800
Office of Experimental Program to Stimulate Competitive Research	47.081			(2,026)	
Office of Integrative Activities					
Pass-Through from Louisiana Tech University	47.083		OIA-1632891	127,593	
		DEB-1644349,			
Miscellaneous National Science Foundation Programs	47.RD	RG1512, RGA-48695		128,582	
Total National Science Foundation				<u>15,221,655</u>	<u>232,597</u>

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
Environmental Protection Agency					
Nonpoint Source Implementation Grants	66.460			\$ 395,545	
Gulf of Mexico Program	66.475			49,181	
P3 Award: National Student Design Competition for Sustainability	66.516			8,338	
Miscellaneous Environmental Protection Agency Programs	66.RD	CD-00F-74101-1		12,046	
Total Environmental Protection Agency				<u>465,110</u>	
United States Department of Energy					
Office of Science Financial Assistance Program	81.049			664,432	\$ 74,626
Pass-Through from Proton Energy Systems	81.049		EC-017327-02	24,999	
Pass-Through from Pennsylvania State University	81.049		5063-UA-DOE-2375	6,595	
Renewable Energy Research and Development	81.087				
Pass-Through from University of Central Florida	81.087		18226104-02	3,746	
Pass-Through from University of Central Florida	81.087		DE-EE0006340	64,101	
Pass-Through from United Technologies Research Center	81.087		1229257	28,669	
Nuclear Energy Research, Development and Demonstration	81.121			271,847	244,471
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122			2,084,447	1,158,326
Pass-Through from Nextwatt LLC	81.122		NW-DE-OE0000853	15,648	
Miscellaneous US Department of Energy Programs					
Pass-Through from Oak Ridge National Laboratories	81.RD		4000150782	232,341	
Pass-Through from Lawrence Livermore National Laboratory	81.RD		B608291	21,126	
Pass-Through from Honeywell	81.RD		PO N000189678	244,006	
Pass-Through from Cree Fayetteville, Inc.	81.RD		VTP-15-002	14,151	
Total United States Department of Energy				<u>3,676,108</u>	<u>1,477,423</u>
United States Department of Education					
Undergraduate International Studies and Foreign Language Programs	84.016			8,833	
Special Education_Grants to States	84.027			535,957	
Education Research, Development and Dissemination	84.305			412,513	269,998
Mathematics and Science Partnerships	84.366			187,440	
Promoting Readiness of Minors in Supplemental Security Income	84.418			8,519,731	
Total United States Department of Education				<u>9,664,474</u>	<u>269,998</u>

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
Delta Regional Authority					
Delta Regional Development	90.200			\$ 3	
Total Delta Regional Authority				<u>3</u>	
United States Department of Health and Human Services					
Family Smoking Prevention and Tobacco Control Act Regulatory Research					
Pass-Through from Virginia Commonwealth University	93.077		4 P50 DA036105-0	71,559	
Food and Drug Administration_Research	93.103			57,694	
Pass-Through from Duke University	93.103		5 U24 FD005242	38,833	
Maternal and Child Health Federal Consolidated Programs	93.110			123,307	
Environmental Health	93.113			467,674	\$ 9,986
Centers for Research and Demonstration for Health Promotion and					
Disease Prevention	93.135			734,983	
Research Related to Deafness and Communication Disorders	93.173			53,524	
			15-0031 (UAMS)/		
Pass-Through from Appalachian State University	93.173		7R15DC013137-02	(311)	
Telehealth Programs	93.211			12,888	
Research on Healthcare Costs, Quality and Outcomes	93.226				
			1R01HS023345-0/		
Pass-Through from University of Alabama - Birmingham	93.226		00504400-001	6,124	
Mental Health Research Grants	93.242			309,123	100,277
Pass-Through from University of Massachusetts	93.242		1 R01 MH106726-0	50,905	
Pass-Through from Electrical Geodesics, Inc.	93.242		R44 MH106421	163,062	
Pass-Through from Brown University	93.242		5 R34 MH106349-0	30,380	
Substance Abuse and Mental Health Services_Projects of Regional and					
National Significance	93.243			118,481	
Pass-Through from Benton County Drug Court	93.243		1 H79 TI02125-03	52,483	
Occupational Safety and Health Program	93.262			109,968	
Pass-Through from University of Texas Health Science Center - Tyler	93.262		SC16-02	3,340	
Pass-Through from University of Texas Health Science Center	93.262		0011059G	8,656	
Pass-Through from University of Alabama - Birmingham	93.262		T42OH008436-12	2,037	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
United States Department of Health and Human Services (Continued)					
Alcohol Research Programs	93.273			\$ 442,534	
Pass-Through from University of Oklahoma Health Science Center	93.273		7 R01 AA012207-1	114,521	
Pass-Through from Palo Alto Institute for Research and Education	93.273		R01 AA024136-01A	114,997	
Drug Abuse and Addiction Research Programs	93.279			2,889,026	\$ 196,345
Pass-Through from Univ. of Texas Health Science Center - San Antonio	93.279		4 R01 DA033997-0	22,941	
Pass-Through from University of Kentucky Research Foundation	93.279		4 U01 DA013519-1	101,446	
Pass-Through from RTI International	93.279		R01DA034627/888-14-16-45	182,202	
Pass-Through from InterVexion Therapeutics, LLC	93.279		40665/41779	340,533	
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			1,124,193	9,115
Minority Health and Health Disparities Research	93.307			1,362,240	200,307
Trans-NIH Research Support	93.310				
Pass-Through from Emory University	93.310		U01NS038455/T088976	55,219	
Pass-Through from Brown University	93.310		U24AA022000/740	11,366	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			5,814	
Research Infrastructure Programs	93.351			(102,963)	
Nursing Research					
Pass-Through from University of Alabama	93.361		UA15-059	22,794	
National Center for Research Resources	93.389			15,184	
Cancer Cause and Prevention Research	93.393			907,627	10,981
Pass-Through from Univ. of California - Lawrence Berkley National Lab.	93.393		7337851	16,922	
Cancer Detection and Diagnosis Research	93.394			1,566,464	411,182
Cancer Treatment Research	93.395			1,921,414	50,704
Pass-Through from University of California - Los Angeles	93.395		1568 G TA614	379,946	
Pass-Through from North Carolina State University	93.395		2017-1240-01	105,325	
Pass-Through from MD Anderson Center	93.395		3000943061	163,188	
Pass-Through from Arkansas Research Alliance	93.395		HHSF223201510172	203,438	
Cancer Biology Research	93.396			211,611	
Pass-Through from Yale University	93.396		U01CA176067/ M15A11872(A09908)	5,575	
Cancer Centers Support Grants					
Pass-Through from Mayo Clinic	93.397		UNI-208331	79,180	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
United States Department of Health and Human Services (Continued)					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program					
Pass-Through from Arkansas Children's Hospital	93.505		018287-3	\$ 749,888	
Cardiovascular Diseases Research	93.837			220,074	
Lung Diseases Research	93.838			51,085	\$ 20,530
Blood Diseases and Resources Research	93.839			313,804	7,025
Pass-Through from University of Iowa	93.839		W000732411	138,993	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			1,111,366	
Pass-Through from University of Memphis	93.846		5-40387	66,883	
Pass-Through from Biostrategies, LLC	93.846		R43AR066388	266	
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			1,600,433	281,460
Pass-Through from Vanderbilt University	93.847		5 U24 DK076169-0	3,293	
Pass-Through from Prosthetic Design, Inc.	93.847		1 R41DK109731-01	7,012	
Pass-Through from Mount Sinai Medical Center	93.847		0255-8161-4609	36,892	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			449,440	
Pass-Through from University of New Jersey - Medicine/Dental	93.853		R01 NS38384	661	
Pass-Through from SFC Fluidics	93.853		SFC 2015-01	3,541	
Allergy and Infectious Diseases Research	93.855			2,093,912	
Pass-Through from Washington University	93.855		1 R01 AI129992	21,568	
Pass-Through from University of California - San Diego	93.855		53451909	147,001	
Pass-Through from University of Alabama - Birmingham	93.855		U48DP005037/000504191-005	12,168	
Pass-Through from University of Alabama - Birmingham	93.855		U011AI08509/000504111-001	112,598	
Pass-Through from University of Alabama - Birmingham	93.855		5 R01 AI093692/000410050-001	6,981	
Pass-Through from Indiana University	93.855		1 R01 AI099278/IN-4689724-UA	98,020	
Pass-Through from HIV Prevention Trials Network	93.855		UM1 AI068619/0080.0182/980	(1)	
Pass-Through from Boston University	93.855		4500001387/4500001889	43,564	
Biomedical Research and Research Training	93.859			13,398,135	1,017,628
Pass-Through from University of North Carolina - Charlotte	93.859		1 R01 GZM123251	4,528	
Pass-Through from University of Florida	93.859		R01 GM109645	36,682	
Pass-Through from Johns Hopkins University	93.859		2002965188	134,762	
Pass-Through from Arkansas Children's Hospital	93.859		1P20GM109096-01A1	150,438	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
United States Department of Health and Human Services (Continued)					
Child Health and Human Development Extramural Research	93.865			\$ 2,021,611	
Pass-Through from University of Alabama - Birmingham	93.865		1R01HD0824124	63,696	
Aging Research	93.866			2,837,846	\$ 32,191
Pass-Through from Medical University of South Carolina	93.866		R01AG046543/MUSC 14-076	66,885	
Pass-Through from Invotek	93.866		1 R43 AG051303-0	3,632	
Pass-Through from Essential Blends	93.866		R41AG050375	18,056	
Vision Research	93.867			214,523	62,366
Medical Library Assistance	93.879			428,046	104,474
Pass-Through from University of Washington	93.879		R01 LM012222	51,821	
Pass-Through from University of Pittsburgh	93.879		0040478 124095	32,640	
PHHF Geriatric Education Centers	93.969			20,000	
		HHS0100201110004, HHSF223201400183, HHSF223201610079, HHSF223201510172C			
Miscellaneous US Department of Health and Human Services Programs	93.RD			2,201,413	669,610
Pass-Through from Washington/Madison County Adult Drug Court	93.RD		1H79T1024 160-01/2012-125	(12,252)	
Pass-Through from Washington University	93.RD		200-2011-40732	17,745	
Pass-Through from University of Wisconsin - Madison	93.RD		R21MH108753	54,751	
Pass-Through from University of Alabama - Birmingham	93.RD		HHSN272201300012	54,897	
Pass-Through from University of Alabama - Birmingham	93.RD		HHSN2722013000121	8,074	
Pass-Through from Case Western Reserve University	93.RD		CDC 200-2009-32598	14,649	
Pass-Through from Arkansas Research Alliance	93.RD		HHSF223201400079	38,666	
Pass-Through from Arkansas Research Alliance	93.RD		HHSF223201400079C	9,786	
Pass-Through from Arkansas Research Alliance	93.RD		HHSF223201510172C	44,789	
Pass-Through from Arkansas Research Alliance	93.RD		HHSF223201610011	312,778	
Pass-Through from Arkansas Research Alliance	93.RD		HHSF223201610011C	20,192	
Pass-Through from Arkansas Research Alliance	93.RD		RG1124	9,706	
Pass-Through from Arkansas Research Alliance	93.RD		RG1128	9,277	
Pass-Through from Arkansas Research Alliance	93.RD		RSSP18026	12,750	
Total United States Department of Health and Human Services				<u>44,247,411</u>	<u>3,184,181</u>

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)					
Department of Homeland Security					
Centers for Homeland Security					
Pass-Through from University of Maryland	97.061		000107-00001	\$ 161,900	\$ 6,000
Pass-Through from University of Maryland	97.061		38470-Z9058101	94,673	
Pass-Through from University of Maryland	97.061		Z901203 AMEND D	50,000	
Pass-Through from University of Maryland	97.061		Z941901	38,220	4,000
Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection	97.077			133,828	
Total Department of Homeland Security				<u>478,621</u>	<u>10,000</u>
Total RESEARCH AND DEVELOPMENT CLUSTER				<u>101,067,678</u>	<u>7,713,559</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER					
United States Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007			4,586,853	
Federal Work-Study Program	84.033			5,610,669	
Federal Perkins Loan Program_Federal Capital Contributions	84.038			34,793,365	
Federal Pell Grant Program	84.063			224,491,321	
Federal Direct Student Loans	84.268			536,647,801	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379			1,436,721	
Total United States Department of Education				<u>807,566,730</u>	
United States Department of Health and Human Services					
Nurse Faculty Loan Program (NFLP)	93.264			63,903	
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342			4,884,860	
Nursing Student Loans	93.364			367,076	
Total United States Department of Health and Human Services				<u>5,315,839</u>	
Total STUDENT FINANCIAL ASSISTANCE CLUSTER				<u>812,882,569</u>	

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United States Department of Agriculture					
Agricultural Research_Basic and Applied Research	10.001			\$ 49,992	
Plant and Animal Disease, Pest Control, and Animal Care	10.025			1,033,360	
Wetlands Reserve Program	10.072			27,193	
Agriculture Risk Coverage Program	10.113			32,822	
Federal-State Marketing Improvement Program	10.156			6,724	\$ 6,724
Market Protection and Promotion	10.163			52,620	
Pass-Through from American Sheep Industry Association, Inc.	10.163		12-25-G-0904	12,403	
Wholesale Farmers and Alternative Market Development	10.164			50,085	36,823
Specialty Crop Block Grant Program - Farm Bill	10.170			279,009	75,395
Organic Certification Cost Share Programs	10.171			16,183	16,183
Grants for Agricultural Research, Special Research Grants					
Pass-Through from University of North Carolina - Chapel Hill	10.200		5102290	14,263	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205			(4,047)	
Sustainable Agriculture Research and Education					
Pass-Through from University of Georgia	10.215		RD309-129/5054606	7,146	
Pass-Through from University of Georgia	10.215		RD309-134/S001104	46,120	
1890 Institution Capacity Building Grants	10.216			186,955	
Homeland Security_Agricultural	10.304			32,167	
Pass-Through from University of Florida	10.304		UFDSP00010241	(1,415)	
Pass-Through from University of Florida	10.304		UFDSP00011544	22,373	
Beginning Farmer and Rancher Development Program	10.311			3,963	
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326			42,586	
Crop Protection and Pest Management Competitive Grants program	10.329			104,518	
Pass-Through from University of Tennessee	10.329		8500046812	337	
Pass-Through from Oklahoma State University	10.329		2-562180-UAEX	6,154	
Pass-Through from North Carolina State University	10.329		214-70006-22485	8,350	
Rural Business Development Grant	10.351			14,404	
Rural Rental Housing Loans	10.415			2,552,115	161,787
State Mediation Grants	10.435			74,219	
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443			148,276	

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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 Agriculture (Continued)					
Rural Community Development Initiative					
Pass-Through from Winrock International	10.446		6703-16-AM-01	\$ 15,393	
Cooperative Extension Service	10.500			10,060,871	\$ 613,685
Pass-Through from Pennsylvania State University	10.500		5360-UACES-USDA-4341	12,418	
Pass-Through from Pennsylvania State University	10.500		5394-UAPB-USDA	3,126	
Pass-Through from Kansas State University	10.500		S16125	5,532	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			59,716,530	41,836
Child and Adult Care Food Program	10.558			60,980,104	
State Administrative Expenses for Child Nutrition	10.560			4,161,683	
WIC Farmers' Market Nutrition Program (FMNP)	10.572			90,865	
Team Nutrition Grants	10.574			18,615	
Senior Farmers Market Nutrition Program	10.576			88,809	88,809
Child Nutrition Discretionary Grants Limited Availability	10.579			362,374	349,939
Fresh Fruit and Vegetable Program	10.582			2,598,614	2,532,943
Child Nutrition Direct Certification Performance Awards	10.589			39,327	
Forestry Research	10.652			24,609	
Cooperative Forestry Assistance	10.664			2,523,444	293,553
Forest Legacy Program	10.676			1,038,561	
Forest Stewardship Program	10.678			163,865	
Forest Health Protection	10.680			272,158	
Partnership Agreements	10.699			1,841	
Rural Business Opportunity Grants	10.773			11,691	
Delta Health Care Services Grant Program	10.874			887,292	
Soil and Water Conservation	10.902			955,355	464,096
Soil Survey	10.903			6,458	
Environmental Quality Incentives Program	10.912			283,514	63,100
Agricultural Conservation Easement Program	10.931			4,100	
Cochran Fellowship Program-International Training-Foreign Participant	10.962			22,444	
Total United States Department of Agriculture				149,168,468	4,744,873
United States Department of Commerce					
Band 14 Incumbent Spectrum Relocation	11.014			1,249,207	
Cluster Grants	11.020			152,300	

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United States Department of Commerce (Continued)					
Economic Development_Technical Assistance	11.303			\$ 61,200	
State and Local Implementation Grant Program	11.549			331,800	
Manufacturing Extension Partnership	11.611			1,162,810	\$ 74,667
Total United States Department of Commerce				2,957,317	74,667
United States Department of Defense					
Issue of Department of Defense excess equipment	12.000			8,282,565	
Procurement Technical Assistance For Business Firms	12.002			195,401	
Payments to States in Lieu of Real Estate Taxes	12.112			83,511	83,511
Military Construction, National Guard	12.400			59,098	
National Guard Military Operations and Maintenance (O&M) Projects	12.401			48,635,807	
National Guard ChalleNGe Program	12.404			2,471,986	
Basic Scientific Research	12.431			5,060	
Basic, Applied, and Advanced Research in Science and Engineering	12.630			58,656	
Pass-Through from Academy of Applied Science	12.630		W911NF-10-2-0076	11,262	
CyberSecurity Core Curriculum	12.905			26,470	
Total United States Department of Defense				59,829,816	83,511
United States Department of Housing and Urban Development					
Manufactured Home Dispute Resolution	14.171			93,322	
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			33,785,628	13,090,156
Emergency Solutions Grant Program	14.231			2,627,476	2,476,145
Home Investment Partnerships Program	14.239			7,052,507	6,592,799
Housing Opportunities for Persons with AIDS	14.241			535,802	521,344
Fair Housing Assistance Program_State and Local	14.401			124,362	
Total United States Department of Housing and Urban Development				44,219,097	22,680,444
United States Department of the Interior					
Distribution of Receipts to State and Local Governments	15.227			592,016	339,348
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250			133,937	
Abandoned Mine Land Reclamation (AMLR) Program	15.252			472,443	

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United States Department of the Interior (Continued)					
Fish and Wildlife Management Assistance	15.608			\$ 43,900	
Cooperative Endangered Species Conservation Fund	15.615			72,332	\$ 25,410
Clean Vessel Act.	15.616			1,139,952	1,097,456
Enhanced Hunter Education and Safety	15.626			80,400	
Multistate Conservation Grant	15.628			20,539	20,539
State Wildlife Grants	15.634			512,174	95,875
Federal Junior Duck Stamp Conservation and Design	15.644			2,158	
Endangered Species Conservation Recovery Implementation Funds	15.657			24,600	
U.S. Geological Survey_ Research and Data Collection	15.808			5,525	
National Cooperative Geologic Mapping	15.810			49,438	
National Geological and Geophysical Data Preservation	15.814			11,960	
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	15.819			11,880	
Historic Preservation Fund Grants-In-Aid	15.904			447,453	44,668
Outdoor Recreation_Acquisition, Development and Planning	15.916			345,099	245,000
Preservation of Japanese American Confinement Sites	15.933			2,756	
Total United States Department of the Interior				3,968,562	1,868,296
United States Department of Justice					
Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001			43,880	
Sexual Assault Services Formula Program	16.017			287,922	287,922
Juvenile Accountability Block Grants	16.523			151,947	
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525			51,221	
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540			248,331	
Missing Children's Assistance	16.543			328,915	57,014
Crime Victim Assistance	16.575			7,524,335	6,759,379
Crime Victim Compensation	16.576			753,177	
Crime Victim Assistance/Discretionary Grants	16.582			42,318	
Drug Court Discretionary Grant Program	16.585			545,511	
Violence Against Women Formula Grants	16.588			1,469,960	1,020,926
Residential Substance Abuse Treatment for State Prisoners	16.593			154,240	30,730

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United States Department Justice (Continued)					
State Criminal Alien Assistance Program	16.606			\$ 5,857	
Juvenile Mentoring Program	16.726			70,579	
Pass-Through from National 4-H Council	16.726		2016-JU-FX-0022	32,154	
Pass-Through from National 4-H Council	16.726		OJJDP NO. 2015-JU-FX-0015	55,899	
PREA Program: Demonstration Projects to Establish "Zero Tolerance"					
Cultures for Sexual Assault in Correctional Facilities	16.735			7,627	
Edward Byrne Memorial Justice Assistance Grant Program	16.738			2,396,567	\$ 2,248,333
DNA Backlog Reduction Program	16.741			888,768	
Edward Byrne Memorial Competitive Grant Program	16.751			105,119	
Harold Rogers Prescription Drug Monitoring Program	16.754			65,006	
Second Chance Act Reentry Initiative	16.812			70,069	
Body Worn Camera Policy and Implementation	16.835			1,810	
Equitable Sharing Program	16.922			588,103	
Miscellaneous US Department of Justice Programs	16.U01	N/A		18,650	
Pass-Through from Women & Children First	16.U02		16168-15V	4,958	
Total United States Department of Justice				<u>15,912,923</u>	<u>10,404,304</u>
United States Department of Labor					
Labor Force Statistics	17.002			808,545	
Compensation and Working Conditions	17.005			126,384	
Unemployment Insurance	17.225			163,486,071	
Senior Community Service Employment Program	17.235			1,603,303	1,593,453
Trade Adjustment Assistance	17.245			5,383,963	
WIA Dislocated Workers	17.260			46,878	
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261			397,943	
H-1B Job Training Grants	17.268			786,988	530,477
Pass-Through from Association of Community Colleges	17.268		ACC ASUN AAPI	40,540	
Pass-Through from Arkansas Community Colleges	17.268		ACC ASSUMH AAPI	100,650	
Pass-Through from Arkansas Community Colleges	17.268		ACC SouthArk AAPI	107	
Work Opportunity Tax Credit Program (WOTC)	17.271			109,416	
Temporary Labor Certification for Foreign Workers	17.273			92,702	

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United States Department Labor (Continued)					
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277			\$ 4,309,823	\$ 3,572,730
Pass-Through from Association of Community Colleges	17.277		EM-27343-15-60-A-5	196,951	
Pass-Through from Association of Community Colleges	17.277		P15-ASP ACC	110,924	
Pass-Through from Arkansas Community Colleges	17.277		P15-ASP ACC	152,417	
Pass-Through from Arkansas Community Colleges	17.277		P15-ASP-ACC	239,746	
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281			135,756	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282			4,314,780	1,246,724
Apprenticeship USA Grants	17.285			94,349	17,425
Consultation Agreements	17.504			1,216,317	
Mine Health and Safety Grants	17.600			100,547	
Miscellaneous US Department of Labor Programs	17.U01	N/A		247,990	
Total United States Department of Labor				<u>184,103,090</u>	<u>6,960,809</u>
United States Department of Transportation					
Airport Improvement Program	20.106			495,274	239,055
Highway Training and Education	20.215			19,220	
Motor Carrier Safety Assistance	20.218			2,806,110	
Performance and Registration Information Systems Management	20.231			304,480	
Commercial Driver's License Program Improvement Grant	20.232			187,798	
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237			1,227,277	
Railroad Development	20.314			46,073	
Rail Line Relocation and Improvement	20.320			168,319	168,319
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505			2,025,506	2,014,543
Formula Grants for Rural Areas	20.509			12,172,731	10,802,927
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528			3,208	
Alcohol Open Container Requirements	20.607			4,273,400	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608			16,029	

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United States Department of Transportation (Continued)					
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614			\$ 118,118	
Pipeline Safety Program State Base Grant	20.700			559,011	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			222,181	\$ 45,000
National Infrastructure Investments	20.933			406,665	
Miscellaneous US Department of Transportation Programs	20.U01	AR90X135-00, AR-95-X003-00		724,210	
Total United States Department of Transportation				<u>25,775,610</u>	<u>13,269,844</u>
United States Department of the Treasury					
Low Income Taxpayer Clinics	21.008			97,928	
Miscellaneous US Department of the Treasury Programs	21.U01	N/A		13,659	
Total United States Department of the Treasury				<u>111,587</u>	
General Services Administration					
Donation of Federal Surplus Personal Property	39.003			6,324,595	
Total General Services Administration				<u>6,324,595</u>	
National Aeronautics and Space Administration					
Aeronautics	43.002			38,405	
Education	43.008			5,144	
Miscellaneous National Aeronautics and Space Administration Programs	43.U01	N/A		4,298	
Total National Aeronautics and Space Administration				<u>47,847</u>	
Institute of Museum and Library Services					
Museums for America	45.301			38,985	
Grants to States	45.310			1,840,957	
Total Institute of Museum and Library Services				<u>1,879,942</u>	

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National Endowment for the Arts					
Promotion of the Arts_Grants to Organizations and Individuals	45.024			\$ 38,817	
Pass-Through from City of Freeman	45.024		14-4292-7064	90,608	
Promotion of the Arts_Partnership Agreements	45.025			595,195	\$ 464,568
Total National Endowment for the Arts				<u>724,620</u>	<u>464,568</u>
National Endowment for the Humanities					
Promotion of the Humanities_Federal/State Partnership	45.129			11,231	
Pass-Through from Arkansas Humanities Council	45.129		AHC-15-017	1,361	
Pass-Through from Arkansas Humanities Council	45.129		AHC-16-019	8,950	
Pass-Through from Arkansas Humanities Council	45.129		AHC-16021	10,424	
Pass-Through from Arkansas Humanities Council	45.129		AHC-16-031	1,500	
Pass-Through from Arkansas Humanities Council	45.129		AHC-17-003	1,789	
Pass-Through from Arkansas Humanities Council	45.129		AHC-17-004	4,913	
Pass-Through from Arkansas Humanities Council	45.129		AHC-17-018	755	
Promotion of the Humanities_Public Programs	45.164			36,556	
Pass-Through from The Gilder Lehrman Institute of American History	45.164		N/A	145	
Miscellaneous National Endowment for the Humanities Programs	45.U01	AHC-16014, FY17-4217		7,812	
Total National Endowment for the Humanities				<u>85,436</u>	
National Science Foundation					
Engineering Grants	47.041			4,042	
Computer and Information Science and Engineering	47.070			123,517	
Education and Human Resources	47.076			1,252,004	24,700
Office of International Science and Engineering	47.079			748,682	139,615
Office of Experimental Program to Stimulate Competitive Research	47.081			(265)	
Miscellaneous National Science Foundation Programs	47.U01	EEC-1260301		25,178	
Miscellaneous National Science Foundation Programs	47.U02	16-TRK2-0012		1,620	
Total National Science Foundation				<u>2,154,778</u>	<u>164,315</u>

State of Arkansas
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For the Year Ended June 30, 2017

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
Small Business Administration					
Small Business Development Centers	59.037			\$ 669,462	
Federal and State Technology Partnership Program	59.058			150,287	
State Trade Expansion	59.061			79,080	
Total Small Business Administration				<u>898,829</u>	
United States Department of Veterans Affairs					
Grants to States for Construction of State Home Facilities	64.005			5,204,324	
Veterans State Nursing Home Care	64.015			4,905,097	
Post-9/11 Veterans Educational Assistance	64.027			236,768	
ARRA Post-9/11 Veterans Educational Assistance	64.027			486	
Burial Expenses Allowance for Veterans	64.101			366,295	
Vocational Rehabilitation for Disabled Veterans	64.116			22,093	
Post-Vietnam Era Veterans' Educational Assistance	64.120			11,648	
All-Volunteer Force Educational Assistance	64.124			259,401	
Veterans Cemetery Grants Program	64.203			216,255	
Miscellaneous US Department of Veterans Affairs Programs	64.U01	N/A		81,542	
Total United States Department of Veterans Affairs				<u>11,303,909</u>	
Environmental Protection Agency					
Air Pollution Control Program Support	66.001			1,094,300	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			278,423	
State Clean Diesel Grant Program	66.040			103,664	\$ 103,664
Multipurpose Grants to States and Tribes	66.204			74,705	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			2,114,324	
State Public Water System Supervision	66.432			806,707	
State Underground Water Source Protection	66.433			55,370	
Water Quality Management Planning	66.454			100,000	
Nonpoint Source Implementation Grants	66.460			1,967,233	1,320,849
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			583,035	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			188,642	
Pollution Prevention Grants Program	66.708			51,467	

State of Arkansas
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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 (Continued)					
Hazardous Waste Management State Program Support	66.801			\$ 429,395	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			334,836	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804			496,683	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			653,467	
State and Tribal Response Program Grants	66.817			234,336	
Pass-Through from Santee Sioux Nation	66.817		ESA-UAR2013-0003	15,517	
Total Environmental Protection Agency				<u>9,582,104</u>	<u>\$ 1,424,513</u>
United States Department of Energy					
State Energy Program	81.041			1,113,455	165,701
ARRA - State Energy Program	81.041			553,244	
Weatherization Assistance for Low-Income Persons	81.042			1,864,320	1,694,076
Environmental Remediation and Waste Processing and Disposal	81.104			9,648,242	
State Energy Program Special Projects	81.119			66,542	
Total United States Department of Energy				<u>13,245,803</u>	<u>1,859,777</u>
United States Department of Education					
Adult Education - Basic Grants to States	84.002			5,201,427	2,463,718
Title I Grants to Local Educational Agencies	84.010			156,021,014	154,718,025
Migrant Education_State Grant Program	84.011			4,842,537	4,552,179
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013			324,503	143,449
Higher Education_Institutional Aid	84.031			5,008,719	
Federal Family Education Loans	84.032			241,115,093	
Career and Technical Education -- Basic Grants to States	84.048			11,670,759	7,499,266
Pass-Through from Jonesboro Public School System	84.048		V048A160004	42,537	
Pass-Through from Arkansas STEM Coalition	84.048		N/A	19,618	
Pass-Through from Arkansas STEM Coalition	84.048		V048A14004	23,750	
Minority Science and Engineering Improvement	84.120			100,370	
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126			44,508,623	
Rehabilitation Long-Term Training	84.129			530,462	

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For the Year Ended June 30, 2017

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)					
Migrant Education_College Assistance Migrant Program	84.149			\$ 4,173	
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177			321,403	\$ 222,882
Special Education-Grants for Infants and Families	84.181			3,234,799	
Safe and Drug-Free Schools and Communities_State Grants	84.186			(135)	(135)
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			273,439	
Education for Homeless Children and Youth	84.196			704,971	601,000
Javits Gifted and Talented Students Education	84.206			143,429	
Jacob K. Javits Gifted and Talented Students Education Program	84.206A			212,584	
Fund for the Improvement of Education	84.215			2,292	
Rehabilitation Training_Continuing Education					
Pass-Through from University of Massachusetts	84.264		B000443932	62,634	
Pass-Through from University of Massachusetts	84.264		S2015-29486-001	321,323	
Pass-Through from San Diego State University	84.264		SA0000490	339,941	
Charter Schools	84.282			1,278,239	1,188,006
Twenty-First Century Community Learning Centers	84.287			11,135,610	10,584,912
Special Education - State Personnel Development	84.323			1,291,320	1,145,144
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325			239,705	
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			102,570	
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330			27,459	27,459
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			535,395	
Child Care Access Means Parents in School	84.335			21,682	
Transition to Teaching	84.350			307,601	
School Renovation Grants	84.352			(13,078)	(13,078)
Rural Education	84.358			3,134,698	3,134,698
English Language Acquisition State Grants	84.365			3,674,400	3,227,298
Mathematics and Science Partnerships	84.366			1,790,275	321,741

State of Arkansas
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For the Year Ended June 30, 2017

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)					
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367			\$ 22,428,836	\$ 21,409,166
Pass-Through from National Writing Project	84.367		97-AR02-SEED2012	7,228	
Pass-Through from National Writing Project	84.367		97-AR02-SEED2017-ILI	7,679	
Pass-Through from National Writing Project	84.367		AR03SEED2016-ILI	6,963	
Grants for State Assessments and Related Activities	84.369			9,970,963	
School Improvement Grants	84.377			4,126,711	3,817,322
College Access Challenge Grant Program	84.378			693,199	
Strengthening Minority-Serving Institutions	84.382			1,427,046	
Investing in Innovation (i3) Fund					
Pass-Through from National Writing Project	84.411		97-AR03-I3DP2015	3,356	
Pass-Through from Jacksonville State University	84.411		U411B130037	23,221	
Preschool Development Grants	84.419			13,940,705	12,650,827
American Printing House for the Blind	84.906			10,464	
Miscellaneous US Department of Education Programs	84.U01	P408A151088		7,451	
Pass-Through from National Writing Project	84.U02		97-AR03-SEED2017-CRWPAI	6,949	
Pass-Through from Arch Ford Cooperative	84.U03		CK121390	15,823	
Total United States Department of Education				<u>551,232,735</u>	<u>227,693,879</u>
National Archives and Records Administration					
National Historical Publications and Records Grants	89.003			77,389	
Total National Archives and Records Administration				<u>77,389</u>	
Delta Regional Authority					
Delta Regional Development	90.200			146,529	
Total Delta Regional Authority				<u>146,529</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			18,600	
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042			124,376	124,376

State of Arkansas
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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)					
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043			\$ 162,024	\$ 162,024
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048			293,641	29,969
National Family Caregiver Support, Title III, Part E	93.052			1,363,451	1,363,451
Public Health Emergency Preparedness	93.069			732,903	
Medicare Enrollment Assistance Program	93.071			291,130	118,825
Lifespan Respite Care Program	93.072			30,119	
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			485,471	
Pass-Through from University of Missouri	93.073		C00052152	11,263	
Pass-Through from University of Missouri	93.073		C00056393-2	18,466	
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074			6,841,783	1,570,930
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			461,351	157,000
Sodium Reduction in Communities	93.082			284,984	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			298,235	185,131
Food and Drug Administration_Research	93.103			338,805	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104			561,871	110,554
Area Health Education Centers	93.107			847,353	
Maternal and Child Health Federal Consolidated Programs	93.110			665,731	82,640
Environmental Health	93.113			15,049	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			505,295	
Emergency Medical Services for Children	93.127			135,498	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			209,149	46,112
Injury Prevention and Control Research and State and Community Based Programs	93.136			439,117	
Projects for Assistance in Transition from Homelessness (PATH)	93.150			262,333	258,497
Nursing Workforce Diversity	93.178			329,354	
Disabilities Prevention	93.184			263,065	
Graduate Psychology Education	93.191			203,070	

State of Arkansas
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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)					
Urban Indian Health Services	93.193			\$ 515	
Telehealth Programs	93.211			610,841	\$ 7,232
Family Planning_Services	93.217			3,582,648	
Affordable Care Act (ACA) Abstinence Education Program	93.235			939,757	900,152
State Capacity Building	93.240			248,927	
State Rural Hospital Flexibility Program	93.241			353,054	94,700
Mental Health Research Grants	93.242			1,911	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243			3,953,128	893,460
Pass-Through from Arkansas Collegiate Drug Education Committee	93.243		N/A	2,500	
Advanced Nursing Education Grant Program	93.247			988,004	
Universal Newborn Hearing Screening	93.251			224,558	29,235
Poison Center Support and Enhancement Grant Program	93.253			148,317	
Children's Hospitals Graduate Medical Education Payment Program	93.255			453,147	
Immunization Cooperative Agreements	93.268			42,034,145	
Adult Viral Hepatitis Prevention and Control	93.270			17,727	
Substance Abuse and Mental Health Services-Access to Recovery	93.275			(350)	
Drug-Free Communities Support Program Grants	93.276			141,885	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283			2,521,547	116,250
State Partnership Grant Program to Improve Minority Health	93.296			192,283	
Small Rural Hospital Improvement Grant Program	93.301			295,561	282,989
National State Based Tobacco Control Programs	93.305			813,731	
Minority Health and Health Disparities Research	93.307			7,202	
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314			116,461	
Outreach Programs to Reduce the Prevalence of Obesity in High Risk Rural Areas	93.319			610,059	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			1,498,963	
State Health Insurance Assistance Program	93.324			520,530	
Advanced Education Nursing Traineeships	93.358			318,594	
ACL Independent Living State Grants	93.369			257,566	

State of Arkansas
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For the Year Ended June 30, 2017

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)					
Cancer Treatment Research					
Pass-Through from Oregon Health & Science University	93.395		9009627_UARMS	\$ 15,476	
Cancer Centers Support Grants					
Pass-Through from Washington University	93.397		1U54CA199092	42,100	
ACL National Institute on Disability, Independent Living, and Rehabilitation Research					
Pass-Through from Memorial Hermann Health Center	93.433		1625-17	19,721	
Pass-Through from Memorial Hermann Health Center	93.433		17-1625	46,662	
Pass-Through from Memorial Hermann Health Center	93.433		90DP0022	6,770	
Pass-Through from Memorial Hermann Health Center	93.433		RG 1886	12,779	
Food Safety and Security Monitoring Project	93.448			332,359	
ACL Assistive Technology	93.464			441,049	
Affordable Care Act (ACA) Primary Care Residency Expansion Program	93.510			20,900	
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511			843,147	
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;PPHF	93.521			462,291	
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539			2,140,872	
Promoting Safe and Stable Families	93.556			2,354,639	
Child Support Enforcement	93.563			28,838,903	
Refugee and Entrant Assistance_State Administered Programs	93.566			8,289	
Low-Income Home Energy Assistance	93.568			20,293,840	\$ 16,258,153
State Court Improvement Program	93.586			321,207	
Community-Based Child Abuse Prevention Grants	93.590			226,426	160,389
Grants to States for Access and Visitation Programs	93.597			115,195	
Chafee Education and Training Vouchers Program (ETV)	93.599			140,522	
Head Start	93.600			8,926,131	671,137
Adoption and Legal Guardianship Incentive Payments	93.603			502,313	
The Affordable Care Act Medicaid Adult Quality Grants	93.609			36,638	

State of Arkansas
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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)					
Health Care Innovation Awards (HCIA)	93.610			\$ (57,319)	
Developmental Disabilities Basic Support and Advocacy Grants	93.630			418,947	
University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632			547,746	
Children's Justice Grants to States	93.643			182,054	
Stephanie Tubbs Jones Child Welfare Services Program	93.645			2,936,677	
Adoption Opportunities	93.652			431,682	
Foster Care_Title IV-E	93.658			37,545,255	
Adoption Assistance	93.659			22,606,721	
Social Services Block Grant	93.667			12,281,925	\$ 7,717,692
Child Abuse and Neglect State Grants	93.669			192,867	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			1,025,621	961,724
Chafee Foster Care Independence Program	93.674			255,967	
ARRA Advance Interoperable Health Information Technology Services to Support Health Information Exchange	93.719			1,159,665	
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	93.733			272,199	
State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	93.735			241,583	
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738			962,089	122,130
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			240,437	
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			310,123	12,114
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758			1,283,622	242,006
Children's Health Insurance Program	93.767			147,257,941	

State of Arkansas
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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)					
Money Follows the Person Rebalancing Demonstration	93.791			\$ 5,350,692	
Organized Approaches to Increase Colorectal Cancer Screening	93.800			310,297	\$ 30,665
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	93.815			811,458	
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817			177,299	83,986
Biomedical Research and Research Training	93.859			54,394	
National Bioterrorism Hospital Preparedness Program	93.889			1,967,233	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program					
Pass-Through from Greater Delta Alliance for Health, Inc.	93.912		1 D60 RH25757-04	53,069	
Grants to States for Operation of State Offices of Rural Health	93.913			186,222	
HIV Care Formula Grants	93.917			8,847,532	2,292,588
HIV Prevention Activities_Health Department Based	93.940			1,494,156	240,413
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			357,605	
Assistance Programs for Chronic Disease Prevention and Control	93.945			1,318,052	126,800
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			114,705	
Block Grants for Community Mental Health Services	93.958			4,518,230	4,512,779
Block Grants for Prevention and Treatment of Substance Abuse	93.959			17,386,715	13,775,812
PPHF Geriatric Education Centers	93.969			836,864	62,000
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977			1,115,212	
Maternal and Child Health Services Block Grant to the States	93.994			7,515,727	30,155
Miscellaneous US Department of Health and Human Services Programs	93.U01	NCC 9-58 95		551,743	
Miscellaneous US Department of Health and Human Services Programs	93.U02	N/A		5,133,194	
Pass-Through from Global Health, Inc.	93.U03		U2GGH001873 16X011-#1 thru #4/ HHSN2612008000001	31,260	
Pass-Through from Leidos Biomedical Research, Inc.	93.U04		UG54LM012345	585,878	53,099
Pass-Through from University of North Texas Health Science Center	93.U05			24,997	
Total United States Department of Health and Human Services				432,033,263	53,887,169

State of Arkansas
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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA	Other Identifying #	Pass-Through Identifying #	Expenditures	Amount Provided to Subrecipients
Corporation for National and Community Service					
State Commissions	94.003			\$ 247,545	
AmeriCorps	94.006			1,694,838	\$ 1,531,773
Program Development and Innovation Grants	94.007			832	
Training and Technical Assistance	94.009			20,468	
Total Corporation for National and Community Service				<u>1,963,683</u>	<u>1,531,773</u>
Department of Homeland Security					
State and Local Homeland Security National Training Program	97.005			1,108,443	446,361
Pass-Through from Norwich University	97.005		SA-2015-013	160,218	
Homeland Security Preparedness Technical Assistance Program	97.007			44,542	
Boating Safety Financial Assistance	97.012			2,010,430	
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023			132,742	
Flood Mitigation Assistance	97.029			451,227	441,620
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			10,040,961	9,218,074
Hazard Mitigation Grant	97.039			2,069,845	2,002,289
National Dam Safety Program	97.041			70,216	7,783
Emergency Management Performance Grants	97.042			4,548,034	2,143,916
State Fire Training Systems Grants	97.043			21,050	
Cooperating Technical Partners	97.045			666,553	
Pre-Disaster Mitigation	97.047			485,468	88,325
Homeland Security Grant Program	97.067			2,467,201	1,691,534
Miscellaneous Department of Homeland Security Programs	97.U01	8259		44,977	
Pass-Through from University of Texas - San Antonio	97.U02		1000001513	9,799	
Pass-Through from University of Texas - San Antonio	97.U03		26-0800-0561	70,059	
Pass-Through from Battelle Memorial Institute	97.U04		547275	40,500	
Total Department of Homeland Security				<u>24,442,265</u>	<u>16,039,902</u>
Agency for International Development					
USAID Foreign Assistance for Programs Overseas	98.001			3,556	
Total Agency for International Development				<u>3,556</u>	
Total Expenditures of Federal Awards				<u>\$ 9,657,454,132</u>	<u>\$ 780,873,705</u>



State of Arkansas Single Audit

***Notes to Schedule of Expenditures
of Federal Awards
For the Year Ended June 30, 2017***

State of Arkansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

(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. Arkansas Legislative Audit 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.

State/Educational Agency and Program Name	CFDA Number(s)	Expenditures
Arkansas Development Finance Authority:		
Rural Rental Housing Loans	10.415	\$2,552,115
State of Arkansas Construction Assistance Revolving Loan Fund:		
Clean Water State Revolving Fund Cluster	66.458	\$9,131,435
State of Arkansas Drinking Water Revolving Loan Fund:		
Drinking Water State Revolving Fund Cluster	66.468	\$12,360,368
Arkansas Student Loan Authority:		
Federal Family Education Loans	84.032	\$241,115,093
University of Arkansas for Medical Sciences:		
Student Financial Assistance Cluster	various	\$63,633,704
Social Security Determination:		
Disability Insurance/SSI Cluster	96.001	\$45,636,357

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, 2017

(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 \$28,972,362 in disbursements, expenditures, or distributions. Major and nonmajor programs are determined using the risk-based approach outlined in Uniform Guidance.

(c) Basis of Accounting

Most expenditures presented in the Schedule are reported on the cash basis of accounting, while some are presented on the modified accrual basis of accounting. 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 expenditures reported in the Schedule include previous year loan balances, for which the federal government imposes continuing compliance requirements and current year disbursements. The outstanding loan balances as of June 30, 2017 for these loans are as follows:

CFDA Number	Program Name	Amount
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	\$14,980,336
84.038	Federal Perkins Loan Program_Federal Capital Contributions	32,774,688
93.264	Nurse Faculty Loan Program (NFLP)	63,903
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	4,884,860
93.364	Nursing Student Loans	367,076
	Total	<u>\$53,070,863</u>

State of Arkansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

(3) Federally Funded Loan Programs (Continued)

The State also participates in the Federal Direct 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. During the year ended June 30, 2017, Direct Loans totaling \$536,647,801 and FFEL loans totaling \$0 were made to students enrolled at higher educational agencies in the State. These loans are included in the Schedule.

Education loans made or purchased by the Arkansas Student Loan Authority (the Authority) are guaranteed by the Great Lakes Higher Education Guaranty Corporation (Great Lakes), United Student Aid Fund (USAF), or the U.S. Department of Education (USDE). Student loans guaranteed by the USDE are considered noncash awards and amounted to \$239,863,381 at July 1, 2016. The Great Lakes, USAF, and USDE guarantees are contingent upon the loans being serviced within the diligence requirements of the guarantors.¹

Expenditures reflected in CFDA 10.415, 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 year 2013 and fiscal year 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, 2017, was \$2,440,187. Total disbursements for loans made to subrecipients during fiscal year 2017 totaled \$161,787.¹

Expenditures reflected in CFDA 14.218, Community Development Block Grant, 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, 2017, was \$7,700,000. No disbursements were made for new loans during the year ended June 30, 2017.¹

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 source for these loans includes 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, 2017, was \$109,560,405. Total disbursements of federal funds for repayable loans made to subrecipients during fiscal year 2017 totaled \$3,529,854.¹

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 source for these loans includes 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, 2017, was \$241,136,426. Total federal loan disbursements made during fiscal year, 2017, totaled \$8,696,383. For the year ended June 30, 2017 the Program received \$435,052 in federal funds for administrative costs.¹

State of Arkansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

(3) Federally Funded Loan Programs (Continued)

Expenditures reflected in CFDA 66.468, Capitalization Grants for Drinking Water State Revolving Funds, include loans to counties, municipalities and other tax-exempt water system entities for construction of new water systems, expansion or repair of existing water systems, and/or the consolidation of new or existing water systems. The funding source for these loans includes federal grant funds, state match funds and revolving Program funds. The funds are disbursed to 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, 2017, was \$161,354,864. Total federal loan disbursements made during fiscal year 2017, totaled \$8,133,761. Total loans forgiven during fiscal year 2017, totaled \$2,619,748. For the year ended June 30, 2017, the Program received \$4,226,607 in federal funds for administrative costs.¹

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 year 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 2017. The outstanding loan receivable balance from subrecipients for the year ended June 30, 2017, totaled \$7,281,687. Total disbursements for new loans made during fiscal year 2017 totaled \$835,312.

(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	\$16,349,145
10.558	Child and Adult Care Food Program	46,410
10.559	Summer Food Service Program	28,433
10.565	Commodity Supplemental Food Program	511,659
10.569	Emergency Food Assistance Program (Food Commodities)	6,719,871
12.000	Issue of Department of Defense excess equipment	8,282,565
16.001	Law Enforcement Assistance – Narcotics and Dangerous Drugs – Laboratory Analysis	43,880
39.003	Donation of Federal Surplus Personal Property	6,324,595
84.906	American Printing House for the Blind	10,464
93.268	Immunization Grants	<u>40,892,883</u>
	Total	<u>\$79,209,905</u>

State of Arkansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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

During fiscal year 2017, the State received cash rebates totaling \$23,344,644 from infant formula manufacturers on sales of formula to participants in the WIC program (CFDA 10.557), which 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 344,251 more persons than could have been 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, 2016, the audit firm was Stan Parks, CPA, which issued an audit report for the period October 1, 2015 through September 30, 2016.

(7) Unemployment Insurance

State unemployment tax revenues and the government and nonprofit contributions in lieu of state taxes (State UI funds) must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State Unemployment Law. State UI funds as well as federal funds are reported on the SEFA under CFDA #17.225. The \$163,486,071 of expenditures reported on the SEFA is comprised of \$22,839,112 of federal funds and \$140,646,959 of state UI funds.

(8) Notes Payable

The federal loans listed subsequently are administered by Arkansas Development Finance Authority (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, 2017, consists of:¹

CFDA Number	Program Name	Outstanding Balance at June 30, 2017
10.415	Preservation Revolving Loan Fund	\$ 2,482,420

¹ This note is based solely on the Single Audit Reports issued by other external auditors. See entities listed in note (1)(a).



State of Arkansas Single Audit

***Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017***

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

In accordance with 2 CFR § 200.511 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly referred to as ***Uniform Guidance***, the auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. The schedule must report the status of all audit findings included in the prior audit that are not listed as corrected or are no longer valid or warranting further action.

The schedule for the year ended June 30, 2017, is located on **page 119** and includes all findings from the prior audit, for the year ended June 30, 2016, and certain findings from previous audits, including the years ended June 30, 2015, 2014, and 2013.

Federal Program Name	Page Number(s)
Child and Adult Care Food Program	120 - 126
Rehabilitation Services_Vocational Rehabilitation Grants to States	127 - 133; 196
Medicaid Cluster	134 - 135; 147 - 195; 198 - 229
Foster Care_Title IV-E	136 - 146; 197
Children's Health Insurance Program	147 - 161; 198 - 200; 214



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May 22, 2017

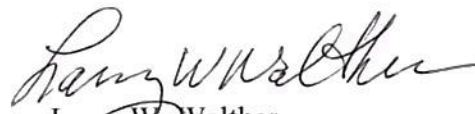
Arkansas Legislative Audit
500 Woodlane St., Suite 172
Little Rock, AR 72201-1099

To Whom It May Concern,

As required by OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F, Section 200.511(b), the auditee must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs as well as the status of those findings in the prior audit's summary schedule of prior audit findings that were not reported as corrected.

Please find attached the Summary Schedule of Prior Audit Findings for fiscal year ended June 30, 2017, which was prepared in accordance with Uniform Guidance, based on the responses provided by the State/Educational Agency indicated within each finding.

Sincerely,


Larry W. Walther
Director



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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

Agency reported status as of May 22, 2017:

The two vendors have been approved by legislature and have begun their reviews for on and off site monitoring.

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.



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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

Criteria (Continued):

- New institutions that are sponsoring organizations with five or more facilities must be reviewed within the first 90 days of program operations.

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.



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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
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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

Agency reported status as of May 22, 2017:

The change to the application is working well. In addition, several staff receive a spreadsheet with the payments to the providers and are able to do comparisons from month to month. In addition, one staff in the Health and Nutrition Unit also randomly double checks calculations against meals purchased.

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.



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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

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.

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

Contact Person: Mike Britton
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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

Agency reported status as of May 22, 2017:

The Agency is continuing to use the funds general ledger implemented on January 1, 2017 for draws of Federal Funds. In addition, review of the federal reports is occurring before submission.

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.



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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

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.

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

Contact Person:

Mike Britton
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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

Agency reported status as of May 22, 2017:

Agency action complete as per original response. Both Field Service and Accounts Payable staff continue to monitor transactions to assist in preventing a repeat of this issue.

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.



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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:

ARS Discussion

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

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

Contact Person: Carl Daughtery
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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

Agency reported status as of May 22, 2017:

The vendor in this finding has reimbursed the agency \$400.00 for duplicate invoices paid in error. He was also able to provide documentation supporting his assertion that agency staff were supplied quotes at the increased rate under dispute. Along with this support, he also presented documentation that established the fact that agency staff were presented service quotes for expenditures that were per trip based. This same documentation also established the fact that agency personnel gave the vendor approval to provide these services after receiving the quoted rates.

Based on this information and the fact that the agency did not have a standard vendor service agreement in place at the time of these expenditures, the agency determined that the vendor had supplied sufficient notice of rates and that agency personnel had approved those quoted rates. Copies of all support documentation have been retained and are available for review.

Vendor Service Agreements have been developed for transportation providers. Agency Field Service staff plan to implement these agreements no later than July 1, 2017.

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



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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

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



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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

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.

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

Contact Person:

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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

Agency reported status as of May 22, 2017:

The agency has continued to bring on additional vendors and services to address the Workforce Innovation and Opportunity Act, Pre-Employment Transition Services requirement. Current expenditures for the FY2016 grant are \$2,570,444.

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.



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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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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

Agency reported status as of May 22, 2017:

The planned corrective action, summarized below, is fully implemented and documentation is available upon request. Please advise if we can provide any additional information or answer any questions. Thank you,

W. Steven Carter
CFO

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



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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

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.

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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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

Agency reported status as of May 22, 2017:

Ongoing. The Agency continues to review the funding sources through the Provider Invoice Entry (PIE) billing system. The Division is working to fully document the internal control process.

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.



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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

Effect:

Federal funds were used for unallowable activities and costs.

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

Contact Person:

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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

Agency reported status as of May 22, 2017:

Ongoing. The Division is formalizing internal control procedures to more effectively manage federal awards.

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



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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):

activities, (4) information and communication, and (5) monitoring. The DFA risk assessment does not meet these criteria.

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

Contact Person:

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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

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

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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): 1501ARF0ST; 1601ARF0ST
Federal Award Year(s): 2015 and 2016
Compliance Requirement(s) Affected: Cash Management
Type of Finding: Noncompliance and Material Weakness

Agency reported status as of May 22, 2017:

Ongoing. The finance staff has been expanded at DCFS with corresponding duties, checks and balances. The Division is developing a procedure for reconciling the federal draw amounts to the actual program expenditures in conjunction with Managerial Accounting staff.

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.



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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

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.

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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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

Agency reported status as of May 22, 2017:

Ongoing. The Division continues to develop and strengthen the policies and procedures regarding the criminal history checks and appropriate documentation.

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.



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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

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.

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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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

Agency reported status as of May 22, 2017:

Ongoing. The Division has documented the deadlines for submission of all required financial reporting activities. The procedures for compiling reports are currently being compiled to ensure consistency and timeliness of report submission

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.



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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

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.

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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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

Agency reported status as of May 22, 2017:

Overlapping segments corrections continue. Development to prevent future overlaps is underway and scheduled to be deployed in production to coincide with the new MMIS in the fall of 2017.

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:



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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 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.
- 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.



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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.



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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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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

Agency reported status as of May 22, 2017:

Policies and procedures have been formalized. In addition, the automated federal draw system implemented on January 1, 2017 is being used. The programs are in more communication and review of draws and funds now. Finally, policies and procedures will be reviewed and updated again with the MAR Reporting system goes live in the Fall of 2017 in association with the new MMIS system.

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.



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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

Statistically Valid Sample:
Not applicable.

Questioned Costs:
None

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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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

Agency reported status as of May 22, 2017:

New policies and procedures have been implemented to manage federal awards effectively. A new automated federal draw system was implemented on January 1, 2017. In addition, internal program review of federal awards occurs quarterly before the CMS-64 is filed. Also, end of the quarter review now occurs to determine if a supplemental grant award is needed.

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.



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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

Condition and Context (continued):

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

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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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

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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

Agency reported status as of May 22, 2017:

Procedures have been put into place to review the quarterly reports before being filed with CMS. In addition, close out reconciliations will begin for the quarter ending 6/30/17.

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.



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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.



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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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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

Agency reported status as of May 22, 2017:

The program personnel are now reviewing the quarterly report CMS-64 before submission.

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.



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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



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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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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

Agency reported status as of May 22, 2017:

Ongoing. Office of Payment Integrity(OPI) has begun a quarterly process of sampling claims for compliance. The results will be sent to the respective program areas for use in strengthening the program requirements and minimizing errors.

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.**



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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):

- 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.**
- 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.



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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

Statistically Valid Sample:
Not a statistically valid sample

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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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

Agency reported status as of May 22, 2017:

Complete.

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.



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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

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

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

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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

Agency reported status as of May 22, 2017:

Ongoing. Office of Payment Integrity (OPI) has begun a quarterly process of sampling claims for compliance. The results will be sent to the respective program areas for use in strengthening the program requirements and minimizing errors.

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.



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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:

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.

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.**



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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):

- 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.
- 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.

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.



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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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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

Agency reported status as of May 22, 2017: Suzanne is looking to determine if these have been processed.
Ongoing. OPI has begun a quarterly process of sampling claims for compliance. The results will be sent to the
respective program areas for use in strengthening the program requirements and minimizing errors.

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.



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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.**



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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.

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.



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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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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

Agency reported status as of May 22, 2017: Suzanne is looking to determine if these have been processed.
Ongoing. OPI has begun a quarterly process of sampling claims for compliance. The results will be sent to the
respective program areas for use in strengthening the program requirements and minimizing errors.

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



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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

Questioned Costs:
\$10,150

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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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

Agency reported status as of May 22, 2017:

A manual process has been implemented to update eligibility for the proper category.

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.



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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

Condition and Context (continued):

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

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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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

Agency reported status as of May 22, 2017:

New policies and procedures have been implemented to manage federal awards effectively. A new automated federal draw system was implemented on January 1, 2017. In addition, internal program review of federal awards occurs quarterly before the CMS-64 is filed.

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.



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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

Effect:

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

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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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

Agency reported status as of May 22, 2017:

For Tefra claims, the corrective action plan was completed in April and staff have been trained.

In addition, Office of Payment Integrity has begun a quarterly process of sampling claims for compliance. The results will be sent to the respective program areas for use in strengthening the program requirements and minimizing errors.

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).



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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 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).
- 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).



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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 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).
- One client file, 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



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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):

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).
- 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



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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):

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).

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).



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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.



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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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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

Agency reported status as of May 22, 2017:

New policies and procedures have been implemented to manage federal draws. An automated draws general ledger began on January 1, 2017. Also, internal review of federal awards occurs before report submission.

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.



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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

Statistically Valid Sample:
Not applicable

Questioned Costs:
None

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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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

Agency reported status as of May 22, 2017:

Ongoing. Office of Payment Integrity has begun a quarterly process of sampling claims for compliance. The results will be sent to the respective program areas for use in strengthening the program requirements and minimizing errors.

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.



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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

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.

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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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

Agency reported status as of May 22, 2017:

We have conducted an analysis. Updates are planned and will be completed in the fall of 2017 in association of the MMIS system being implemented.

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



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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

Cause:
Unknown

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

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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

Agency reported status as of May 22, 2017:

Ongoing. Office of Payment Integrity has begun a quarterly process of sampling claims for compliance. The results will be sent to the respective program areas for use in strengthening the program requirements and minimizing errors.

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.



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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):

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.

Anticipated Completion Date: Ongoing

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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

Agency reported status as of May 22, 2017:

The agency has continued to bring on additional vendors and services to address the Workforce Innovation and Opportunity Act, Pre-Employment Transition Services (PreETS) requirement. Final PreETS reported expenditures for the FY2015 VR grant were \$426,702. The period of performance for this grant has expired.

Audit Status as of June 30, 2016:

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

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



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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

Agency reported status as of May 22, 2017:

Please see response to 2016-012

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.

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



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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

Agency reported status as of May 22, 2017:

See audit response 2016-013.

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



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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

Agency reported status as of May 22, 2017:

See audit response 2016-016.

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-016.

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



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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

Agency reported status as of May 22, 2017:

See audit response 2016-013.

Audit Status as of June 30, 2016:

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

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.



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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

**Agency reported status as of May 22, 2017: Suzanne is looking to determine if these have been processed.
See Audit response 2016-018.**

Audit Status as of June 30, 2016:
Corrective action has not been taken. See current-year finding 2016-018.

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.



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2015 Prior-Year Finding Number:

State/Educational Agency(s):

CFDA Number(s) and Program Title(s):

Federal Award Number(s):

Federal Award Year(s):

Compliance Requirement(s) Affected:

Type of Finding:

2015-019 (Continued)

Arkansas Department of Human Services

**93.778 – Medical Assistance Program
(Medicaid Cluster)**

05-1405AR5MAP; 05-1505AR5MAP

2014 and 2015

Activities Allowed or Unallowed – Claims Payments

Noncompliance and Material Weakness

Condition and Context (Continued):

- 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.
- 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



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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

Agency reported status as of May 22, 2017: Suzanne is looking to determine if these have been processed.
See Audit response 2016-021.

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-021.

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.



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2015 Prior-Year Finding Number:

State/Educational Agency(s):

CFDA Number(s) and Program Title(s):

Federal Award Number(s):

Federal Award Year(s):

Compliance Requirement(s) Affected:

Type of Finding:

2015-020 (Continued)

Arkansas Department of Human Services

**93.778 – Medical Assistance Program
(Medicaid Cluster)**

**05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP**

2014 and 2015

**Activities Allowed or Unallowed –
Home and Community-Based Services
(Living Choices Assisted Living)**

Noncompliance and Material Weakness

Questioned Costs (Continued):

- 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.
- 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.



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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

Agency reported status as of May 22, 2017: Suzanne is looking to determine if these have been processed.
See audit response 2016-022.

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-022.

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



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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

Agency reported status as of May 22, 2017:

See audit response 2016-020.

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-020.

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.



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2015 Prior-Year Finding Number:

State/Educational Agency(s):

CFDA Number(s) and Program Title(s):

Federal Award Number(s):

Federal Award Year(s):

Compliance Requirement(s) Affected:

Type of Finding:

2015-022 (Continued)

Arkansas Department of Human Services

93.778 – Medical Assistance Program
(Medicaid Cluster)

05-1405AR5MAP; 05-1505AR5MAP;
05-1405ARBIPP; 05-1505ARBIPP

2014 and 2015

Activities Allowed or Unallowed –
Home and Community-Based Services
(DDS ACS Waiver)

Noncompliance and Material Weakness

Questioned Costs (Continued):

- 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.
- 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.



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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

Agency reported status as of May 22, 2017:
See audit response 2016-025.

Audit Status as of June 30, 2016:
Corrective action has not been taken. See current-year finding 2016-025.

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)



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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

Condition and Context (Continued):

- 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)

Questioned Costs:

\$72,883



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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

Agency reported status as of May 22, 2017:

See audit response 2016-027.

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-027.

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



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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

Agency reported status as of May 22, 2017:

See audit response 2016-028.

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-028.

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.



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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):

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.

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



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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

Agency reported status as of May 22, 2017:

See audit response 2016-029.

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-029.

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



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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
Questioned Costs:
Unknown

Agency reported status as of May 22, 2017:

See audit response 2016-016.

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-016.

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



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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

Agency reported status as of May 22, 2017:
See audit response 2016-019 Related.

Audit Status as of June 30, 2016:
Corrective action has not been taken. See current-year finding 2016-018.

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



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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

Agency reported status as of May 22, 2017:
See audit response 2016-020 Related.

Audit Status as of June 30, 2016:
Corrective action has not been taken. See current-year finding 2016-02.

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



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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

Agency reported status as of May 22, 2017:
See audit response 2016-021.

Audit Status as of June 30, 2016:
Corrective action has not been taken. See current-year finding 2016-022.

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.



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2014 Prior-Year Finding Number:

2014-016 (Continued)

State/Educational Agency(s):

Arkansas Department of Human Services

CFDA Number(s) and Program Title(s):

93.778 – Medical Assistance Program
(Medicaid Cluster)

Federal Award Number(s):

05-1305AR5MAP; 05-1405AR5MAP;
051305ARBIPP; 05-1405ARBIPP

Federal Award Year(s):

2013 and 2014

Compliance Requirement(s) Affected:

Activities Allowed or Unallowed –
Home and Community-Based Services
(Personal Care)

Type of Finding:

Noncompliance and Material Weakness

Condition and Context (Continued):

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



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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

Agency reported status as of May 22, 2017:
See audit response 2016-22.

Audit Status as of June 30, 2016:
Corrective action has not been taken. See current-year finding 2016-020.

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



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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

Agency reported status as of May 22, 2017:

See Audit response 2016-025

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-025.

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.



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2014 Prior-Year Finding Number:

2014-020 (Continued)

State/Educational Agency(s):

Arkansas Department of Human Services

CFDA Number(s) and Program Title(s):

93.778 – Medical Assistance Program
(Medicaid Cluster)

Federal Award Number(s):

05-1305AR5MAP; 05-1305ARBIPP;
05-1405AR5MAP; 05-1405ARBIPP

Federal Award Year(s):

2013 and 2014

Compliance Requirement(s) Affected:

Eligibility

Type of Finding:

Noncompliance and Material Weakness

Condition and Context (Continued):

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



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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

Agency reported status as of May 22, 2017:

See audit response 2016-028.

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-028.

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



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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

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.

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



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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

Agency reported status as of May 22, 2017:

See audit response 2016-018.

Audit Status as of June 30, 2016:

Corrective action has not been taken. See current-year finding 2016-018.

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



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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

Agency reported status as of May 22, 2017:
See Audit response 2016-021.

Audit Status as of June 30, 2016:
Corrective action has not been taken. See current-year finding 2016-021.

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



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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

Agency reported status as of May 22, 2017:
See audit finding 2016-020 and 022.

Audit Status as of June 30, 2016:
Corrective action has not been taken. See current-year findings 2016-020 and 2016-022.

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

Department of Finance
and Administration

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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



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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

Agency reported status as of May 22, 2017:

See Audit response 2016-020 and 022.

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.

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



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2012 Prior-Year Finding Number: 12-710-05 (Continued)
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):

- 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.

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 Single Audit

***Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017***

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

In accordance with 2 CFR § 200.514(e), the auditor must follow up on prior audit findings by performing procedures to assess the reasonableness of the schedule. If the auditor concludes that the schedule materially misrepresents the actual status of any prior audit finding, the auditor must report a current-year finding. The audit status document begins on **page 231**.

Federal Program Name	Page Number(s)
Child and Adult Care Food Program	231
Rehabilitation Services_Vocational Rehabilitation Grants to States	232; 245
Medicaid Cluster	233; 235 - 256
Foster Care_Title IV-E	233 – 235; 245
Children's Health Insurance Program	235 - 237; 246 – 247; 252

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Child and Adult Care Food Program
Finding Number: 2016-001
Page Number (from schedule): 120 - 122
Federal Awarding Agency: U.S. Department of Agriculture
Compliance Area Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Cash Management;
Matching, Level of Effort, Earmarking;
Period of Performance;
Reporting;
Subrecipient Monitoring

Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year findings **2017-002**, **2017-004**, and **2017-005**.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Child and Adult Care Food Program
Finding Number: 2016-002
Page Number (from schedule): 123 - 124
Federal Awarding Agency: U.S. Department of Agriculture
Compliance Area Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles

Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Corrected

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Child and Adult Care Food Program
Finding Number: 2016-003
Page Number (from schedule): 125 - 126
Federal Awarding Agency: U.S. Department of Agriculture
Compliance Area Affected: Subrecipient Monitoring

Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency:	Arkansas Department of Career Education – Arkansas Rehabilitation Services
Federal Program Name:	Rehabilitation Services_Vocational Rehabilitation Grants to States
Finding Number:	2016-004
Page Number (from schedule):	127 - 128
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Allowable Costs/Cost Principles
Questioned Costs:	\$1,104
Status of Questioned Costs:	Unknown
Status of Finding:	Corrected
State/Educational Agency:	Arkansas Department of Career Education – Arkansas Rehabilitation Services
Federal Program Name:	Rehabilitation Services_Vocational Rehabilitation Grants to States
Finding Number:	2016-005
Page Number (from schedule):	129 - 131
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Allowable Costs/Cost Principles
Questioned Costs:	\$5,719
Status of Questioned Costs:	Unknown
Status of Finding:	Although use of the particular vendor addressed in the finding has greatly diminished, it does not appear that the Agency's policy and procedures manual on transportation services has been updated to address the issues contained in the finding. In addition, a standard vendor service agreement process has not been established for fair rates regarding client transportation services.
State/Educational Agency:	Arkansas Department of Career Education – Arkansas Rehabilitation Services
Federal Program Name:	Rehabilitation Services_Vocational Rehabilitation Grants to States
Finding Number:	2016-006
Page Number (from schedule):	132 - 133
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Matching, Level of Effort, Earmarking
Questioned Costs:	\$5,528,366
Status of Questioned Costs:	Unknown
Status of Finding:	Corrective action has not been taken. See current-year finding 2017-007 .

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency:	Arkansas Department of Health
Federal Program Name:	Medicaid Cluster
Finding Number:	2016-007
Page Number (from schedule):	134 - 135
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Provider Health and Safety Surveys
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	<p>Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:</p> <ul style="list-style-type: none">• CMS contacted the State via letter on August 16, 2017, requesting that the State provide documentation to demonstrate the new policies, procedures, and safeguards implemented to minimize risk pertaining to managing federal awards. To date, CMS has not received a response from the State. <p>CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.</p>

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Foster Care_Title IV-E
Finding Number:	2016-008
Page Number (from schedule):	136 - 137
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Questioned Costs:	\$13,500
Status of Questioned Costs:	Repayment processed
Status of Finding:	Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Foster Care_Title IV-E
Finding Number: 2016-009
Page Number (from schedule): 138 - 140
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles;
Eligibility;
Matching, Level of Effort, Earmarking;
Period of Performance;
Procurement and Suspension and Debarment;
Reporting;
Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-008**.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Foster Care_Title IV-E
Finding Number: 2016-010
Page Number (from schedule): 141 - 142
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Cash Management
Questioned Costs: \$1,913,317
Status of Questioned Costs: Repayment processed
Status of Finding: Corrected

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Foster Care_Title IV-E
Finding Number: 2016-011
Page Number (from schedule): 143 - 144
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Eligibility
Questioned Costs: \$6,889
Status of Questioned Costs: Repayment not necessary
Status of Finding: Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Foster Care_Title IV-E
Finding Number: 2016-012
Page Number (from schedule): 145 - 146
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Reporting
Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-009**.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Children's Health Insurance Program;
Medicaid Cluster
Finding Number: 2016-013
Page Number (from schedule): 147 - 150
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Questioned Costs: \$64,204
Status of Questioned Costs: Repayment is pending.
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State return the funds in question in the amount of \$64,204 on the Q4 FY 2017 CMS-64 expenditure report or provide documentation to show that the funds have been returned on a previous expenditure report. CMS also requested that the State provide documentation to support procedures and policies implemented to ensure payments are only made on behalf of eligible participants, eligibility is accurately determined, and payments are properly recorded.

CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve this balance owed and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Children's Health Insurance Program;
Medicaid Cluster
Finding Number: 2016-014
Page Number (from schedule): 151 - 152
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Cash Management
Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Corrected

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Children's Health Insurance Program;
Medicaid Cluster
Finding Number: 2016-015
Page Number (from schedule): 153 - 155
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Matching, Level of Effort, Earmarking
Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-018**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State provide documentation to support policies and procedures implemented to minimize the risk pertaining to managing federal awards. To date, CMS has not received a response from the State.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Children's Health Insurance Program;
Medicaid Cluster
Finding Number: 2016-016
Page Number (from schedule): 156 - 158
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Matching, Level of Effort, Earmarking
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-017**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State provide documentation to support policies and procedures implemented to minimize the risk pertaining to managing federal awards. To date, CMS has not received a response from the State.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Children's Health Insurance Program;
Medicaid Cluster
Finding Number: 2016-017
Page Number (from schedule): 159 - 161
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Reporting
Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-014**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State provide documentation to support policies and procedures implemented to comply with federal reporting requirements. To date, CMS has not received a response from the State.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2016-018
Page Number (from schedule): 162 - 164
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed – Claims Payments
Questioned Costs: \$19,687
Status of Questioned Costs: Repayment is pending.
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State repay questioned costs of \$19,687 on the Q4 FY 2017 CMS-64 expenditure report or provide documentation to show that the funds have been returned on a previous expenditure report. CMS also requested that the State provide documentation to support procedures and policies implemented to ensure all required documentation is maintained in the beneficiary files.

CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve this balance owed and will continue to monitor this finding.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2016-019
Page Number (from schedule): 165 - 166
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed – Home and Community-Based Services
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State provide documentation to support policies and procedures implemented to ensure adequate documentation is maintained to provide evidence of reviews performed. To date, CMS has not received a response from the State.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Finding Number:	2016-020
Page Number (from schedule):	167 - 170
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)
Questioned Costs:	\$787,683
Status of Questioned Costs:	Repayment is pending.
Status of Finding:	<p>Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:</p> <ul style="list-style-type: none">• CMS contacted the State via letter on August 16, 2017, requesting that the State repay questioned costs of \$787,683 on the Q4 FY 2017 CMS-64 expenditure report or provide documentation to show that the funds have been returned on a previous expenditure report. CMS also requested that the State provide documentation to support procedures and policies implemented to ensure case files contain all required documentation and are properly maintained. <p>CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve this balance owed and will continue to monitor this finding.</p>

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Finding Number:	2016-021
Page Number (from schedule):	171 - 174
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed – Home and Community-Based Services (Living Choices Assisted Living)
Questioned Costs:	\$335,456
Status of Questioned Costs:	Repayment is pending.
Status of Finding:	<p>Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:</p> <ul style="list-style-type: none">• CMS contacted the State via letter on August 16, 2017, requesting that the State repay questioned costs of \$335,456 on the Q4 FY 2017 CMS-64 expenditure report or provide documentation to show that the funds have been returned on a previous expenditure report. CMS also requested that the State provide documentation to support that procedures and policies have been implemented to ensure required documentation is maintained in the beneficiary files. <p>CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve this balance owed and will continue to monitor this finding.</p>

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2016-022
Page Number (from schedule): 175 - 176
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Personal Care)
Questioned Costs: \$10,150
Status of Questioned Costs: Repayment is pending.
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State repay questioned costs of \$10,150 on the Q4 FY 2017 CMS-64 expenditure report or provide documentation to show that the funds have been returned on a previous expenditure report. CMS also requested that the State provide documentation to support procedures and policies implemented to ensure provider case files contain all required documentation and are adequately maintained.

CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve this balance owed and will continue to monitor this finding.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2016-023
Page Number (from schedule): 177 - 178
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed;
Period of Performance
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.

See current-year finding **2017-010**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State provide documentation to support policies and procedures implemented over data modifications to ensure consistency and accuracy. Documentation was also requested to ensure claim adjustments are properly reviewed. To date, CMS has not received a response from the State.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Finding Number:	2016-024
Page Number (from schedule):	179 - 180
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Cash Management; Period of Performance
Questioned Costs:	\$12,877,790
Status of Questioned Costs:	Repayment is pending.
Status of Finding:	Current-year testing revealed the Agency implemented a new funds management system effective January 1, 2017. As a result, it appeared that appropriate grant awards were used to pay Medicaid administrative draws. ALA staff conversations with Agency staff on January 3, 2018, also revealed that the Agency is waiting to certify the federal report for the quarter ended September 30, 2017, before making monetary corrections regarding prior audit findings.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State repay questioned costs of \$12,877,790 on the Q4 FY 2017 CMS-64 expenditure report or provide documentation to show that the funds have been returned on a previous expenditure report.

CMS also requested that the State provide documentation to support procedures and policies implemented to ensure grant award draws are based on costs incurred during the appropriate time period.

CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve this balance owed and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2016-025
Page Number (from schedule): 181 - 187
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Eligibility
Questioned Costs: SFY14 - \$897
SFY15 - \$72,314
SFY16 - \$470,722
Status of Questioned Costs: Repayment is pending.
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-016**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State repay questioned costs of \$543,559 FFP on the Q4 FY 2017 CMS-64 expenditure report or provide documentation to show that the funds have been returned on a previous expenditure report. CMS also requested that the State provide documentation to support procedures and policies implemented to ensure payments are only made on behalf of eligible participants, eligibility is accurately determined, and questioned costs can be determined and returned.

CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve this balance owed and will continue to monitor this finding.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2016-026
Page Number (from schedule): 188 - 189
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Period of Performance;
Procurement and Suspension and Debarment
Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State provide documentation to support procedures and policies implemented to ensure internal controls are in place to minimize the risk pertaining to handling and disbursing federal awards. To date, CMS has not received a response from the State.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2016-027
Page Number (from schedule): 190 - 191
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Procurement and Suspension and Debarment
Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-019**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State provide documentation to support policies and procedures implemented to ensure that enrolled providers are not suspended or debarred from participating in the Medicaid program. To date, CMS has not received a response from the State.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2016-028
Page Number (from schedule): 192 - 193
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Reporting
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-020**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- CMS contacted the State via letter on August 16, 2017, requesting that the State provide an update or documentation to support that policies and procedures have been implemented to properly review and reconcile the CMS-64 report to supporting documentation and to ensure that variances are investigated and resolved. To date, CMS has not received a response from the State.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Finding Number:	2016-029
Page Number (from schedule):	194 - 195
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Provider Eligibility
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	<p>Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:</p> <ul style="list-style-type: none">• CMS contacted the State via letter on August 16, 2017, requesting that the State provide documentation to support that policies and procedures have been implemented to ensure compliance with provider eligibility requirements and that reviews of new enrolled providers are done timely. To date, CMS has not received a response from the State. <p>CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.</p>
State/Educational Agency:	Arkansas Department of Career Education – Arkansas Rehabilitation Services
Federal Program Name:	Rehabilitation Services_Vocational Rehabilitation Grants to States
Finding Number:	2015-008
Page Number (from schedule):	196
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Matching, Level of Effort, Earmarking
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	<p>Corrective action has not been taken. See current-year finding 2017-007.</p>
State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Foster Care_Title IV-E
Finding Number:	2015-012
Page Number (from schedule):	197
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Reporting
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	<p>Corrective action has not been taken. See current-year finding 2017-009.</p>

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Children's Health Insurance Program;
Medicaid Cluster
Finding Number: 2015-014
Page Number (from schedule): 198
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- During the August 2017 on-site visit, CMS requested an update on the status of resolution of this finding. Because of personnel changes, an updated status could not be provided at the time. To date, CMS has not received any updates pertaining to this audit finding.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Children's Health Insurance Program;
Medicaid Cluster
Finding Number: 2015-015
Page Number (from schedule): 199
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Matching, Level of Effort, Earmarking
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-017**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- During the August 2017 on-site visit, CMS again requested a copy of the worksheet that maps expenditures back to the CMS-64 and CMS-21 reports. To date, CMS has not received any supporting documentation to show that expenditures are mapped back to the reports.

CMS requested that, by December 15, 2017, the State provide documentation to support the resolution of this audit finding and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Children's Health Insurance Program;
Medicaid Cluster
Finding Number: 2015-016
Page Number (from schedule): 200
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Reporting
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- During the August 2017 on-site visit, CMS requested an update on the status of resolution of this finding. Because of personnel changes, an updated status could not be provided at the time. To date, CMS has not received any updates pertaining to this audit finding.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2015-019
Page Number (from schedule): 201 - 202
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed – Claims Payments
Questioned Costs: \$40,321
Status of Questioned Costs: Repayment is pending.
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017." Although finding 2015-019 was not listed within the document, a finding from the 2016 Single Audit (2016-018) that addressed the same issue was listed and revealed the following status:

- CMS contacted the State via letter on August 6, 2017, requesting that the State repay questioned costs of \$19,687 on the Q4 FY 2017 CMS-64 expenditure report or provide documentation to show that the funds have been returned on a previous expenditure report.

CMS also requested that the State provide documentation to support procedures and policies implemented to ensure all required documentation is maintained in the beneficiary files.

CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve this balance owed and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2015-020
Page Number (from schedule): 203 - 204
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Living Choices Assisted Living)

Questioned Costs: \$280,961
Status of Questioned Costs: Repayment is pending.
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled “Open Arkansas Audit Findings as of November 15, 2017,” which revealed the following status:

- During the August 2017 on-site visit, CMS discussed return of funds with Agency financial staff, who advised that personnel and system changes were being implemented and funds should be returned on the next report certification.

CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve the balance owed.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2015-021
Page Number (from schedule): 205
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Personal Care)

Questioned Costs: \$16,526
Status of Questioned Costs: Repayment is pending.
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled “Open Arkansas Audit Findings as of November 15, 2017,” which revealed the following status:

- During the August 2017 on-site visit, CMS discussed return of funds with Agency financial staff, who advised that personnel and system changes were being implemented and funds should be returned on the next report certification.

CMS is awaiting certification of Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve the balance owed.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Finding Number:	2015-022
Page Number (from schedule):	206 - 207
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)
Questioned Costs:	\$735,543
Status of Questioned Costs:	Repayment is pending.
Status of Finding:	<p>Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled “Open Arkansas Audit Findings as of November 15, 2017,” which revealed the following status:</p> <ul style="list-style-type: none">• During the August 2017 on-site visit, CMS discussed return of funds with Agency financial staff, who advised that personnel and system changes were being implemented and funds should be returned on the next report certification. <p>CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve the balance owed.</p>

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Finding Number:	2015-023
Page Number (from schedule):	208 - 209
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Eligibility
Questioned Costs:	\$72,883
Status of Questioned Costs:	Repayment is pending.
Status of Finding:	Corrective action has not been taken. See current-year finding 2017-016 .

ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017." Although finding 2015-023 was not listed within the document, a finding from the 2016 Single Audit (2016-025) that addressed the same issue was listed and revealed the following status:

- CMS contacted the State via letter on August 6, 2017, requesting that the State repay questioned costs of \$543,559 FFP on the Q4 FY 2017 CMS-64 expenditure report or provide documentation to show that the funds have been returned on a previous expenditure report.

CMS also requested that the State provide documentation to support procedures and policies implemented to ensure payments are only made on behalf of eligible participants, eligibility is accurately determined, and questioned costs can be determined and returned.

CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve this balance owed and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2015-024
Page Number (from schedule): 210
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Procurement and Suspension and Debarment
Questioned Costs: None
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-019**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- During the August 2017 on-site visit, CMS requested an update on the status of resolution of this finding. Because of personnel changes, an updated status could not be provided at the time. To date, CMS has not received any updates pertaining to this audit finding.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2015-025
Page Number (from schedule): 211 - 212
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Reporting
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-020**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- During the August 2017 on-site visit, CMS requested an update on the status of resolution of this finding. Because of personnel changes, an updated status could not be provided at the time. To date, CMS has not received any updates pertaining to this audit finding.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2015-027
Page Number (from schedule): 213
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Special Tests and Provisions – Provider Eligibility
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled “Open Arkansas Audit Findings as of November 15, 2017,” which revealed the following status:

- During the August 2017 on-site visit, CMS requested an update on the status of resolution of this finding. Because of personnel changes, an updated status could not be provided at the time. To date, CMS has not received any updates pertaining to this audit finding.

CMS requested that the State provide documentation to support the resolution of this audit finding by December 15, 2017, and will continue to monitor this finding.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Children’s Health Insurance Program;
Medicaid Cluster
Finding Number: 2014-010
Page Number (from schedule): 214
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Matching, Level of Effort, Earmarking
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-017**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled “Open Arkansas Audit Findings” as of November 15, 2017,” which revealed the following status:

- During the August 2017 on-site review, CMS made another request for the State to provide a copy of Navigant’s report documenting that this audit finding had been properly addressed. CMS requested the State provide documentation by December 15, 2017.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2014-014
Page Number (from schedule): 215
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed – Claims Payments
Questioned Costs: \$16,098
Status of Questioned Costs: Repayment is processed
Status of Finding: Corrected

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2014-015
Page Number (from schedule): 216
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Living Choices Assisted Living)
Questioned Costs: \$264,381
Status of Questioned Costs: Repayment is processed
Status of Finding: Corrected

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2014-016
Page Number (from schedule): 217 - 218
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Personal Care)
Questioned Costs: \$8,458
Status of Questioned Costs: Repayment is processed
Status of Finding: Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2014-017
Page Number (from schedule): 219
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(DDS ACS Waiver)
Questioned Costs: \$699,545
Status of Questioned Costs: Repayment is pending.
Status of Finding: Although audit follow-up procedures indicated the Agency had taken corrective action, ALA obtained a resolution document from the federal awarding agency (CMS), titled “Open Arkansas Audit Findings as of November 15, 2017,” which revealed the following status:

- During the August 2017 on-site visit, CMS discussed return of funds with Agency financial staff, who advised that personnel and system changes were being implemented and funds should be returned on the next report certification.

CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve the balance owed.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2014-020
Page Number (from schedule): 220 - 221
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Eligibility
Questioned Costs: \$33,121
Status of Questioned Costs: Repayment is pending.
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-016**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled “Open Arkansas Audit Findings” as of November 15, 2017,” which revealed the following status:

- During the August 2017 on-site visit, CMS discussed return of funds with Agency financial staff, who advised that personnel and system changes were being implemented and funds should be returned on the next report certification.

CMS is awaiting certification of the Q4 FY 2017 CMS-64 report. If funds are not returned, CMS will contact the State by December 15, 2017, to discuss its plan of action to resolve the balance owed and continue to monitor this finding.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 2014-021
Page Number (from schedule): 222 - 223
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Reporting
Questioned Costs: Unknown
Status of Questioned Costs: Not applicable
Status of Finding: Corrective action has not been taken.
See current-year finding **2017-020**.

In addition, ALA obtained a resolution document from the federal awarding agency (CMS), titled "Open Arkansas Audit Findings as of November 15, 2017," which revealed the following status:

- During the August 2017 on-site review, CMS made another request for the State to provide a copy of Navigant's report documenting that this audit finding had been properly addressed. To date, no documentation has been received. CMS will follow-up with the State by December 15, 2017, and continue to monitor this finding.

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 13-710-09
Page Number (from schedule): 224
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed – Claims Payments
Questioned Costs: \$43,062
Status of Questioned Costs: Unknown
Status of Finding: Corrected

State/Educational Agency: Arkansas Department of Human Services
Federal Program Name: Medicaid Cluster
Finding Number: 13-710-10
Page Number (from schedule): 225
Federal Awarding Agency: U.S. Department of Health and Human Services
Compliance Area Affected: Activities Allowed or Unallowed –
Home and Community-Based Services
(Living Choices Assisted Living)
Questioned Costs: \$860,435
Status of Questioned Costs: Unknown
Status of Finding: Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2017

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Finding Number:	13-710-11
Page Number (from schedule):	226 - 227
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care and DDS ACS Waiver)
Questioned Costs:	\$103,869
Status of Questioned Costs:	Unknown
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Finding Number:	12-710-05
Page Number (from schedule):	228 - 229
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care and DDS ACS Waiver)
Questioned Costs:	\$1,335,817
Status of Questioned Costs:	Unknown
Status of Finding:	Corrected