State of Arkansas

Single Audit Report

For the Year Ended June 30, 2021

State of Arkansas
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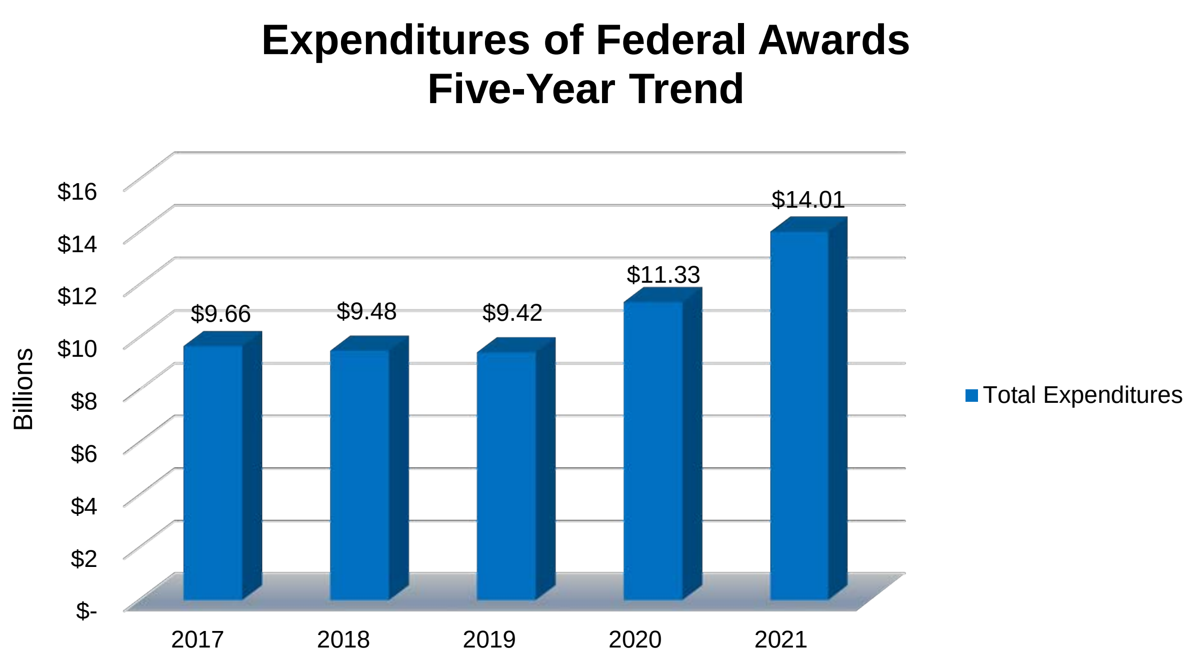
For the Year Ended June 30, 2021

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, 2021, as performed by Arkansas Legislative Audit, meets these requirements.

Expenditures of federal awards have varied over the past five years, increasing significantly to approximately $14 billion in fiscal year 2021 due to expenditures for the coronavirus pandemic (COVID-19). The chart below depicts the five-year trend of expenditures of federal awards. The 2021 Single Audit includes federal expenditures from 408 federal programs.



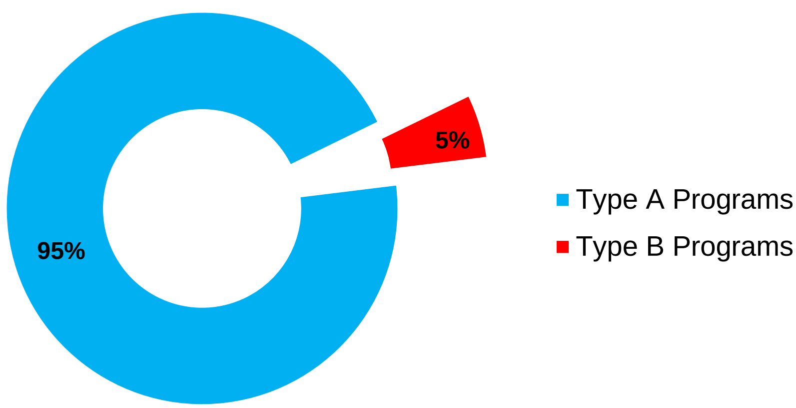
In accordance with Uniform Guidance, larger federal programs are identified and labeled as Type A. The following table outlines how the Type A programs for the State of Arkansas were identified.

Type A Program Determination

Total Federal Awards Expended	*Type A Threshold*
Exceed $10 billion but less than or equal to $20 billion	$30 million

All federal programs with expenditures of at least $30 million were labeled Type A. All other federal programs were labeled Type B. Of the 408 federal programs represented in the June 30, 2021, State of Arkansas Single Audit, 25 were Type A programs with expenditures totaling $13,272,666,897, which is 95% of total expenditures, and 383 were Type B programs with expenditures totaling $740,108,555, which is 5% 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. There were 25 Type A programs, and the risk assessments performed identified 15 of those programs as high-risk or major. The ***Type A major programs*** are:

- Medicaid Cluster
- Unemployment Insurance*
- Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)*
- Education Stabilization Fund – CARES Act*
- Foster Care_Title IV-E
- Federal Family Education Loans
- Community Development Block Grant Program*
- Temporary Assistance for Needy Families
- Research and Development Cluster
- Coronavirus Relief Fund*
- Rehabilitation Services_Vocational Rehabilitation Grants to States
- Immunization Cooperative Agreements*
- Children's Health Insurance Program
- Low-Income Home Energy Assistance Program*
- Presidential Declared Disaster Assistance to Individuals and Households – Other Needs*

* Denotes program includes COVID-19 funding

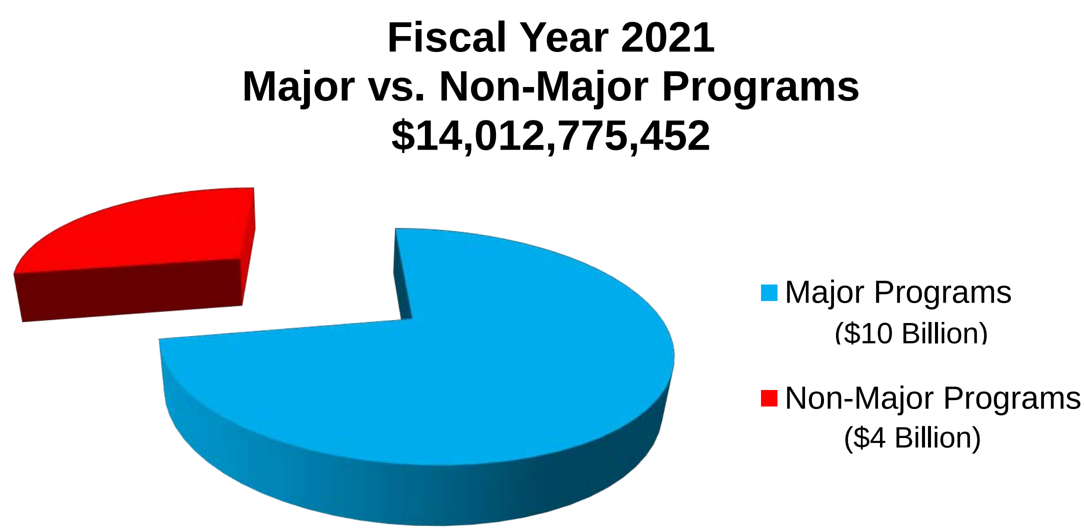
Additionally, Uniform Guidance requires the auditor to perform risk assessments on larger Type B programs with expenditures that exceed 25% of the Type A threshold; the auditor is not expected to perform risk assessments on the relatively small federal programs.

Threshold for Type B Programs		
Type A Threshold		$ 30,000,000
25%	x	0.25
Threshold of Type B programs		$ 7,500,000

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. Ten low-risk Type A programs were identified, so the auditor is required to select at least three high-risk Type B programs. The auditor selected five high-risk Type-B programs as major. The ***Type B major programs*** are:

- Clean Water State Revolving Fund Cluster
- Drinking Water State Revolving Fund Cluster
- HOME Investment Partnership Program
- Homeowner Assistance Fund
- Provider Relief Fund

For the year ended June 30, 2021, major program expenditures represented 72% of total expenditures of federal awards.



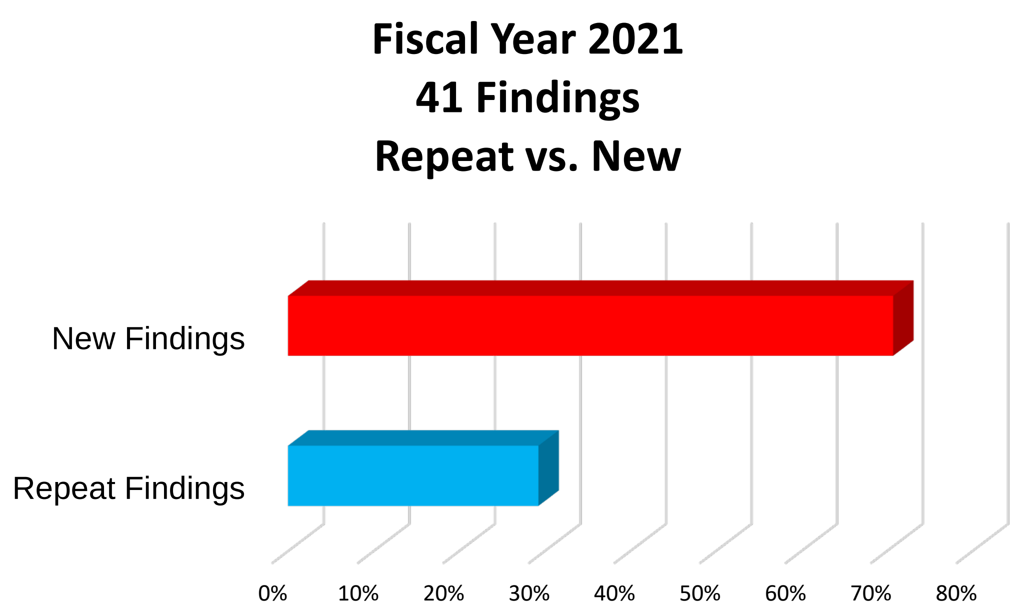
Five state entities expended the majority (85%) of federal awards, as noted below:

Arkansas Department of Human Services	**55%**
Arkansas Department of Commerce – Division of Workforce Services	**16%**
Arkansas Department of Education	**6%**
Arkansas Department of Transportation	**6%**
Arkansas Department of Health	**2%**
Other Departments	**15%**

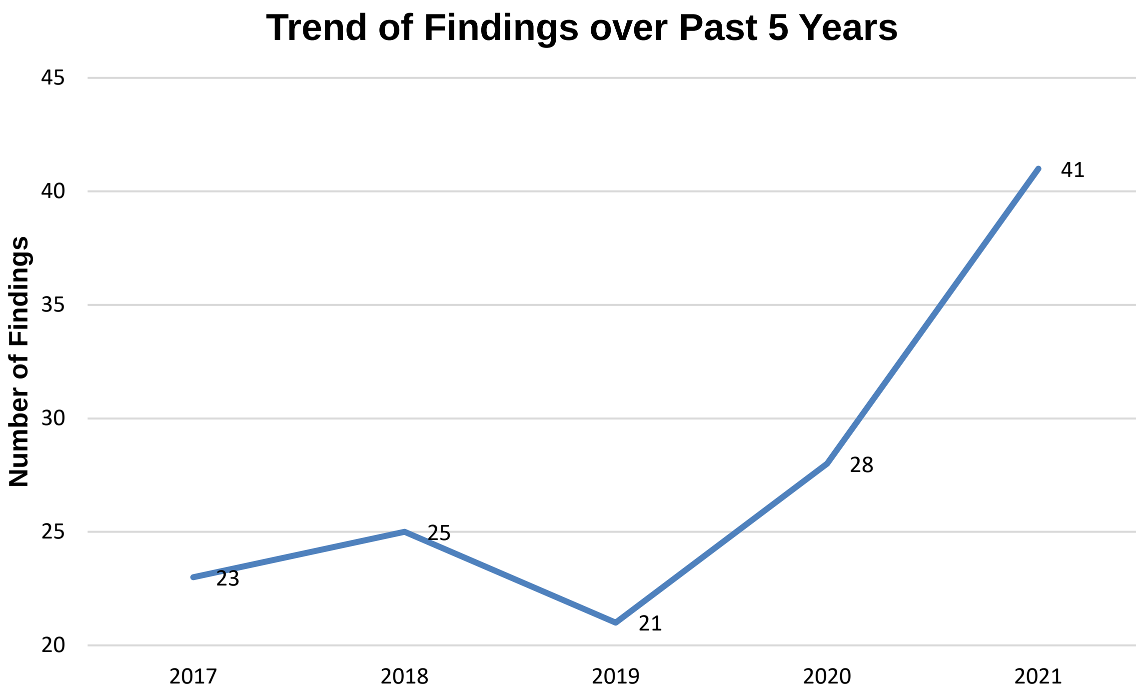
The State received federal awards from 29 different federal agencies. Most of the federal awards (84%) came from four federal agencies as follows:

US Department of Health and Human Services	**50%**
US Department of Labor	**13%**
US Department of Education	**12%**
US Department of Agriculture	**9%**
Other Departments	**16%**

The audit resulted in **41** findings regarding noncompliance and deficiencies in internal control over compliance for **5** of the **20** major programs identified on **page 16**. As illustrated below, **12** of the **41** findings, or **29%**, were repeat findings. Repeat findings indicate that an agency has not taken adequate measures to correct noncompliance and deficiencies in internal control over compliance reported in the previous Single Audit. The Schedule of Findings and Questioned Costs begins on page **14**.



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



Administered By/ Program	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021
ADE	1	0	0	0	0
Title I	1	0	0	0	0
AEDC	0	0	0	0	2
CRF	0	0	0	0	2
AEDC/Parks	0	0	0	0	1
CRF	0	0	0	0	1
ARDOT	0	0	0	0	1
F/S	0	0	0	0	1
ARS	1	0	0	0	0
Rehab	1	0	0	0	0
DFA	0	0	0	0	3
CRF	0	0	0	0	3
DHS	21	21	21	16	17
CACFP	4	2	1	0	0
CHIP	3	2	1	3	2
CNC	0	1	0	0	0
FC	2	1	0	0	0
Medicaid	7	10	13	8	4
Medicaid/CHIP	3	5	6	4	6
Rehab	1	0	0	0	0
Various	1	0	0	0	0
Adoption	0	0	0	1	0
CRF	0	0	0	0	5
DHS/AEDC	0	0	0	0	1
CRF	0	0	0	0	1
DWS	0	2	0	3	15
TANF	0	2	0	0	0
UI	0	0	0	2	8
LWA	0	0	0	0	6
F/S	0	0	0	1	1
SAU	0	0	0	4	0
SFA	0	0	0	3	0
HEERF	0	0	0	1	0
ANC	0	0	0	1	0
SFA	0	0	0	1	0
ASU-3 Rivers	0	0	0	1	0
SFA	0	0	0	1	0
UAF	0	0	0	1	0
SFA	0	0	0	1	0
HSU	0	0	0	1	0
SFA	0	0	0	1	0
ATU	0	0	0	1	0
SFA	0	0	0	1	0
UAMS	1	2	0	0	1
Head Start	0	1	0	0	0
R&D	0	0	0	0	1
R&D/Head Start	1	0	0	0	0
SFA	0	1	0	0	0
Grand Total	**23**	**25**	**21**	**28**	**41**

Legend-Programs:

CACFP	Child and Adult Care Food Program
Rehab	Vocational Rehabilitation_Grants to States
FC	Foster Care_Title IV-E
Medicaid	Medical Assistance Program (Medicaid Cluster)
CHIP	Children's Health Insurance Program
Various	Various Federal Programs
Adoption	Adoption Assistance Program
CNC	Child Nutrition Cluster
TANF	Temporary Assistance for Needy Families
Title I	Title I Grants to Local Educational Agencies
SFA	Student Financial Assistance Cluster
R&D	Research and Development Cluster (Various programs)
UI	Unemployment Insurance
F/S	Financial Statements (not a Federal Program)
HEERF	Higher Education Emergency Relief Fund
CRF	Coronavirus Relief Fund
LWA	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs (Supplemental Payments for Lost Wages)

Legend-Agencies/Higher Education Institutions:

DHS	Arkansas Department of Human Services
ARS	Arkansas Rehabilitation Services
UAMS	University of Arkansas for Medical Sciences
ARDOT	Arkansas Department of Transportation
ADE	Arkansas Department of Education
DWS	Division of Workforce Services
DFA	Department of Finance and Administration
AEDC	Arkansas Economic Development Commission
Parks	Department of Parks, Heritage, and Tourism
UAF	University of Arkansas, Fayetteville
SAU	Southern Arkansas University
HSU	Henderson State University
ATU	Arkansas Tech University
ANC	Arkansas Northeastern College
ASU-3 Rivers	Arkansas State University - Three Rivers

Many findings result in questioned costs. Uniform Guidance defines "questioned costs" as costs 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; where the costs, at the time of the audit, are not supported by adequate documentation; or where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

The table below depicts findings with questioned costs that were not resolved by the federal awarding agency as reported in the June 30, 2020, Single Audit. In addition, the table notes each finding's questioned costs status, including recoupments, other adjustments, or recoupments not required, as of June 30, 2021.

Federal Program	Finding #	Questioned Costs	Recoupment	Other Adjustment	Recoupment Not Required	**Outstanding Balance** (as of 06/30/21)
2018						
CACFP	2018-002	1,339,409		$ 315,612		$ 1,023,797
Medicaid and CHIP	2018-005	146,619	$ 103,189			43,430
Medicaid and CHIP	2018-006	1,779	1,281			498
Medicaid and CHIP	2018-007	13,572	13,572			0
CHIP	2018-010	4,920,931			4,920,931	0
Medicaid	2018-012	475	475			0
Medicaid	2018-013	2,073	492		1,581	0
Medicaid	2018-014	376,595	244,180		132,415	0
Medicaid	2018-015	47,343,219			47,343,219	0
Medicaid	2018-016	12,421			12,421	0
Medicaid	2018-017	392,746	4,766		387,980	0
Medicaid	2018-019	209,046	209,046			0
Medicaid	2018-020	3,572,108			3,572,108	0
Medicaid	2018-021	2,882	1,869		1,013	0
2019						
CACFP	2019-001	1,526,467		350,000		1,176,467
Medicaid and CHIP	2019-002	1,044	594			450
Medicaid and CHIP	2019-003	9,210			9,210	0
Medicaid and CHIP	2019-006	9,910,667			9,910,667	0
Medicaid	2019-009	8,962		8,962		0
Medicaid	2019-010	107,381	107,380		1	0
Medicaid	2019-011	279,488	279,487		1	0
Medicaid	2019-012	58,894	58,894			0
Medicaid	2019-016	40,302	36,750		3,552	0
Medicaid	2019-019	2,215	1,411			804
2020						
Unemployment Insurance	2020-002	42,499			42,499	0
Unemployment Insurance	2020-003	103,438			103,438	0
SFAC - SAU	2020-007	29,909				29,909
HEERF - SAU	2020-009	250,935			250,935	0
Adoption Assistance	2020-013	14,077				14,077
Medicaid and CHIP	2020-014	72,686	72,686			0
CHIP	2020-018	94,715	94,715			0
CHIP	2020-019	20,710				20,710
Medicaid	2020-021	197,344	197,343		1	0
Medicaid	2020-022	108,960	108,960			0
Medicaid	2020-023	48,220	48,219		1	0
Medicaid	2020-024	495,421				495,421
Medicaid	2020-025	7,239	7,239			0
Medicaid	2020-026	2,477,398				2,477,398
Totals		**$ 74,242,056**	**$ 1,592,548**	**$ 674,574**	**$ 66,691,973**	**$ 5,282,961**

Legend	
CACFP	Child and Adult Care Food Program
CHIP	Children's Health Insurance Program
SFAC	Student Financial Assistance Cluster
HEERF	Higher Education Emergency Relief Fund
SAU	Southern Arkansas University

Independent Auditor's Reports

For the Year Ended June 30, 2021

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. Nelda Speaks
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, 2021, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated January 21, 2022. 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*, and accordingly this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the University of Arkansas Foundation, Inc., and the University of Arkansas Fayetteville Campus Foundation, Inc. or that are reported on separately by those auditors who audited the financial statements of the University of Arkansas Foundation, Inc., and the University of Arkansas Fayetteville Campus Foundation, Inc.

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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questions Costs as item 2021-001 that we consider to be a significant deficiency.

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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002.

State's Response to Findings

The State's response to the 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 the financial statements, and accordingly, we express no opinion on it.

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
January 21, 2022

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. Nelda Speaks
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, 2021, except for the major federal programs listed below:

Program/cluster title	**Administered by**
Research and Development Cluster	University of Arkansas for Medical Sciences
Provider Relief Fund	University of Arkansas for Medical Sciences
HOME Investment Partnerships Program	Arkansas Development Finance Authority
Homeowner Assistance Fund	Arkansas Development Finance Authority
Federal Family Education Loans	Arkansas Development Finance Authority (Arkansas Student Loan Authority)
Clean Water State Revolving Fund Cluster	State of Arkansas Construction Assistance Revolving Loan Fund Program
Drinking Water State Revolving Fund Cluster	State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Those major federal programs were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those major federal programs' compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, is based solely on the report of the other auditors. 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.

The State of Arkansas's basic financial statements include the operations of the Disability Determination for Social Security Administration, which expended $51,356,950 in federal awards and is not included in the State's Schedule of Expenditures of Federal Awards during the year ended June 30, 2021. Our audit, described below, did not include the operations of Disability Determination for Social Security Administration because the entity engaged other auditors to perform an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards* (Uniform Guidance) that is based on a September 30 year-end.

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 Unemployment Insurance, the Children's Health Insurance Program, the Medical Assistance Program, COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages), and the Research and Development Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with requirements regarding the following:

Finding #	ALN	Program Name	Compliance Requirement
2021-004	17.225	Unemployment Insurance; COVID-19: Unemployment Insurance	Activities Allowed or Unallowed; Eligibility
2021-024	93.767	Children's Health Insurance Program; Medical Assistance Program	Matching, Level of Effort, Earmarking
2021-035	97.050	COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)	Activities Allowed or Unallowed; Eligibility
2021-039	97.050	COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)	Matching, Level of Effort, Earmarking
2021-041	Various	Research and Development Cluster	Cash Management

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Qualified Opinion on Unemployment Insurance, the Children's Health Insurance Program, the Medical Assistance Program, COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages), and the Research and Development Cluster

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 Unemployment Insurance, the Children's Health Insurance Program, the Medicaid Program, COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages), and the Research and Development Cluster for the year ended June 30, 2021.

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, 2021.

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 2021-003, 2021-005 through 2021-018, 2021-020 through 2021-021, 2021-023, 2021-025 through 2021-027, 2021-029 through 2021-034, 2021-036 through 2021-038, and 2021-040. 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify 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 2021-003 through 2021-010, 2021-023 through 2021-024, 2021-026 through 2021-033, and 2021-035 through 2021-041 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 2021-013 through 2021-014, 2021-016 through 2021-022, 2021-025, and 2021-034 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, 2021, and have issued our report thereon dated January 21, 2022, 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
May 31, 2022, except for the
Schedule of Expenditures of Federal
Awards, dated January 21, 2022

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

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 1 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 costs that are questioned by the auditor because of an audit finding (a) which 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 17 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 Assistance Listing Number. Each finding is assigned a seven-digit reference number (e.g., 2021-xxx). The first set of digits represents the fiscal year audited, and the second set represents the sequential finding number. An index of the federal award findings begins on page 20.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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)?	X	Yes		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: *Except for the programs listed on page **11** of this report, which were Qualified	Unmodified*			
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:	$30,000,000			
Auditee qualified as low-risk auditee?		Yes	X	No

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

Identification of major programs:

	Assistance Listing Number(s)	Name of Cluster or Federal Program
1.	66.458	Clean Water State Revolving Fund Cluster
2.	66.468	Drinking Water State Revolving Fund Cluster
3.	93.775, 93.777, 93.778	Medicaid Cluster
4.	Various	Research and Development Cluster
5.	14.228	Community Development Block Grant Program COVID-19: Community Development Block Grant Program
6.	14.239	HOME Investment Partnerships Program
7.	17.225	Unemployment Insurance COVID-19: Unemployment Insurance
8.	21.019	COVID-19: Coronavirus Relief Fund
9.	21.026	COVID-19: Homeowner Assistance Fund
10.	84.032	Federal Family Education Loans - Lenders
11.	84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States
12.	84.425	COVID-19: Education Stablization Fund - CARES Act
13.	93.268	Immunization Cooperative Agreements COVID-19: Immunization Cooperative Agreements
14.	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) COVID-19: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
15.	93.498	COVID-19: Provider Relief Fund
16.	93.558	Temporary Assistance for Needy Families
17.	93.568	Low-Income Home Energy Assistance Program COVID-19: Low-Income Home Energy Assistance Program
18.	93.658	Foster Care_Title IV-E
19.	93.767	Children's Health Insurance Program
20.	97.050	COVID-19: Presidential Declared Disaster Assistance to Individuals and Households - Other Needs

Section II – Financial Statement Findings

REPORT FINDING: 2021-001

Division of Workforce Services

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework of internal controls, adopted by the State of Arkansas in DFA's Financial Management Guide, states that communications related to both operational and financial data are needed at all levels of an agency in a relevant, reliable and timely fashion. The State did not have the policies and procedures in place to appropriately record the financial effects of the new unemployment insurance pandemic programs. As a result, we noted the following:

- Operating revenues were overstated by $151,317,347 when a portion of federal grant receipts was erroneously coded to a general ledger account related to Operating revenues, as opposed to the more appropriate general ledger account related to Non-operating revenues.
- Expenditures were overstated by $8,710,073 when revenue-correcting entries were made to a general ledger account related to expenditures, as opposed to the more appropriate general ledger account related to Non-operating revenues.
- The net effect of the first two misstatements was an understatement of Non-operating revenues of $142,607,274.
- Federal payables of claimant benefit overpayments due to the federal government were understated by $19,887,434 when the State neglected to consider overpayments made out of the legacy Unemployment Insurance payment system.

Lack of appropriate controls over financial reporting could cause financial statements to be misstated.

Upon notification of the potential misstatements, DFA Office of Accounting made an entry in AASIS to correct the first three amounts listed above. The remaining misstatement was noted subsequent to the first three and did not meet the threshold requiring adjustment.

We recommend the State work to improve its controls over financial reporting, creating policies and procedures that would encourage more accurate reporting of its programs.

Views of Responsible Officials and Planned Corrective Action:
Bullet Points #1-#3: This posting error was related to the Lost Wages Assistance Program from FEMA. The Lost Wages Assistance program is now complete and we will not be posting any transactions from this program again. A contributing factor was staff turnover, including the unit manager resigning.

The following enhanced controls and procedures will be, or have been, implemented:

1. The Assistant Controller will review all new templates for appropriate coding before posting, including the distinction of operating vs. non-operating revenues.
2. Additionally, ADWS has worked with DFA to update NBR account mapping. Revenue correcting entries were made to the NBR account that was mapped to the revenue general ledger account that otherwise would have been used, but the NBR mapping for that NBR account was to an expenditure line rather than a revenue line on the financial statements. While a different (non-operating revenue) general ledger account should have been used for the transactions, this updated NBR mapping will drive any future entries made through this NBR mapping to a revenue line rather than an expenditure line.
3. The UI Assistant Controller will periodically perform an analytical review of general ledger account balances to help detect significant changes in the use of accounts between years for new programs or which may have been caused by errors. Significant changes noted will be further reviewed for appropriate coding.

Bullet Point #4: It is uncommon for ADWS to post a federal payable for overpayments, since the majority of the overpayments were paid with ADWS funds through regular UI benefits. The following enhanced controls and procedures will be, or have been, implemented to help identify when this uncommon situation has occurred that requires posting of a federal payable:

Section II – Financial Statement Findings (Continued)

REPORT FINDING: 2021-001 (Continued)

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

- To enhance communications between units related to identifying, calculating, and posting the year-end payable, the Controller Unit has updated its Standard Operating Procedure (SOP) titled "UI Year-End Federal Payables Calculation" to ensure all appropriate entries are posted. A key element in this SOP is that the Controller Unit will receive a breakdown of the receivables by program, which the Assistant Controller will review to ensure the appropriate amount of federal payable is posted.
- Additionally, the agency has a project called UI Modernization underway to modernize UI system software. It is anticipated that more information will be available through the updated system when completed that will provide detailed reports related to overpayments balances.

Anticipated Completion Date: June 20, 2022 items #1 to 3; August 15, 2022 item #4

Contact Person:
Tracii Laettner
Chief Financial Officer/Deputy Director
Division of Workforce Services
#2 Capitol Mall
Little Rock, AR 72201
501-682-3108
Tracii.L.Laettner@arkansas.gov

Section II – Financial Statement Findings (Continued)

REPORT FINDING: 2021-002

Arkansas Department of Transportation

Arkansas Code Ann. § 19-4-1502 requires an agency to keep and maintain a record of property owned by the agency.

Arkansas Department of Transportation (ArDOT) failed to maintain a record of right of way property owned.

Failure to maintain a complete record could lead to the misuse or misappropriation of assets.

We recommend the Agency develop and maintain a record of all right of way property owned, with costs that support the balance reported in AASIS.

Views of Responsible Officials and Planned Corrective Action:
The Arkansas Department of Transportation (ARDOT) Fiscal Services and Right of Way Divisions are currently working together to update, reconcile and maintain a complete ongoing record of right of way property owned, that the Right of Way Division and Fiscal Services will maintain. This record will be reconciled to the balance reported in AASIS each Fiscal Year.

Anticipated Completion Date: December 31, 2022

Contact Person:
Patrick Patton
CFO
Arkansas Department of Transportation
10324 Interstate 30
Little Rock, AR 72203
501-569-2051
Patrick.patton@ardot.gov

Section III - Federal Award Findings and Questioned Costs

Finding Number:	**2021-003**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

In addition, 2 CFR § 200.516(a)(6) requires the auditor to report as an audit finding any known or likely fraud affecting a federal award.

Condition and Context:
In state fiscal year 2021, the Division of Workforce Services (DWS) identified 6,642 claims, totaling $19,903,597, as likely fraud. This amount is comprised of $16,306,917 in federal funds and $3,596,680 in state funds.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$19,903,597

NOTE: As disclosed in **Note 7 on page 150** in the Notes to Schedule of Expenditures of Federal Awards of the report, State Unemployment Insurance (UI) funds as well as federal funds are reported on the Schedule.

Cause:
In response to the increase in demand for services/benefits, the State relaxed controls over identity verification and income verification for the program during fiscal year 2021.

Effect:
Lack of appropriate internal controls resulted in overpayments of state and federal funds.

Recommendation:
ALA staff recommend the Agency continue to strengthen controls over benefit payments to ensure that payments are made in the correct amount and to eligible claimants. ALA staff also recommend the Agency seek recoupment of the identified overpayments, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
Due to the pandemic and health concerns as well as unprecedented volume, claimants were not required to come into a local office and provide ID, the waiting week was waived for 2020, and the requirement for work search were all adjusted due to the pandemic to protect employees and claimants. Before the pandemic, all claimants were required to come to the local office. Removing these controls had several implications:

Finding Number:	**2021-003 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed;** **Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

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

1. By waiving the waiting week, the claimant could get paid the following week. For example, a fraudster could file a claim on Friday, then receive payment on Sunday, removing the typical week that an employer had to respond.
2. The information mailed to the employer and claimant were not received by them before payments were being made.
3. Businesses were also closed at this time, and they did not respond to the unemployment paperwork timely to let the agency know that it was a fraudulent claim.
4. Identity thieves would change the address of the claimants for which they had files claims and because of this many of the claimants that had identity theft did not know a claim had even been filed in their name.

In 2020 the work search requirement was reinstated. In 2021, all claimants had to bring into the local office their ID before the claim would be opened for a regular unemployment claim. UIdentify was used on the PUA claims after January 1, 2021. And the waiting week was reinstated January of 2021, which reinstated the number of days for the employer to respond and for staff to be able to work the notices before payment was issued.

Internal Audit transitioned to the Fraud Unit and have added staff to focus investigating fraudulent claims. When the bad actor is identified, the overpayment is set up in their name and removed from the identity theft victim's SSN.

Anticipated Completion Date: July 2024, due to the statute of limitations on collections.

Contact Person:
Ken Jennings
Program Administrator UI
Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3244
Kenneth.jennings@arkansas.gov

Finding Number:	**2021-004**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2020-002**.

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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

In addition, 2 CFR § 200.516(a)(6) requires the auditor to report as an audit finding any known or likely fraud affecting a federal award.

Condition and Context:
Our review of claimant data revealed overpayments as follows:

- Using data analytics, ALA staff identified 17 mailing addresses that were heavily used to receive debit cards containing Unemployment Compensation (UC) benefits for 64 claimants, totaling $80,187. A review of the related case files revealed that the claims were all initiated at a time when identity (ID) verification controls had been relaxed. When the Agency reinstated ID verification controls and requested the claimants provide ID, none of the claimants provided ID to validate the claims. As of June 30, 2021, benefits totaling $3,268 for 3 claimants had been identified as likely fraud by the Agency and are included in the total identified fraud and questioned costs discussed in finding **2021-003**.
- Using data analytics, ALA staff identified 41 mailing addresses that were heavily used to receive debit cards containing Pandemic Unemployment Assistance (PUA) benefits for 231 claimants. Benefits totaling $2,075,651 for 126 of these claimants were questioned due to the lack of identification documentation in the case file.
- During our review of Unemployment Insurance (UI) claims, we noted 7,302,064 weekly UI benefits that were paid during the fiscal year, totaling $1,963,329,057. In a random sample of 60 weekly UI benefits to 60 different claimants, totaling $15,091, ALA staff noted 5 claimants, with benefits totaling $660, who were deemed ineligible at a later date by caseworkers.

  To determine the severity of the noncompliance, likely questioned costs must be calculated. As a result of this calculation, the $660 identified as known questioned costs was projected to the population, resulting in likely questioned costs totaling $85,865,561.
- Claimant benefit data was compared to death data provided by the Arkansas Department of Health, resulting in identified unemployment benefits, totaling $272,949, that were paid for claims on behalf of 72 deceased individuals.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$2,426,179

Finding Number:	**2021-004 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed;** **Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Cause:
In response to the increase in demand for services/benefits, the State relaxed controls over identity verification and income verification for the program during fiscal year 2021.

Effect:
Lack of appropriate internal controls resulted in overpayments of both state and federal funds.

Recommendation:
ALA staff recommend the Agency maintain and strengthen internal controls over benefit programs to ensure that payments are made in the correct amount and to eligible claimants. ALA staff also recommend the Agency seek recoupment of the identified overpayments, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
The Agency started using the NASWA Integrity Data Hub on the PUA program and the IT program started running analytic reports to query multiple claims at the same address, bank account, email address, etc. All of those considered to be fraud have been sent to the Internal Audit/Fraud Unit.

Prior to January of 2021, there was not a requirement for ID verification for the PUA program. ID verification on all unemployment claims filed was restarted January 2021 and the PUA claims started using UIdentify at that time.

The waiting week was reinstated January of 2021, which reinstated the number of days for the employer to respond and for staff to be able to work the notices before payment was issued. This reinstated the control for employers to have the opportunity to report the possible fraud.

A special request was made for the Department of Health Death Crossmatch from the start of the pandemic until the date of the request. The list has been reviewed and all claims paid after the date of death have been turned in to Benefit Payment Control to have overpayments created. ADWS has been working this crossmatch weekly since that time and has identified no additional issues.

Anticipated Completion Date: Completed

Contact Person:
Ken Jennings
Program Administrator UI
Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3244
Kenneth.jennings@arkansas.gov

Finding Number:	**2021-005**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 20 CFR § 604.3 and Ark. Code Ann. § 11-10-507(3)(A)(i), individuals must be unemployed, physically and mentally able to perform suitable work, and available for the work to be eligible for Unemployment Insurance (UI) benefits. Incarcerated individuals are generally not available for work, making them ineligible for benefits.

In addition, 2 CFR §200.516(a)(6) requires the auditor to report as an audit finding any known or likely fraud affecting a federal award.

Condition and Context:
Using data analytics, ALA identified $4,823,110 in UI benefits paid to 528 incarcerated individuals who did not appear to be eligible for benefits. As of June 30, 2021, benefits totaling $96,952 for 11 claimants had been identified as likely fraud by the Agency and are included in the total identified fraud and questioned costs discussed in finding **2021-003**.

Statistically Valid Sample:
Not applicable

Questioned Costs:
$4,726,158

Cause:
Due to increased demand for services/benefits during the Coronavirus pandemic and turnover of key personnel, the control that cross-matched the Division of Workforce Services UI claimant data with the Arkansas Department of Corrections inmate data was not properly performed.

Effect:
Lack of appropriate internal controls resulted in overpayments of state and federal funds.

Recommendation:
ALA staff recommend the Agency implement appropriate controls over benefit payments to ensure that payments are not made to incarcerated individuals. ALA staff also recommend the Agency seek recoupment of identified overpayments, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
The regular UI system gets a DOC crossmatch weekly and is worked by staff. The PUA system was set up to get the crossmatch and has been checked and are up to date. The list provided by the DOC also contains incorrect SSN numbers, and some of the instances identified by the audit staff were in fact incorrect as the individual with the claim was not incarcerated.

Finding Number:	**2021-005 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance 17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action (Continued):
There were also individuals that were incarcerated on the list that were paid weeks of PUA outside of the time they were incarcerated and no change was needed. The fraudulently filed claims have been turned over to the Internal Audit/Fraud Unit. Some claims were found to be legitimate claims and the others have been turned in for overpayment.

Anticipated Completion Date: Completed

Contact Person:
Ken Jennings
Program Administrator UI
Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3244
Kenneth.jennings@arkansas.gov

Finding Number:	**2021-006**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2020-003**.

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, Unemployment Insurance Program Letter No. 14-20 established Pandemic Unemployment Assistance (PUA) for individuals who are self-employed, who are seeking part-time employment, or who otherwise would not qualify for regular Unemployment Compensation (UC) under state or federal law. As such, these programs are mutually exclusive, and it is unallowable for claims to be paid for the same week of unemployment out of both programs.

Condition and Context:
Using data analytics, ALA staff identified 891 claimants who received a total of 9,561 payments for the same week in the regular UC system and the new PUA system. Duplicate payments paid from the UC system totaled $2,703,968, and duplicate payments paid from the PUA system totaled $2,580,543.

ALA staff reviewed the case files of 30 of the 891 claimants. This review revealed that all 30 claimants were ineligible for the PUA benefits they received, totaling $87,424.

Because 100% of the sampled PUA claims failed, likely questioned costs would include the entire population and total $2,580,543.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$87,424

Cause:
Appropriate communication between the two systems administering the regular UC benefits and the PUA benefits was lacking.

Effect:
A lack of adequate controls allowed benefit payments from two separate systems to be issued for the same week of unemployment for the same claimant, resulting in overpayments of federal funds.

Recommendation:
ALA staff recommend the Agency work to strengthen internal controls over the establishment of eligibility for regular UC and PUA, as well as the payment of benefits, in a way that considers information in both systems. In addition, ALA staff recommend the Agency continue to pursue the recovery of overpayments of funds, returning them to the appropriate source.

Finding Number:	**2021-006 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:

The Unemployment System and the Pandemic Unemployment Assistance system were different systems and did not communicate at the beginning of the pandemic period. There are instances of claimants being paid on both systems. Enhancements were made to the systems to allow them to start communicating beginning in November 2020. The overpayments have been identified and are being investigated. Overpayments or waivers will be issued to these claimants.

Anticipated Completion Date: July 2022

Contact Person:

Ken Jennings
Program Administrator UI
Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3244
Kenneth.jennings@arkansas.gov

Finding Number:	**2021-007**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
2 CFR § 200.302 requires that the state's financial management systems, including records documenting compliance with federal statues, regulations, and the terms and conditions of the federal award, must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award.

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

Condition and Context:
The Agency was unable to reconcile claimant benefit payments from the regular Unemployment Compensation (UC) and Pandemic Unemployment Assistance (PUA) systems to the underlying disbursements from the related bank account. As of November 10, 2021, the Agency provided ALA staff with claimant benefit payment data, totaling $1,810,324,233, to support the disbursements from the bank account totaling $1,811,623,574, resulting in disbursements exceeding claimant data by $1,299,341.

Statistically Valid Sample:
Not applicable

Questioned Costs:
$1,299,341

Cause:
While the Agency was able to demonstrate daily reconciliation procedures performed between the UC and PUA claimant benefit systems and bank activity, controls were not in place to report or reconcile claimant benefits paid per UC and PUA systems with bank activity on a monthly or yearly basis.

Effect:
Lack of appropriate reconciliations between claimant benefit data and bank activity could allow misappropriation of assets to go undetected.

Recommendation:
ALA staff recommend the Agency strengthen controls and procedures to ensure that monthly and yearly reconciliations between claimant benefit data and bank activity are performed.

Finding Number:	**2021-007 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
There are 3 points of data required and related to the finding:

1) A "claimant file" contains the claims paid data out of the UI system, which is managed by UI IT.
2) A "payment file" contains the claims and is also produced automatically by the UI IT systems. This file is sent by UI IT to the bank to generate the payments. UI Accounting is copied and reconciles to the actual bank payments. (This is not part of the audit finding issue since it was reconciled by UI Accounting against actual payments made by the bank).
3) The bank statement reflects the actual payments made by the bank, based upon the payment file. UI Accounting reconciled this.

The finding notes that the claimant benefit payments from regular UI and PUA did not reconcile to the bank payments (therefore #1 did not reconcile to #2).

UI Program will get data pulls from their system to identify whether regular UI, PUA, or both systems had an issue and did not balance to the UI system payment files that went to the bank. The problem seems to reside between the two files produced by UI IT. Once the offending data is identified within the UI systems, this will need to be an on-going process to monitor and reconcile the output from the UI systems in addition to what UI Accounting reconciles.

Anticipated Completion Date: Mid-June 2022

Contact Person:

Tracii Laettner
Chief Financial Officer
Arkansas Division of Workforce Services
#2 Capitol Mall
Little Rock, AR 72201
(501) 682-3108
Tracii.L.Laettner@arkansas.gov

Finding Number:	**2021-008**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Using data analytics, ALA staff discovered duplicate unemployment payments made out of the Pandemic Unemployment Assistance (PUA) system for the same week. Further inquiry revealed that the Agency had discovered 1,846 duplicated claims paid in error for PUA, totaling $293,970, but had not yet submitted them to Benefit Payment Control (BPC) for collection.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$293,970

Cause:
The Agency performed redeterminations of claimants' weekly-benefit amounts (WBA). When the claimants' WBAs were re-determined, the PUA system issued payments for the full WBAs in error, which caused duplicate payments of benefits for the same week-ending dates.

Effect:
Lack of appropriate system controls resulted in overpayments of federal funds.

Recommendation:
ALA staff recommend the Agency continue to strengthen system controls over benefit payments to ensure that the system does not issue duplicate payments for the same week-ending date. ALA staff also recommend the Agency seek recoupment of the identified overpayments, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
Due to a vendor issue, weeks were paid in duplicate. Once the issue was found, all monetary redeterminations were stopped until the issue was fixed. Overpayments or waivers will be issued to these claimants.

Anticipated Completion Date: December 2022

Finding Number:	**2021-008 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

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

Contact Person:

Ken Jennings
Program Administrator UI
Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3244
Kenneth.jennings@arkansas.gov

Finding Number:	**2021-009**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.302, the state's financial management systems, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award, must be sufficient to permit the preparation of the reports required by general and program-specific terms and conditions.

In accordance with the U.S. Department of Labor Employment and Training Administration (ETA) Handbook 401, Section II-4(B), all funds deposited into, transferred, or paid from the state unemployment fund (the state clearing account, the state account in the Unemployment Trust Fund (UTF), and the state benefit payment account) should be reflected on the monthly ETA 2112 report.

Condition and Context:
The Agency did not have appropriate controls in place to support the maintenance of documentation supporting the ETA 2112 reports. Our review of 2 of the 12 monthly ETA 2112 reports submitted for fiscal year 2021 revealed the following deficiencies:

The Agency did not provide support for amounts reported on the ETA 2112 for November 2020 as follows:

- Deposits totaling $3,941,920 (line E15 Title IX/Spec Legislation).
- Deposits totaling $53,884,587 (line F16 Intra-Acct. Tran).
- Deposits totaling $9,318,993 (line E23 Fed Emergency Comp).
- Disbursements totaling $11,336,047 (line F31 Net UI Benefits).
- Disbursements totaling $53,884,587 (line E47 Intra-Acct. Trans).

The Agency did not provide support for amounts reported on the ETA 2112 for June 2021 as follows:

- Disbursements totaling $8,436,929 (line F31 Net UI Benefits).
- Disbursements totaling $614,856 (line F33 Reimb LocGov/IndTr).
- Disbursements totaling $468,992 (line F34 Reimb State Gov).
- Disbursements totaling $345,655 (line F35 Reimb Non-profit).

ALA also discovered a discrepancy between the balances reflected on the UTF statement and the June 2021 ETA 2112 report. The UTF statement balance was $823,906,769, while the balance reported on the ETA 2112 was $812,466,324, an understatement totaling $11,440,445. The Agency was unable to provide a reconciliation between the statement and the report.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Finding Number:	**2021-009 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Cause:
The failure of Agency controls was caused by employee turnover in key positions, increased reporting workloads, and reduced oversight of reports.

Effect:
Lack of appropriate internal controls resulted in noncompliance with federal laws and regulations over reporting and could allow misappropriation of assets to go undetected.

Recommendation:
ALA staff recommend the Agency strengthen controls over reporting to ensure that amounts reported are properly supported by the appropriate records and documentation, in accordance with federal laws and regulations.

Views of Responsible Officials and Planned Corrective Action:
Agency controls have been improved as UI Accounting has returned to a normal level of staffing. Also, the workload is returning closer to a normal level after it increased due to new pandemic unemployment programs, which had to be implemented quickly. Additionally, the UI Assistant Controller was on medical leave and was not available to help the other staff provide the information. Additionally, new daily reconciliation processes have been added that will help ensure the accuracy of the numbers on the report. The new UI Program Operations Manager has been trained on the daily reconciliations so that she will be able to provide the support in the future.

Anticipated Completion Date: Completed

Contact Person:
Tracii Laettner
Chief Financial Officer
Arkansas Division of Workforce Services
#2 Capitol Mall
Little Rock, AR 72201
(501) 682-3108
Tracii.L.Laettner@arkansas.gov

Finding Number:	**2021-010**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – UI Benefit Payments – Benefits Accuracy Measurement (BAM) Program**
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 control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with the federal statutes, regulations, and the terms and conditions of the award.

The U.S. Department of Labor Employment and Training Administration (ETA) Handbook No. 395, 5th edition, and the Arkansas – Benefit Accuracy Measurement (BAM) Methods and Procedures Guide establish requirements for the State to follow in its administration of the Unemployment Insurance (UI) BAM program.

Condition and Context:
ALA staff reviewed 40 of the 482 case files for paid claims reviewed by the BAM unit and noted 11 case files with the following exceptions:

- Three case files did not contain any documentation of the BAM investigation, as required by Chapter VII (2) of ETA Handbook No. 395.
- Eight case files did not contain a summary of investigation, as required by Chapter VI (10) of ETA Handbook No. 395 and Chapter II (A)(23) of Arkansas – BAM Methods and Procedures Guide.
- In one case file, the Agency did not make the three required attempts to contact the claimant, as required by Chapter II (A)(11) of Arkansas – BAM Methods and Procedures Guide.
- In one case file, the Agency failed to document or take appropriate corrective action for misreported wages that should have been detected by the review, as required by Chapter II (A)(4) of Arkansas – BAM Methods and Procedures Guide.
- In one case file, the Agency failed to notify Benefit Payment Control (BPC) of an overpayment that was documented by the review, as required by Chapter II (A)(21)(b) of Arkansas – BAM Methods and Procedures Guide.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The failure of Agency controls was caused by employee turnover in key positions, which increased worker caseloads and reduced oversight of case reviews.

Finding Number:	**2021-010 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**17.225 – Unemployment Insurance** **17.225 – COVID-19: Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Special Tests and Provisions –** **UI Benefit Payments –** **Benefits Accuracy Measurement (BAM) Program**
Type of Finding:	**Noncompliance and Material Weakness**

Effect:
Lack of appropriate internal controls resulted in noncompliance with both federal and state laws governing the BAM program.

Recommendation:
ALA staff recommend the Agency strengthen controls over the BAM program to ensure that investigations are completed and documented in accordance with federal and state laws.

Views of Responsible Officials and Planned Corrective Action:
Employee turnover in key positions (Workforce Specialists and the Program Operation Manager) increased worker caseloads and reduced the review of the case documents in the case files. A Program Operations Manager and Workforce Specialists have now been hired and are completing DOL BAM training. We are also instituting a new imaging system for BAM that will stop the need for paper records, which are easily misplaced.

Anticipated Completion Date: Completed

Contact Person:
Ken Jennings
Program Administrator UI
Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3244
Kenneth.jennings@arkansas.gov

Finding Number:	**2021-011**
State/Educational Agency(s):	**Arkansas Department of Finance and Administration**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Cities, Towns, and Counties Coronavirus Relief Fund Project)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance**

Repeat Finding:
Not applicable

Criteria:
The Coronavirus Relief Fund was required by Sec. 5001, as amended, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be used to cover only those costs that were (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) and (2) incurred during the period that began March 1, 2020, and ended December 31, 2021.

In accordance with guidance provided in the Federal Register by the United States Department of Treasury, the State of Arkansas was required to keep records sufficient to demonstrate that the funds were used in accordance with this federal legislation.

Condition and Context:
Arkansas awarded approximately $145 million to local entities (cities, towns, and counties) to assist with additional expenses related to COVID-19. Generally, disbursements were made by the Arkansas Department of Finance and Administration (DFA) based on approved applications and after receipt and review of the expense detail provided by the local entity.

Of 585 payments, ALA selected a sample of 62 payments made to local entities to determine if sufficient, appropriate evidence (supporting documentation) was maintained. Our review revealed the following exceptions:

- Five local entities submitted documentation for payroll expenses representing services rendered prior to March 1, 2020, totaling $54,257.
- One local entity had been reimbursed for payroll expenses, totaling $487, from another federal program and submitted those same payroll expenses as detail for this program. In addition, a duplicate payroll payment was discovered, totaling $280.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$55,024

Cause:
The Agency failed to implement sufficient internal controls to identify and detect errors and duplication.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

Recommendation:
ALA staff recommend the Agency strengthen its review of documentation from local entities to ensure the expense complies with the CARES Act.

Finding Number:	**2021-011 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Finance and Administration**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Cities, Towns, and Counties Coronavirus Relief Fund Project)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance**

Views of Responsible Officials and Planned Corrective Action:
DFA will review payroll expenses related to these payments. Entities that submitted payroll costs prior to March 1, 2020 will be allowed the opportunity to submit additional eligible expenses within the allowed period or return funds to DFA. All returned funds will be applied to unreimbursed eligible expenses of the State of Arkansas first and any residual balance returned to the U.S. Treasury.

Anticipated Completion Date: September 30, 2022

Contact Person:
Melanie Hazeslip
Administrator
Arkansas Department of Finance and Administration
1515 West 7th Street, Suite 700
Little Rock, Arkansas, 72201
(501) 682-5229
Melanie.hazeslip@dfa.arkansas.gov

Finding Number:	**2021-012**
State/Educational Agency(s):	**Arkansas Department of Finance and Administration**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.516(a), auditors must report as an audit finding any known or likely fraud affecting a federal award.

Condition and Context:
During fiscal year 2020, the Arkansas Department of Finance and Administration and the University of Arkansas for Medical Services jointly paid $10,940,000 for the purchase of gowns, face shields, and ventilators from a particular vendor. Of this amount, $8,600,000 was paid using Coronavirus Relief Fund monies. On October 27, 2021, the Arkansas Attorney General, acting on behalf of the State of Arkansas, filed a civil complaint in the Pulaski County Circuit Court of Arkansas alleging actual or constructive fraud. As of the end of December 2021, the vendor had not delivered the goods or returned the funds to the State of Arkansas, and the litigation is still pending.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$8,600,000

Cause:
Due to supply shortages and high demand for these type of products, disbursements were made in advance of the receipt of the product, which is not customary for the purchase of tangible goods.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

Recommendation:
ALA staff recommend the Agency return any funds received from the litigation or allocate different, allowable expenses to the Coronavirus Relief Fund.

Views of Responsible Officials and Planned Corrective Action:
DFA recognizes that the nature of these payments violated internal controls designed to mitigate the instances of fraudulent activity on behalf of vendors for non-performance by pre-paying for goods or services prior to delivery. However, the State of Arkansas acted in good faith with the current market trends because of a surge of activity related to the purchase of personal protective equipment and ventilators at the onset of the pandemic and acted accordingly to the market demands at the time. The State of Arkansas, in trying to mitigate the effect of fraudulent activity in this environment, contracted these prepaid contracts with an escrow agent to ensure that both parties performed as promised. But the State of Arkansas, in these instances, could not have foreseen or prevented collusion between the escrow agent and the vendors mentioned. DFA and UAMS in conjunction with the Attorney General of the State of Arkansas is currently pursuing all legal remedies to ensure that these fraudulent parties are held accountable for their actions during the onset of the pandemic when the market forced all parties to act quickly. Any CRF funds recovered through the legal process will be returned to the U.S. Treasury.

Finding Number:	**2021-012 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Finance and Administration**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance**

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

Anticipated Completion Date: September 30, 2022

Contact Person:
Melanie Hazeslip
Administrator
Arkansas Department of Finance and Administration
1515 West 7th Street, Suite 700
Little Rock, Arkansas, 72201
(501) 682-5229
Melanie.hazeslip@dfa.arkansas.gov

Finding Number:	**2021-013**
State/Educational Agency(s):	**Arkansas Department of Finance and Administration**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
In accordance with 42 USC § 801(f), the United States Department of the Treasury Office of Inspector General (Treasury OIG) is responsible for monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Funds. Treasury OIG requires prime recipients (the State of Arkansas) to report quarterly, detailed information on any loans issued, contracts and grants awarded, transfers made to other government entities, and direct payments made by the recipient (the State of Arkansas) that are greater than $50,000. Additionally, the Treasury OIG requires a detailed list of all projects or activities for which funds were expended, including the name and a description of the project or activity.

Condition and Context:
Of 1,560 recipients who received funds for individual projects over $50,000, ALA selected a sample of 40 to determine if the project information had been properly reported. Our review revealed the following exceptions:

- One instance of inaccurate reporting of a recipient/awardee: an internet service provider that received approximately $2.3 million for broadband expansion under Federal Project Identification Number 0790-02. The amount was reported as being paid to a different provider.
- Fourteen instances of inaccurate reporting of a project assignment, which consisted of the following:
  - Six hospital recipients under Federal Project Identification Number 0710-05 - Department of Human Services - Arkansas Medicaid Program (also known as DHS Hospital Proposal or Hospital Formula & Cluster Program) had payments misclassified into various other projects on the federal report. This Project (0710-05) had approximately $100 million in expenditures by the State of Arkansas, but no expenses were allocated to this Project on the federal reports.
  - Seven long-term care facilities/nursing home recipients had payments misclassified into the Federal Project Identification Number 0710-13 (DHS - Enhance Nursing Facilities Capacity, also known as Surge Payments). However, these payments should have been reported under the 0710-03 Project (Department of Human Services - Nursing Facility Payments). Approximately $17 million in payments to subrecipients/awardees were misclassified into the 0710-13 Project, instead of the 0710-03 Project.
  - One hospital recipient of funds under Federal Project Identification Number 0710-01 (Payments to Healthcare and Non-Healthcare Personnel) had payments misclassified and reported into the 0710-03 (Nursing Facility Payments) Project.
- Four instances of inaccurate cumulative expenditure amounts by vendor reported, which consisted of the following:
  - Two payments, totaling $43,041, to separate recipients were not included in the cumulative total of expenditures on a per-project basis due to the inaccurate project assignment of payments.
  - One recipient of payments had $6,885 in funds received under a contract not included in the cumulative amount of expenditures reported.
  - One recipient did not report net expenditures, a result of a refund to the State of Arkansas in the amount of $3,441.

Finding Number:	**2021-013 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Finance and Administration**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Condition and Context (Continued):

- Five instances of inaccurate reporting of costs for an expenditure category. These five businesses received funds for Federal Project Identification Number 0900-02 (Business Interruption Grant) that were used to pay small business assistance payments. However, these payments were classified as "administrative expenses" for the expenditure category on the federal report. ALA's understanding is that all funds expended under Project 0900-02 (approximately $48 million) were improperly classified on the federal report as administrative expenses instead of small business assistance.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency failed to design internal controls to ensure that payments to subrecipients were reported within the appropriate project on the federal reports. Additionally, it failed to adequately review reports for accuracy prior to submission.

Effect:
Inaccurate information was provided to the federal Pandemic Response Accountability Committee (PRAC), which uses this information to report pandemic-related programs to the public via its website.

Recommendation:
ALA staff recommend the Agency strengthen internal controls over the reporting of subrecipient information of the Coronavirus Relief Fund. In addition, the Agency should correct previously reported inaccurate data.

Views of Responsible Officials and Planned Corrective Action:
DFA recognizes internal controls need to be strengthened as it relates to Federal reporting under special funding sources related to COVID-19, to which DFA has added staff within the Office of Accounting - Financial Reporting Section (OA-FRS). Notwithstanding, OA-FRS must rely on the qualifications and expertise of the various agency staff assigned to the administration of these funds to properly report the expenses. Recognizing that need, OA-FRS will ensure that the developed internal controls are communicated to the assigned staff as well as provide any training necessary to ensure the accuracy of this reporting. Further difficulty arises in the review by OA-FRS of grant data due to the lack of access to the data once uploaded to the US Treasury.

Anticipated Completion Date: September 30, 2022

Contact Person:
Melanie Hazeslip
Administrator
Arkansas Department of Finance and Administration
1515 West 7th Street, Suite 700
Little Rock, Arkansas, 72201
(501) 682-5229
Melanie.hazeslip@dfa.arkansas.gov

Finding Number:	**2021-014**
State/Educational Agency(s):	**Arkansas Department of Human Services**
	Arkansas Department of Commerce – Arkansas Economic Development Commission
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
The Coronavirus Relief Fund was required by Sec. 5001, as amended, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be used to cover only those costs that were (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) and (2) incurred during the period that began March 1, 2020, and ended December 31, 2021. In accordance with guidance provided in the Federal Register by the United States Department of Treasury, the State of Arkansas was required to keep records sufficient to demonstrate that the funds were used in accordance with this federal legislation.

Furthermore, the State of Arkansas was responsible for determining the level and detail of documentation needed from subrecipients of small business assistance to satisfy compliance with this law.

Finally, 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Arkansas established various programs intended to reimburse beneficiaries or subrecipients for additional expenses incurred as a result of COVID-19. The State of Arkansas established a state-level committee that approved the programs and disbursements. The programs were established and administered at a departmental level. Each department was responsible for establishing controls and acquiring sufficient, appropriate evidence (supporting documentation) for expenditures. As such, ALA identified a risk of potential duplication of benefits for programs at more than one department level.

ALA performed select procedures to determine if duplication of benefits had occurred. Our review revealed the following exceptions:

- ALA staff reviewed 43 recipients that received payments under both the Arkansas Department of Human Services projects and the Arkansas Economic Development Commission (AEDC) Ready for Business Grant Program (RBGP). We identified six recipients that submitted duplicate expenditure documentation to both Agencies, totaling $47,488.
- ALA staff reviewed 40 recipients receiving funding from the Business Interruption Grant Program (BIG) and RBGP, both disbursed by AEDC. Three recipients provided inaccurate information regarding the amount of funding previously received under RBGP, a required disclosure on the application for BIG. The disclosure is key because the amount of RBGP received is used in calculating the award for BIG.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$47,488

Finding Number:	**2021-014 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
	Arkansas Department of Commerce – Arkansas Economic Development Commission
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Cause:
The Agencies failed to implement sufficient internal controls to identify and detect duplication of benefits between funded programs.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

Recommendation:
ALA staff recommend the Agencies strengthen internal controls over the awarding of funds to recipients, receipt of documentation from recipients, and reconciliation of submitted expense documentation to funds awarded to recipients to ensure that duplication of benefits between funded programs is prevented, detected, and corrected.

Views of Responsible Officials and Planned Corrective Action:
Arkansas Department of Human Services:
DHS concurs with this finding. DHS and AEDC will collaboratively investigate the six instances in which duplicate expenditure documentation was submitted to each agency. Both agencies will collaborate on appropriate action, including recoupment, for any payments confirmed as duplicates.

Anticipated Completion Date: August 31, 2022

Contact Person: Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Arkansas Economic Development Commission:
(Joint Response from All Agencies):
Benefits under the Ready for Business Grant Program were provided to the eligible businesses as an advance, with the requirement that the business submit receipts at a later date to confirm that the grant amount was expensed for a permissible purpose as outlined in the grant program terms.

The potential for duplication of benefits with a program administered by DHS was not foreseen at the time the Ready for Business Grant Program was operational. AEDC will coordinate with DHS to recover the duplicate payments so that they are returned to the State.

Finding Number:	**2021-014 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services** **Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed;** **Allowable Costs/Costs Principles;** **Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action (Continued):
Arkansas Economic Development Commission: (Continued)
(Joint Response from All Agencies) (Continued):
The Ready for Business Grant Program and the Business Interruption Grant Program (BIG) were both temporary programs that are no longer operational. This should fully mitigate future control issues.

Response from Arkansas Department of Parks, Heritage and Tourism (BIG Only)
The auto-calculation of a qualified applicant's BIG program award was based on the amount of other financial assistance received by the applicant, as reported in the program's online portal. The program's intent in using third-party records, as evidenced by the AEDC data, was to minimize fraud potential by gathering available and useable electronic data from other government sources to cross-check and auto-validate the information that the program's over 5,000 applicants submitted. Most of the program's auto-validation effort was employed during the initial application stage of the process to help ensure only qualified Arkansas businesses would be considered for possible awards. For example, during the application stage, the program extensively cross-checked identification data submitted by applicants with records received from the Arkansas Secretary of State's office. Tax identification numbers submitted by applicants were also verified by DF&A.

Due to the time constraints imposed by the then federal payment deadline of December 30, 2020, neither auto-validation nor a manual case-by-case review and resolution could be effectively employed in the latter stage of the program for the small percentage of cases where data inconsistency occurred. As for any data that could not be timely cross-checked or validated, the BIG program, like many other CARES Act assistance programs, had to necessarily rely upon self-certification by the applicant. In the BIG program, the applicant submitted its data under penalty of perjury and contractually agreed to a claw back provision whereby the state could recover any amounts erroneously awarded. In the three cases referenced, which represent 7.5% of the sample size, ADPHT does not have reason to believe fraud was committed. The award recipients in this finding misrepresented in total $6,000 in other financial assistance, a very low percentage in comparison to the $48 million to be awarded. The applicants were eligible, had qualified expenses and had a demonstrable need for this financial assistance. Due to the large amount of qualified expenses submitted by all qualified applicants, the average grant award was paid out at a rate of approximately $.12 on the dollar. Accordingly, we are confident that the awards paid to these three (3) recipients did cover qualified expenses and did not result in an unfair advantage or create a material disadvantage to all other awardees.

For planned corrective action, ADPHT will develop a plan to conduct further review of more grant recipients beyond the businesses reviewed in the audit sample. ADPHT will work with the Arkansas Department of Commerce to cross reference data collected from businesses including grant award amounts. This further review will allow ADPHT to ensure that the incorrect Ready for Business Grant award amounts reported was not a pervasive problem with the grant program. For future grant programs, with more time allowed for development and distribution, ADPHT will:

Finding Number:	**2021-014 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services** **Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed;** **Allowable Costs/Costs Principles;** **Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action (Continued):
Response from Arkansas Department of Parks, Heritage and Tourism (BIG Only) (Continued)

1) Increase staff participation to assist in the review and assurance that applicants are in compliance with program requirements; and
2) Design a program with more controls in place that allows for more time with the application process and support of applicants to ensure accurate information and proper documentation is submitted with the grant application.

Anticipated Completion Date: August 31, 2022

Contact Person:

David Bell
Cabinet CFO
Arkansas Department of Commerce
1 Commerce Way
Little Rock, AR 72202
(501) 682-7355
david.bell@arkansas.gov

Finding Number:	**2021-015**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (COVID-19 Surge Capacity Enhancement Payment Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance**

Repeat Finding:
Not applicable

Criteria:
The Coronavirus Relief Fund (CRF) was required by Sec. 5001, as amended, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be used to cover only those costs that were (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) and (2) incurred during the period that began March 1, 2020, and ended December 31, 2021. In accordance with guidance provided in the Federal Register by the United States Department of Treasury, the State of Arkansas was required to keep records sufficient to demonstrate that the funds were used in accordance with this federal legislation.

Additionally, ineligible expenses from the CRF included workforce bonuses other than hazard pay or overtime, and corresponding guidance interpreting this prohibition included employees substantially dedicated to mitigating or responding to the COVID-19 public health emergency. Also, question #38, as published in the Federal Register in January 2021, specifically provided that across-the-board hazard pay for employees working during a state of emergency was not allowed.

Finally, an attestation form signed by the provider required the provider to submit records of expenses to the Arkansas Department of Human Services (DHS) by January 31, 2021. This documentation requirement (records of expenses by the providers) demonstrates that the expenses were for necessary expenditures during the allowable period. Furthermore, while the attestation form specifically prohibited workforce bonuses other than hazard pay or overtime, it allowed for "other workforce payments necessary to ensure continuity," which provided discretion to the providers/recipients that does not seem afforded by the guidance from the federal government.

Condition and Context:
Arkansas awarded approximately $50 million to hospitals and long-term care facilities to assist with additional expenses related to the COVID-19 surge in Arkansas in the fall of 2020. Funds for approved provider locations were disbursed by DHS, in full and in advance of the providers incurring allowable costs and submitting detailed support for the payment received.

Of 308 payments to providers, ALA staff reviewed a sample of 60 payments and requested the supporting documentation on hand with DHS to determine if sufficient, appropriate evidence (supporting documentation) was maintained to provide assurance that the payroll expenses were eligible. Our review revealed 16 provider payments contained ineligible expenses as follows:

- Sample item 35: $2 per hour extra for "COVID Pay," even though "COVID Hazard Payroll" was separately listed and reimbursed.
- Sample items 5, 7, 9, 20, 28, 30, 33, 39, 41, and 43: Payroll incentives for "essential admin incentives" and "management incentives."
- Sample items 19 and 32: "COVID-19 incentive" and no additional explanation.
- Sample items 31 and 56: "Hero pay" associated with positions including administrators, dietary supervisors, housekeeping supervisors, bookkeepers, and billing coordinators.
- Sample item 37: Described the additional payments as "employee payroll – appreciation and retention."

Finding Number:	**2021-015 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (COVID-19 Surge Capacity Enhancement Payment Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance**

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The Agency failed to ensure that the types of wage payments made to providers aligned with the corresponding federal guidance.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

Recommendation:
ALA staff recommend the Agency review the corresponding guidance regarding allowable wage payments, review the supporting documentation provided by the recipients for additional wage payments, and acquire additional support from the providers, where needed, to determine whether funds were appropriately utilized for allowable wage payments.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency will request documentation from providers that support payments were made for eligible expenses. Any improperly expended funds will be recouped.

Anticipated Completion Date: August 31, 2022

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-016**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (COVID-19 Surge Capacity Enhancement Payment Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
The Coronavirus Relief Fund was required by Sec. 5001, as amended, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be used to cover only those costs that were (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) and (2) incurred during the period that began March 1, 2020, and ended December 31, 2021. In accordance with guidance provided in the Federal Register by the United States Department of Treasury, the State of Arkansas was required to keep records sufficient to demonstrate that the funds were used in accordance with this federal legislation.

Furthermore, the State of Arkansas was responsible for determining the level and detail of documentation needed from subrecipients of small business assistance to satisfy compliance with this law. An attestation form signed by the provider required the provider to submit records of expenses to the Arkansas Department of Human Services (DHS) by January 31, 2021. This documentation requirement (records of expenses by the providers) demonstrates that the expenses were for necessary expenditures during the allowable period.

Finally, 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Arkansas awarded approximately $50 million to hospitals and long-term care facilities to assist with additional expenses related to the COVID-19 surge in Arkansas in the fall of 2020. Funds for approved provider locations were disbursed by DHS, in full and in advance. As reported in finding **2021-019**, DHS failed to implement sufficient controls to review supporting documentation under this Program.

Of 308 payments made to providers, ALA selected a sample of 60 payments and requested the supporting documentation on hand with DHS to determine if sufficient, appropriate evidence was maintained. Our review revealed 8 instances in which the documentation provided failed to demonstrate that the provider expended the entire payment during the allowed period as follows:

- Sample items 1, 21, 35, 48, and 54: Vendor account statements did not include supporting invoices or purchase detail on the accounting software expense summaries. In addition, quotes were provided rather than actual invoices for services rendered. Questioned costs totaled $206,416.
- Sample item 4: Supporting documentation had not been submitted for any expenses at the time of audit. DHS requested supporting documentation from the provider, who stated the intent to repay the funds received instead of providing documentation. Questioned costs totaled $50,992.
- Sample items 20, 21, 23, and 35: Documentation provided indicated that expenses incurred were less than the total funds received. One provider (sample item 23) specifically requested to return funds to DHS in January 2021, but the Agency failed to review the provider's submission; therefore, the request went unnoticed. As a result, the repayment had not been made as of the end of fieldwork. Questioned costs totaled $121,715.

Finding Number:	**2021-016 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (COVID-19 Surge Capacity Enhancement Payment Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$379,123

Cause:
The Agency failed to implement sufficient internal controls to monitor the timely submission, reconciliation, and review of provider expenses.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

Recommendation:
ALA staff recommend the Agency strengthen its internal controls regarding the awards to recipients, including the review of supporting expense documentation, to ensure compliance.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency will request documentation from providers that support expenditures claimed. Any improperly expended funds will be recouped.

Anticipated Completion Date: **August 31, 2022**

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-017**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (DHS Hospital Proposal – Protect, Treat, and Transform During the COVID-19 Emergency Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
The Coronavirus Relief Fund was required by Sec. 5001, as amended, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be used to cover only those costs that were (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) and (2) incurred during the period that began March 1, 2020, and ended December 31, 2021. In accordance with guidance provided in the Federal Register by the United States Department of Treasury, the State of Arkansas was required to keep records sufficient to demonstrate that the funds were used in accordance with this federal legislation.

Furthermore, the State of Arkansas was responsible for determining the level and detail of documentation needed from subrecipients of small business assistance to satisfy compliance with this law.

Finally, 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Arkansas awarded approximately $100 million to hospitals to recover unreimbursed costs associated with treating COVID-19 patients and other expenses necessary to ensure continued care during the Coronavirus pandemic. Funds for approved hospitals were disbursed by the Arkansas Department of Human Services (DHS). Payments were based on an initial attestation form where the provider chose either a formulaic maximum payment or a lesser amount. An additional cluster payment was provided if positive cases of COVID were known at the particular facility.

Subsequent to payment, each provider was required to submit a cost form designed to assist in identifying and quantifying qualifying expenses related to the formulaic payment. No additional documentation for expenses incurred was required.

Of 149 payments, ALA selected a sample of 16 payments made to hospitals to determine if sufficient, appropriate evidence (supporting documentation) was maintained. ALA review revealed that one provider received a $1,802,214 formula payment, but its cost form only identified expenses, totaling $1,568,812, indicating the provider was overpaid.

The cost form was certified by the Chief Executive Officer of the hospital as being correct, complete, and prepared from the books and records of the provider.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$233,402

Finding Number:	**2021-017 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (DHS Hospital Proposal – Protect, Treat, and Transform During the COVID-19 Emergency Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Cause:
The Agency failed to establish and implement sufficient internal controls to ensure that providers incurred sufficient eligible costs and that overpayments were recouped.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

Recommendation:
ALA staff recommend the Agency establish and implement internal controls to ensure overpayments are recognized and appropriate measures are taken to initiate the refund process.

Additional Information:
ALA staff reviewed a report prepared by the Arkansas Department of Inspector General – Office of Internal Audit (DIG - OIA) regarding this Program. Of the 91 hospitals that received funds, DIG - OIA reviewed a sample of 23 hospitals and requested hospital supporting documentation in addition to the cost forms (e.g., receipts or payroll journals).

Of the 23 hospitals reviewed, 3 elected to return excess funds, totaling $2,545,000, instead of supplying the requested documentation.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency will request documentation from providers that support expenditures claimed. Any improperly expended funds will be recouped.

Anticipated Completion Date: August 31, 2022

Contact Person:

Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-018**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Skilled Nursing Facility Payments Due to COVID-19 Emergency Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
The Coronavirus Relief Fund was required by Sec. 5001, as amended, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be used to cover only those costs that were (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) and (2) incurred during the period that began March 1, 2020, and ended December 31, 2021. In accordance with guidance provided in the Federal Register by the United States Department of Treasury, the State of Arkansas was required to keep records sufficient to demonstrate that the funds were used in accordance with this federal legislation.

Furthermore, the State of Arkansas was responsible for determining the level and detail of documentation needed from subrecipients of small business assistance to satisfy compliance with this law. An example of ineligible expenditures in the Federal Register was workforce bonuses, other than hazard pay or overtime.

Funds for approved provider locations were disbursed by the Arkansas Department of Human Services (DHS) in two separate rounds. Round 1 was for expenses incurred from March 1, 2020 through June 30, 2020, and Round 2 was for expenses incurred from July 1, 2020 through October 31, 2020.

An attestation form signed by the provider required the provider to submit records of expenses to DHS by August 31, 2020, supporting Round 1 disbursements and by November 15, 2020, supporting Round 2 disbursements. Disbursements that were not reasonably supported were to be returned to DHS.

Finally, 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Arkansas awarded approximately $40.7 million to qualified skilled nursing facilities to maintain capacity and recover some of the costs associated with treating COVID-19 residents.

During the fall of 2021, DHS was performing the review of supporting expense documentation for Round 1 and had completed the initial review of Round 2. In addition, DHS planned to perform follow-up procedures with Round 2 recipients, during the first quarter of calendar year 2022, to confirm expenses were incurred by the provider because DHS had relied on quotes, proposals, and estimates during its initial review.

Of 373 payments made to providers, ALA selected a sample of 60 payments to determine if sufficient, appropriate evidence (supporting documentation) was maintained. ALA staff requested the attestation forms and provider receipts on hand with DHS. ALA's review revealed 21 instances in which the documentation failed to demonstrate that the provider had appropriate expenses incurred during the period allowed as follows:

- Sample items 1, 3, 7, 11, 25, 42, 43, 58, and 59 (Round 1): Documentation submitted included bonus payments or taxes on bonus payments. Questioned costs totaled $84,230.
- Sample items 11, 23, 39, 42, 43, and 56 (Round 1): Expense receipts were less than the total payment received by the provider. Questioned costs totaled $366,644.

Finding Number:	**2021-018 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Skilled Nursing Facility Payments Due to COVID-19 Emergency Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Condition and Context (Continued):

- Sample item 47 (Round 1): Receipts had not been submitted at the time of the audit. Questioned costs totaled $125,000.
- Sample item 24 (Round 1): Documentation submitted only included general ledger summaries, not detailed invoices. Questioned costs totaled $111,560.
- Sample items 14, 19, 26, 34, 35, 55, and 57 (Round 2): Expense receipts were less than the total payment received by the provider. For example, the Agency had received quotes, not expense receipts, from some providers. Quotes are not considered sufficient, appropriate evidence (supporting documentation) for the actual expenses incurred. Questioned costs totaled $495,145.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$1,182,579

Cause:
The Agency failed to establish and implement sufficient internal controls to monitor the review of expense documentation submitted by the provider.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

Recommendation:
ALA staff recommend the Agency establish and implement internal controls for monitoring over the awards to ensure providers submit appropriate documentation for expenses incurred to demonstrate compliance.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency will request documentation from providers that support expenditures claimed. Any improperly expended funds will be recouped.

Anticipated Completion Date: August 31, 2022

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-019**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (COVID-19 Surge Capacity Enhancement Payment Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
The Coronavirus Relief Fund was required by Sec. 5001, as amended, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be used to cover only those costs that were (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) and (2) incurred during the period that began March 1, 2020, and ended December 31, 2021. In accordance with guidance provided in the Federal Register by the United States Department of Treasury, the State of Arkansas was required to keep records sufficient to demonstrate that the funds were used in accordance with this federal legislation.

Furthermore, the State of Arkansas was responsible for determining the level and detail of documentation needed from sub-recipients of small business assistance to satisfy compliance with this law. An attestation form signed by the provider required the provider to submit records of expenses to the Arkansas Department of Human Services (DHS) by January 31, 2021. This documentation requirement (records of expenses by the providers) demonstrates that the expenses were for necessary expenditures during the allowable period.

Finally, 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Arkansas awarded approximately $50 million to hospitals and long-term care facilities to assist with additional expenses related to the COVID-19 surge in Arkansas in the fall of 2020. Funds for approved provider locations were disbursed by DHS, in full and in advance of the providers incurring allowable costs and submitting detailed expense support.

ALA review revealed that, of the 308 providers that received funding, 64 providers failed to submit any of the documentation required by the attestation form prior to ALA's inquiry in September 2021.

In addition, 10 of 60 providers sampled did not properly complete the attestation form, which would document acknowledgment of the Program requirements (e.g., checkboxes regarding Program restrictions were not completed).

As of the end of fieldwork, the Agency had not reviewed any supporting documentation for provider expenses.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Finding Number:	**2021-019 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (COVID-19 Surge Capacity Enhancement Payment Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Significant Deficiency**

Cause:
DHS failed to establish and implement sufficient internal controls for monitoring provider expenses.

Effect:
The State of Arkansas could be subject to repayment to the federal government.

Recommendation:
ALA staff recommend the Agency establish and implement internal controls for monitoring the awards to ensure providers submit appropriate documentation for expenses incurred to demonstrate compliance.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency has developed a multi-level control procedure for reviewing future attestations.

Anticipated Completion Date: Complete

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-020**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission** **Arkansas Department of Parks, Heritage and Tourism**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Business Interruption Grants Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed;** **Allowable Costs/Costs Principles;** **Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
The Coronavirus Relief Fund was required by Sec. 5001, as amended, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be used to cover only those costs that were (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) and (2) incurred during the period that began March 1, 2020, and ended December 31, 2021. In accordance with guidance provided in the Federal Register by the United States Department of Treasury, the State of Arkansas was required to keep records sufficient to demonstrate that the funds were used in accordance with this federal legislation.

Furthermore, the State of Arkansas was responsible for determining the level and detail of documentation needed from sub-recipients of small business assistance to satisfy compliance with this law. Small businesses could use the funding for allowable expenses that were incurred during the time period beginning March 1, 2020 through September 30, 2020. The small businesses were required to submit proof for those expenses.

Finally, 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Arkansas awarded approximately $48 million to small businesses in specific industries to assist in covering expenses associated with the negative impact of state orders directly related to COVID-19 mitigation. Funds for approved grants were disbursed by the Arkansas Economic Development Commission, but the Program was managed under the general operation of the Arkansas Department of Parks, Heritage, and Tourism (Parks). Parks did not review 100% of the small businesses that submitted support for expenses. Instead, it developed a review process based on a risk assessment approach.

Of 2,142 grant payments, ALA staff reviewed a sample of 60 payments, totaling $1,456,172, to determine if sufficient, appropriate evidence (supporting documentation) was received. Our review revealed the following exceptions:

- Four grant recipients failed to submit sufficient, appropriate evidence to support expenses totaling $6,040.
- The Parks review process failed to identify an ineligible business type (automotive repair) for one of the awards, totaling $1,310. However, Parks was able to recoup the erroneously paid funds because it was notified by the applicant of an error in the banking information used for the transaction.

Statistically Valid Sample:
Not a statistically valid sample

Finding Number:	**2021-020 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
	Arkansas Department of Parks, Heritage and Tourism
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Business Interruption Grants Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Questioned Costs:
$6,040

(Known questioned costs greater than $25,000 are required to be reported. The auditor must also report known questioned costs when likely costs are greater than $25,000).

Cause:
The Agency's limited review of expenditure documentation and reduced award amounts failed to ensure that all applicants submitted sufficient, appropriate expense documentation. In addition, Agency controls failed to identify an ineligible business during its limited review.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

Recommendation:
ALA staff recommend the Agency strengthen its internal controls over monitoring the awards to ensure providers submit appropriate documentation for expenses incurred to demonstrate compliance.

Views of Responsible Officials and Planned Corrective Action:

Arkansas Department of Parks, Heritage and Tourism:
(A) Four (4) Grant Recipients Failed to Submit Sufficient, Appropriate Evidence to Support Expenses Totaling $6,040

Due to the time constraints imposed by the then federal payment deadline of December 30, 2020, there was not enough time or human resources to perform a 100% manual review of each source document for the claims submitted by over 5,000 applicants. Accordingly, the program's consultants employed review methodologies that included concentrating on manual review on only the higher dollar amount claims. As the review methodology applies to the four businesses that received $6,040 in awards, these businesses had lower valued claims in which our review methodology did not include manual review by our team.

Additionally, applicants with the BIG program self-verified under penalty of perjury that all information supplied was correct and accurate. A claw back provision was included in the program that can be triggered for material misrepresentations when, and if, discovered. The BIG program rules required documentation to support all expenses claimed. However, due to the wide variety of applicant business types and business sizes, the rules provided examples of acceptable documents but did not provide specific document requirements. The BIG program paid an average of $.12 on the dollar of total eligible expenses. Accordingly, there is a fair probability that these eligible businesses could produce additional and acceptable documentation for these, or other expenses, in an amount that exceeds that in question.

Finding Number:	**2021-020 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission** **Arkansas Department of Parks, Heritage and Tourism**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Business Interruption Grants Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed;** **Allowable Costs/Costs Principles;** **Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

Arkansas Department of Parks, Heritage and Tourism (Continued):
ADPHT has corresponded via email to the four (4) businesses that did not supply appropriate documentation and requested additional detailed information to support the award received. One business has replied to our request; however, three (3) businesses have not. These businesses may be closed due to the pandemic. ADPHT will send another email communication; if no response is received, then further action will be taken, including a certified letter sent via the US Postal Service.

(B) The Parks Review Process Failed to Identify an Ineligible Business Type (Automotive Repair) for One Award Totaling $1,310

ADPHT became aware of the error in deeming the business eligible for a grant when the applicant contacted ADPHT regarding a payment issue. ADPHT properly notified the applicant of its lack of eligibility and the decision to not disburse funds to the applicant. The business was not awarded any funds.

Planned Corrective Action:
Related to both (A) and (B), ADPHT will develop a plan to conduct further review of more grant recipients beyond the businesses reviewed in the audit sample. This further review will allow ADPHT to ensure that deficient documentation of claims and/or ineligible businesses were not a pervasive problem with the grant program. For future grant programs, with more time allowed for development and distribution, ADPHT will:

1) Increase staff participation to assist in the review and assurance that applicants are in compliance with program requirements.
2) Design a program with more controls in place that allows for more time with the application process and support of applicants to ensure proper documentation is submitted for claims.
3) Provide detailed requirements for submission of claims itemizing the documentation that must be submitted in order to support a grant award.
4) Limit the number of qualified expenses that can be reimbursed to include the largest expenses that cause economic injury to businesses while also limiting the different types of claims.

Anticipated Completion Date: August 31, 2022

Contact Person:
Leslie Fisken
Chief of Legislative Affairs
Arkansas Department of Parks, Heritage and Tourism
1100 North Street
Little Rock, Arkansas 72201
501-324-9586
Leslie.fisken@arkansas.gov

Finding Number:	**2021-020 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission** **Arkansas Department of Parks, Heritage and Tourism**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Business Interruption Grants Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

Arkansas Economic Development Commission:

(Joint Response from All Agencies):
AEDC served as the paying agent for the Business Interruption Grant Program (BIG). However, payment amounts were determined by the Arkansas Department of Parks, Heritage and Tourism (ADPHT). AEDC will coordinate with ADPHT to review the awards to the four businesses in question and request replacement documentation that meets program requirements or pursue recovery of the applicable grant amounts.

The Business Interruption Grant Program was a temporary program that is no longer operational. This should fully mitigate future control issues.

Response from Arkansas Department of Parks, Heritage and Tourism
(A) Four (4) Grant Recipients Failed to Submit Sufficient, Appropriate Evidence to Support Expenses Totaling $6,040

Due to the time constraints imposed by the then federal payment deadline of December 30, 2020, there was not enough time or human resources to perform a 100% manual review of each source document for the claims submitted by over 5,000 applicants. Accordingly, the program's consultants employed review methodologies that included concentrating on manual review on only the higher dollar amount claims. As the review methodology applies to the four businesses that received $6,040 in awards, these businesses had lower valued claims in which our review methodology did not include manual review by our team.

Additionally, applicants with the BIG program self-verified under penalty of perjury that all information supplied was correct and accurate. A claw back provision was included in the program that can be triggered for material misrepresentations when, and if, discovered. The BIG program rules required documentation to support all expenses claimed. However, due to the wide variety of applicant business types and business sizes, the rules provided examples of acceptable documents but did not provide specific document requirements. The BIG program paid an average of $.12 on the dollar of total eligible expenses. Accordingly, there is a fair probability that these eligible businesses could produce additional and acceptable documentation for these, or other expenses, in an amount that exceeds that in question.

Finding Number:	**2021-020 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission** **Arkansas Department of Parks, Heritage and Tourism**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Business Interruption Grants Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed;** **Allowable Costs/Costs Principles;** **Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

Arkansas Economic Development Commission: (Continued)

(Joint Response from All Agencies):
As for corrective action, ADPHT contacted the four (4) businesses that did not supply appropriate documentation and requested further detailed documentation to support the award received. One business replied to our request. ADPHT has been unable to communicate with the other three (3) businesses. These businesses may have been closed due to the pandemic. For future grant programs, with more time allowed for development and distribution, the state could possibly create a program that includes an online validation process of qualified expenses for eligible businesses.

(A) The Parks Review Process Failed to Identify an Ineligible Business Type (Automotive Repair) for One Award Totaling $1,310

ADPHT became aware of the error in deeming the business eligible for a grant when the applicant contacted ADPHT regarding a payment issue. ADPHT properly notified the applicant of its lack of eligibility and the decision to not disburse funds to the applicant. The business was not awarded any funds.

As for corrective action, no further action has been taken with the ineligible business as the business did not receive a grant award. For future grant programs, with more time allowed for development and distribution, the state could possibly create a program that includes an online validation process of eligible businesses.

1. ADPHT will continue to reach out to the three (3) businesses that have not responded to our request for additional information.
2. No further action is required.

It should be noted that the Business Interruption Grant Program was a temporary grant program during the COVID pandemic and is no longer in effect mitigating any future control issues.

Anticipated Completion Date: August 31, 2022

Contact Person:
David Bell
Cabinet CFO
Arkansas Department of Commerce
1 Commerce Way
Little Rock, AR 72202
(501) 682-7355
david.bell@arkansas.gov

Finding Number:	**2021-021**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Ready for Business Grant Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
The Coronavirus Relief Fund was required by Sec. 5001, as amended, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be used to cover only those costs that were (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) and (2) incurred during the period that began March 1, 2020, and ended December 31, 2021. In accordance with guidance provided in the Federal Register by the United States Department of Treasury, the State of Arkansas was required to keep records sufficient to demonstrate that the funds were used in accordance with this federal legislation.

Furthermore, the State of Arkansas was responsible for determining the level and detail of documentation needed from subrecipients of small business assistance to satisfy compliance with this law. Subrecipients were required to submit receipts prior to October 31, 2021, for expenses incurred between March 1, 2020, and September 30, 2021.

Finally, 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Arkansas awarded approximately $129 million to eligible sub-recipients (e.g., small businesses or nonprofits) to assist in covering expenses associated with ensuring the health and safety of employees and patrons. Funds for approved grants were disbursed by the Arkansas Economic Development Commission (AEDC), in full and in advance of the subrecipients incurring allowable costs.

AEDC developed a review process for the expense documentation submitted by the subrecipients. All submitted documentation was reviewed by its staff, and the grant was determined to be "complete" when sufficient documentation had been reviewed and approved.

As of September 20, 2021, 3,216 grants, totaling approximately $49 million, were considered complete by AEDC. ALA staff reviewed the supporting documentation for 60 completed grants, totaling $918,532, to determine if sufficient, appropriate evidence (supporting documentation) was maintained.

ALA review revealed the following exceptions for 15 grants:

- Although one grant subrecipient review was identified as complete, only $38,216 in receipts were submitted. The subrecipient had received $38,500 in grant funds. Questioned costs totaled $284.
- Documentation supporting 14 subrecipients was deemed insufficient because the support submitted was (1) for unallowable items, (2) lacked details to determine what was purchased, (3) lacked dates to determine whether the items were purchased within the required time period, or (4) included an invoice previously submitted and, therefore, duplicated. Questioned costs totaled $59,646.

Finding Number:	**2021-021 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce –** **Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund** **(Ready for Business Grant Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed;** **Allowable Costs/Costs Principles;** **Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$59,930

Cause:
The Agency failed to properly review the submitted expense documentation as required.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

Recommendation:
ALA staff recommend the Agency strengthen its internal controls over monitoring the awards to ensure providers submit appropriate documentation for expenses incurred to demonstrate compliance.

Views of Responsible Officials and Planned Corrective Action:
Benefits under the Ready for Business Grant Program were provided to the eligible businesses as an advance, with the requirement that the business submit receipts at a later date to confirm that the grant amount was expensed for a permissible purpose as outlined in the grant program terms.

AEDC will contact the identified businesses and request replacement documentation or repayment of benefits if documentation is not available.

The Ready for Business Grant Program was a temporary program that is no longer operational. This should fully mitigate future control issues.

Anticipated Completion Date: August 31, 2022

Contact Person:
David Bell
Cabinet CFO
Arkansas Department of Commerce
1 Commerce Way
Little Rock, AR 72202
(501) 682-7355
david.bell@arkansas.gov

Finding Number:	**2021-022**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Arkansas Rural Connect Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Coronavirus Relief Funds (CRF) were required by Sec. 5001, as amended, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be used to cover only those costs that were (1) necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) and (2) incurred during the period that began March 1, 2020, and ended December 31, 2021. As per guidance provided in the Federal Register by the United States Department of Treasury, the State of Arkansas was required to keep records sufficient to demonstrate that the funds were used in accordance with this federal legislation.

Furthermore, the State of Arkansas was responsible for determining the level and detail of documentation needed from subrecipients of small business assistance to satisfy compliance with this law. Grant agreements signed by the subrecipient required submission of monthly reports of expenses in a form prescribed by the Arkansas Economic Development Commission (AEDC).

Finally, 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Arkansas awarded approximately $114 million to internet service providers (ISPs) to expand rural broadband capacity. Funds for approved projects were disbursed by AEDC, in full and in advance of the ISPs incurring allowable costs.

ALA staff requested a copy of the monthly expense report and was informed by AEDC that it had required all project invoices be electronically submitted to the University of Arkansas for Medical Services (UAMS). AEDC had contracted with UAMS to review, approve, and monitor reimbursable expenses for each project.

As of September 7, 2021, 44 funded projects were considered technically complete, with financial reviews pending. ALA staff selected five projects to review to determine if sufficient, appropriate evidence (supporting documentation) was maintained. This review revealed an exception with one ISP project that received $714,495.

On April 7, 2021, UAMS notified AEDC that the ISP had completed the project, but the reconciliation of receipts was on-going. In October 2021, approximately six months after the project was complete, ALA staff requested a copy of the expenditure information submitted to UAMS for this particular project. The original support provided by AEDC and UAMS indicated that the ISP owed the State of Arkansas $314,889, and AEDC indicated that it would be requesting reimbursement from the ISP within the next few weeks. In November 2021, the ISP was notified that it would either need to provide all remaining support for expenses incurred or refund that balance. The ISP elected to provide the remaining support for expenses incurred.

Statistically Valid Sample:
Not a statistically valid sample

Finding Number:	**2021-022 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.019 – COVID-19: Coronavirus Relief Fund (Arkansas Rural Connect Program)**
Federal Awarding Agency:	**U.S. Department of Treasury**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Significant Deficiency**

Questioned Costs:
Unknown

Cause:
The Agency failed to establish and implement sufficient internal controls over monitoring.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

In addition, future federal funding allocated to this project and other similar projects could be at risk if controls are not developed and implemented immediately.

Recommendation:
ALA staff recommend the Agency strengthen its internal controls over monitoring the awards to ensure providers submit appropriate documentation for expenses incurred to demonstrate compliance.

Views of Responsible Officials and Planned Corrective Action:
As indicated by ALA, receipts were ultimately provided by the Internet Service Provider. AEDC has modified the grant payment methodology to a reimbursement model beginning with ARC grant appropriations approved by ALC on and after November 19, 2021. The ISP must first upload invoices/receipts into the UAMS portal. UAMS staff will then review the invoices/receipts and, if approved, forward approved expenses to AEDC for reimbursement.

Anticipated Completion Date This reimbursement method is currently in effect.

Contact Person:
David Bell
Cabinet CFO
Arkansas Department of Commerce
1 Commerce Way
Little Rock, AR 72202
(501) 682-7355
david.bell@arkansas.gov

Finding Number:	**2021-023**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2020-016**.

Criteria:
In a final rule, published in the Federal Register on May 6, 2016 (81 FR 27498), the Centers for Medicare and Medicaid Services (CMS) adopted Medical Loss Ratio (MLR) requirements for Medicaid and Children's Health Insurance Program (CHIP) managed care programs. One of the requirements is that a state must require each Medicaid managed care plan to calculate and report an MLR for rating periods starting on or after July 1, 2017. Each CHIP managed care plan is required to calculate and report an MLR for rating periods for state fiscal years beginning on or after July 1, 2018.

Also, per 42 CFR § 438.5(c)(1) states must provide audited financial reports to the actuary, who determines capitation rates, for the three most recent and complete years for the managed care entities. These reports must be specific to the Medicaid contract and in accordance with generally accepted accounting principles and generally accepted auditing standards.

Finally, with regard to capitation rate setting for certain Managed Care Organization (MCO) plans, **prior** approval must be obtained as required, in accordance with the regulations below:

- 42 CFR § 438.4(b) - Capitation rates for MCOs must be reviewed and approved by CMS as actuarially sound and must be provided to CMS in an approved format and within a timeframe that meets the requirements defined by 42 CFR § 438.7.
- 42 CFR § 438.7(a) - States must submit all MCO rate certifications concurrent with the review and approval process for contracts as specified in 42 CFR § 438.3(a).
- 42 CFR § 438.3(a) - CMS must review and approve all contracts, including those contracts that are not subject to the prior approval requirements in 42 CFR § 438.806. For states seeking approval of contracts prior to a specific effective date, proposed final contracts must be submitted to CMS for review no later than 90 days prior to the effective date of the contract.
- 42 CFR § 438.3(c) - The capitation rate and the receipt of capitation payments under the contract must be specifically identified in the applicable contract submitted for CMS review and approval.
- 42 CFR § 438.806(b) - For MCO contracts, **prior approval by CMS** is a condition of Federal Financial Participation (FFP) under any MCO contract that has a value equal to or greater than the following threshold amounts: $1,000,000 for 1998 (the value for all subsequent years is increased by the percentage increase in the consumer price index). FFP is not available in an MCO contract that does not have prior approval from CMS.

Condition and Context:
ALA reviewed the Dental Managed Care program and the Provider-Led Arkansas Shared Savings Entity (PASSE) managed care program for compliance with the various managed care MLR requirements. As a result of procedures performed, the following deficiencies were noted:

Finding Number:	**2021-023 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Dental Managed Care:

- Audited financial reports were not provided to the actuary for the three most recent and complete years prior to the reporting period. As the Dental Managed Care program was effective beginning on January 1, 2018, audited financial reports from calendar years 2018 and 2019 should have been provided.

PASSE:

- Audited financial reports were not provided to the actuary for the three most recent and complete years prior to the reporting period. As the PASSE managed care program was effective beginning on March 1, 2019, an audited financial report from calendar year 2019 should have been provided.
- No documentation was provided to substantiate that the Agency received **prior** approval from CMS for the calendar year 2021 rates prior to implementing the rates in January 2021. (Approval was subsequently received on August 17, 2021.)
- No documentation was provided to substantiate that the Agency received **prior** approval from CMS for the updated PASSE contracts that were effective January 1, 2021. (Approval was subsequently received on August 17, 2021.)

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The Agency did not adequately develop or implement procedures to ensure that the various managed care MLR requirements were met.

Effect:
Failure to adequately develop and implement appropriate internal control procedures limits the Agency's ability to adequately monitor the program to ensure compliance.

Recommendation:
ALA staff recommend the Agency immediately develop and implement control procedures for managed care MLR requirements for both the Dental and PASSE managed care programs to ensure the required audited financial reports are provided and that current capitation rates paid received prior approval from CMS as required.

Finding Number:	**2021-023 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency will update its documented controls to ensure appropriate review of audited financial reports for PASSE and Dental Managed Care, and timely submission of PASSE rates and contracts to CMS.

Anticipated Completion Date: Complete

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-024**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
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 findings **2020-017** and **2019-017**.

Criteria:
In accordance with 45 CFR § 95.507(4), the Agency's established Cost Allocation Plan is required to contain sufficient information in such detail to permit the Director - Division of Cost Allocation, after consulting with the Operating Divisions, to make an informed judgment on the correctness and fairness of the State's procedures for identifying, measuring, and allocating all costs to each of the programs operated by the Agency.

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 (MAP).

In addition, 45 CFR § 75.303 states that a non-federal entity must "*take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings*."

Condition and Context:
Procedures implemented by the Agency to monitor state general revenues and other non-federal revenues used to "match" the federal grant award monies are not sufficiently detailed to determine the state match requirements were met for the MAP and the Children's Health Insurance Program (CHIP).

As a result, the Agency was again unable to provide sufficient documentation for ALA to complete testing to determine if the State met the required match in accordance with federal regulations.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The Agency does not maintain documentation identifying the original source of revenues for the category "*other non-federal."* Additionally, the Agency utilizes an outside accounting system, Lotus 1-2-3, to maintain and trace *state general revenue* and *other non-federal* funds available. Agency staff manually key information into this system daily; however, no reviews or other controls are in place to ensure the accuracy of the funding category balances. Agency procedures implemented to monitor the use of *state general revenue* and *other non-federal* funding sources are completed at the Division level and are not broken out to the federal program level.

Effect:
The Agency's inadequate controls result in a failure to document the required State match and could limit the Agency's resources to ensure the State can continue to provide benefits.

Finding Number:	**2021-024 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Material Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency immediately implement appropriate controls to allow the Agency to track funding sources used to meet state match requirements for federal programs.

Views of Responsible Officials and Planned Corrective Action:
DHS disputes, in part, and concurs, in part, with this finding. While the agency maintains documentation identifying funds classified as "other non-federal" in its fund control ledgers, the funds could be documented with greater specificity. The agency is in the process of operationalizing its new general ledger system, which will provide greater specificity in tracking general revenue and "other non-federal" funds.

Anticipated Completion Date: June 15, 2022

Contact Person:
Misty Eubanks
Chief Financial Officer
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6327
Misty.eubanks@dhs.arkansas.gov

Finding Number:	**2021-025**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medicaid Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
A similar issue was reported in prior-year finding **2020-024**.

Criteria:
42 CFR 430.30(c) requires submission of a quarterly statement of expenditures report (CMS-64) for the Medical Assistance Program (MAP). Amounts reported on the CMS-64 must be an accurate and complete accounting of actual expenditures.

Condition and Context:
ALA staff performed testing of expenditures reported on the CMS-64 for the quarters ending September 30, 2020, and December 31, 2020, to confirm accuracy and completeness with the expenditures recorded in the Agency's financial management system. ALA review revealed the following errors:

- From the September 30, 2020, CMS-64 report, 24 line items totaling $1,521,563,513 and representing 89.09% of MAP expenditures were selected. ALA identified an uncorrected error on one item, resulting in an **overstatement** of the federal portion of expenditures totaling $853,817.
- From the December 31, 2020, CMS-64 report, 26 line items totaling $1,726,378,270 and representing 90.89% of MAP expenditures were selected. ALA identified an uncorrected error on one item, resulting in an **overstatement** of the federal portion of expenditures totaling $1,067,478.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$1,921,295

Cause:
The State portion for some Medicaid and CHIP expenditures is paid from tobacco settlement funds. At the time these funds are used, all expenditures are recorded in the Agency's financial systems as Medicaid expenditures. During the reporting process, the Agency identifies the CHIP portion of these expenditures and manually adjusts the amount reported on the CMS-21 report. When making this adjustment, the Agency erroneously adjusted MCHIP expenditures reported on the CMS-64.21U form instead of adjusting the MAP expenditures reported on the CMS-64.9 base form.

Effect:
Expenditure amounts reported on the quarterly statement of expenditures report (CMS-64) were overstated for the Medical Assistance Program and understated for the MCHIP program; therefore, federal funding for the expenditures was received from the incorrect grant award and at the incorrect rate.

Finding Number:	**2021-025 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program** **93.778 – Medicaid Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)** **05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Recommendation:
ALA staff recommend the Agency perform a thorough review of the supporting documentation for all manual adjustments and verify the accuracy of these adjustments. ALA further recommends the Agency correct identified errors by entering prior period adjustments on subsequent CMS-64 reports.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency corrected the error made for the Tobacco Funded Adjustment in its CMS-64 workbook and will make a prior period adjustment on the CMS-64 to correct the overstatement of expenditures.

Anticipated Completion Date: July 31, 2022

Contact Person:
Jason Callan
Chief Financial Officer, Medicaid Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6540
Jason.callan@dhs.arkansas.gov

Finding Number:	**2021-026**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In a final rule, published in the Federal Register on May 6, 2016 (81 FR 27498), CMS adopted Medical Loss Ratio (MLR) requirements for Medicaid and Children's Health Insurance Program (CHIP) managed care programs. One of the requirements is that a state must require each Medicaid managed care plan to calculate and report an MLR for rating periods starting on or after July 1, 2017. Each CHIP managed care plan is required to calculate and report an MLR for rating periods for state fiscal years beginning on or after July 1, 2018.

42 CFR § 438.8 contains various requirements related to the MLR report, including that that managed care entities attest to the accuracy of the MLR reports. In addition, MLR reports must contain the 13 required data elements noted below:

(i) Total incurred claims.
(ii) Expenditures on quality improving activities.
(iii) Fraud prevention activities as defined at 42 CFR § 438.8 (e) (4).
(iv) Non-claims costs.
(v) Premium revenue.
(vi) Taxes, licensing, and regulatory fees.
(vii) Methodology for allocation of expenditures.
(viii) Any credibility adjustment applied.
(ix) The calculated MLR.
(x) Any remittance owed to the State, if applicable.
(xi) A comparison of the information reported in this paragraph with the audited financial report required under 42 CFR § 438.3 (m).
(xii) A description of the aggregation method used under 42 CFR § 438.8 (i).
(xiii) The number of member months.

Condition and Context:
ALA reviewed the Dental Managed Care program and the Provider-Led Arkansas Shared Savings Entity (PASSE) managed care program for compliance with the various managed care MLR requirements. As result of procedures performed, the following deficiencies were noted:

Finding Number:	**2021-026 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Dental Managed Care:

- The MLR report submission, for both entities that participate in the Dental Managed Care program, did not contain 4 of the 13 data elements required. Items (iii), (vii), (xi), and (xii) were missing.
- One of the Dental Managed Care entities submitted a revised MLR calculation, but the new MLR did not include a new attestation of accuracy.

PASSE:

- The MLR report submission, for the 3 entities that participate in the PASSE managed care program, did not contain 4 of the 13 data elements required. Items (iii), (vii), (xi), and (xii) were missing.

Statistically Valid Sample:
Not applicable

Questioned Costs:
Unknown

Cause:
The Agency did not adequately develop or implement procedures to ensure that the various managed care MLR requirements were met.

Effect:
Failure to develop and implement appropriate internal control procedures limits the Agency's ability to adequately monitor the programs to ensure compliance.

Recommendation:
ALA staff recommend the Agency develop and implement control procedures for managed care MLR requirements for both the Dental and PASSE managed care programs to ensure compliance.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency will update the MLR report used by PASSE and Dental Managed Care entities to include all required data elements and an attestation of accuracy.

Finding Number:	**2021-026 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: Complete

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-027**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Financial Audits (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
42 CFR § 438.3 (m) states that managed care contracts must require Managed Care Organizations (MCOs), Prepaid Inpatient Health Plans (PIHPs), and Prepaid Ambulatory Health Plans (PAHPs) to submit audited financial reports conducted in accordance with generally accepted accounting principles and generally accepted auditing standards specific to the Medicaid contract on an annual basis.

In addition, 42 CFR § 438.602 (e) states that an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, any MCO, PIHP, or PAHP must be conducted at least every three years.

Condition and Context:
ALA performed testing to ensure that both the annual audited financial reports as well as the periodic reviews were performed for the applicable managed care program entities and that the reports and reviews were in compliance with federal regulations.

Three managed care organizations participated in the Provider-Led Arkansas Shared Savings Entity (PASSE) managed care program, and two dental managed care entities that participated in the Dental Managed Care program.

The results of our testing revealed that although audited financial reports were provided by all of the PASSE and Dental Managed Care entities, they were not in accordance with generally accepted accounting principles. In addition, the audits for the two dental managed care entities were not specific to the Medicaid contract.

Finally, the periodic reviews for the two dental managed care entities completed by the external quality review organization did not include the required financial data.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency did not adequately monitor the submission of reports to ensure they complied with federal regulations.

Effect:
Failure to monitor the adequacy of the reports submitted led to the Agency not identifying that the reports received did not comply with federal regulations.

Finding Number:	**2021-027 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Financial Audits (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency strengthen monitoring controls to ensure that all reports received are in compliance with requirements included in the federal regulations.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency has updated the Dental Managed Care (DMC) contract to require DMC entities to perform and provide financial audit reports that have been audited in accordance with GAAP. The agency will update financial reporting templates used by PASSE and DMC entities to include an attestation that the financial reports were audited in accordance with GAAP. The agency will also provide the EQRO and its contracted actuary with the audited financial statements for both PASSE and DMC entities.

Anticipated Completion Date: July 1, 2022

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-028**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Financial Audits (PASSE and Dental)**
Type of Finding:	**Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 45 CFR § 75.302(b)(7), a non-federal entity must establish written procedures to implement and 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.

In addition, 45 CFR § 75.303 states that 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 award. These controls should comply with Green Book or COSO guidance.
- Evaluate and monitor its compliance with the award.
- Take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings.

Finally, 42 CFR § 438.3 (m) states that managed care contracts must require Managed Care Organizations (MCOs), Prepaid Inpatient Health Plans (PIHPs), and Prepaid Ambulatory Health Plans (PAHPs) to submit audited financial reports conducted in accordance with generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS) specific to the Medicaid contract on an annual basis.

Condition and Context:
The Agency failed to establish documented internal controls for this compliance area.

In addition, ALA performed testing to determine if there was sufficient, adequate language in the managed care contracts and agreements for PASSE and Dental Managed Care regarding audited financial reports. Our review revealed that adequate language was not included in the Dental Managed Care contract requiring that the annual financial audit be performed.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency did not adequately develop or document internal control procedures for its staff or ensure that adequate language was contained in the Dental Managed Care contract regarding audited financial reports.

Finding Number:	**2021-028 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)** **05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Financial Audits (PASSE and Dental)**
Type of Finding:	**Material Weakness**

Effect:
Failure to adequately document and implement appropriate procedures for internal control limits the Agency's ability to adequately monitor the programs for possible noncompliance.

Recommendation:
ALA staff recommend the Agency develop and document internal controls for Managed Care Financial Audits for both PASSE and Dental Managed Care to aid in ensuring compliance. In addition, the Agency should update the language in the Dental Managed Care contract to require audited financial reports, in accordance with 42 CFR § 438.3 (m).

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency has updated the dental managed care (DMC) contract to require DMC entities to perform and provide financial audit reports that have been audited in accordance with GAAP. The agency will update financial reporting templates used by PASSE and DMC entities to include an attestation that the financial reports were audited in accordance with GAAP.

Anticipated Completion Date: July 1, 2022

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-029**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year findings **2020-019** and **2019-006**.

Criteria:
According to Provider Manual Section 140.000, 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.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) 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 plus site visits.
- The high-risk category includes those required for moderate plus fingerprint background checks.

Condition and Context:
From a population of 5,853 providers, ALA staff reviewed files of 40 providers to ensure sufficient, appropriate evidence was provided to support the determination of eligibility, including compliance with revalidation requirements. Our review revealed deficiencies with 7 of the provider files as follows:

Moderate-risk category:

- ➢ Sample item 23: The Agency failed to perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the provider's licensure that covered the entire enrollment period. Questioned costs totaled $264.
- ➢ Sample item 35: The provider's revalidation was due by September 25, 2016, but was not performed until December 10, 2020. The Agency also failed to perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the provider's contract, application, W-9, licensure, disclosure forms, or background check that covered the entire enrollment period. Questioned costs totaled $1,346.

Finding Number:	**2021-029 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 40: The Agency failed to perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the provider's certification that covered the entire enrollment period. Questioned costs totaled $7,422.

Limited-risk category:

- Sample item 7: The provider's revalidation was due by September 25, 2016, but was not performed until April 12, 2021. In addition, the Agency did not provide documentation of the provider's W-9 form, disclosure forms, or background check that covered the entire enrollment period. Questioned costs totaled $254.
- Sample item 13: The provider's revalidation was due by September 25, 2016, but was not performed until April 18, 2019. Questioned costs totaled $1,631.
- Sample item 14: The provider's revalidation was due by September 25, 2016, but was not performed until January 13, 2020. Questioned costs totaled $713.
- Sample item 15: The provider's revalidation was due by September 25, 2016, but was not performed until April 15, 2021. In addition, the Agency did not provide documentation of the provider's disclosure forms or a background check that covered the entire enrollment period. Questioned costs totaled $194.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$11,824

Due to the Coronavirus pandemic, the Centers for Medicare and Medicaid Services (CMS), under section 1135(b)(1)(B) of the Social Security Act, **approved Arkansas's request to temporarily cease revalidation**, including screening requirements, of providers who are located in Arkansas or are otherwise directly impacted by the emergency. This was effective beginning March 1, 2020, and continues until the termination of the public health emergency, including any extensions. **As a result, questioned costs were not calculated for the errors regarding late or overdue revalidations for those payments made to providers on or after March 1, 2020.**

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to the timing of implementation of the new procedures, deficiencies continued to exist during fiscal year 2021.

Effect:
Claims were processed and paid to providers that did not meet all the required elements and, therefore, were ineligible.

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

Finding Number:	**2021-029 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
DHS concurs, in part, and disputes, in part, this finding.

Effective May 31, 2019, DMS established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider application documents, provider revalidation, site visits and fingerprint background requirements. Three of the seven deficient provider files relate to non-compliance with revalidation requirements pre-dating May 31, 2019. The deficiencies noted that occurred prior to May 31, 2019, will be corrected upon revalidation of the provider. The DHS Office of Payment Integrity and Internal Audit also conducts regular provider eligibility compliance reviews and reports its findings to DMS.

Two of the seven deficient providers did not submit an application for revalidation or updated proof of certification. The agency sent multiple notifications to the provider concerning the requirement to revalidate and provide proof of certification. DHS has not terminated the providers due to the suspension of terminations during the COVID-19 federal public health emergency.

The agency disputes two deficiencies in which it was noted that the agency failed to provide disclosure forms and proof of background checks for providers. In these two instances, the agency relied upon screening of the providers performed by Medicare as permitted by 42 CFR §455.410(c)(1).

Anticipated Completion Date: Complete

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-030**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year findings **2020-020** and **2019-007**.

Criteria:
According to Provider Manual Section 140.000, 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. Managed Care Network providers must also be enrolled in the Arkansas Medicaid Program. 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.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) 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 plus site visits.
- The high-risk category includes those required for moderate plus fingerprint background checks.

Condition and Context:
To determine if Managed Care Network providers met all necessary criteria to participate in the Medicaid program, ALA staff selected 40 provider files from a population of 2,843 for review. The providers selected participated in the Dental Managed Care program, commonly referred to as Healthy Smiles, and the Provider-Led Arkansas Shares Savings Entity, or PASSE, managed care program. ALA review revealed deficiencies with 7 of the provider files as follows:

Moderate-risk category:

- ➢ Sample item 21: The Agency did not perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the required disclosure forms that covered the entire enrollment period. Ineligible costs totaled $1,503.
- ➢ Sample item 24: The Agency did not perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the application that covered the entire enrollment period. Ineligible costs totaled $93.

Finding Number:	**2021-030 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 31: The Agency did not perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the provider's certification that covered the entire enrollment period. Ineligible costs totaled $2,075.

Limited-risk category:

- Sample item 4: The provider's revalidation was due by September 25, 2016, but was not performed until April 12, 2021. In addition, the Agency did not provide documentation of the required W-9 form, disclosure forms, or the background check that covered the entire enrollment period. Ineligible costs totaled $100.
- Sample item 12: The provider's revalidation was due by September 25, 2016, but was never performed. In addition, the Agency did not provide documentation of the disclosure forms or the background check that covered the entire enrollment period. Ineligible costs totaled $97.
- Sample item 25: The provider's revalidation was due by September 25, 2016, but was never performed. In addition, the Agency did not provide documentation of the disclosure forms or the background check that covered the entire enrollment period. Ineligible costs totaled $119.
- Sample item 28: The provider's revalidation was due by December 7, 2016, but was not completed until September 5, 2019. In addition, the Agency did not provide documentation of the provider's licensure covering the entire enrollment period. Ineligible costs totaled $781.

All ineligible costs identified above were PASSE payments totaling $4,768.

NOTE: Because these providers are participating in the managed care portion of CHIP, providers are reimbursed by the managed care organizations, not the Agency. The managed care organizations receive a predetermined monthly payment from the Agency in exchange for assuming the risk for the covered recipients.

These monthly payments are actuarially determined based, in part, upon historical costs data. Accordingly, the failure to remove unallowable cost data from the amounts utilized by the actuary would lead to overinflated future rates, which will be directly paid by the Agency.

In addition, due to the Coronavirus pandemic, the Centers for Medicare and Medicaid Services (CMS), under section 1135(b)(1)(B) of the Social Security Act, approved Arkansas's request to temporarily cease revalidation, including screening requirements, of providers who are located in Arkansas or are otherwise directly impacted by the emergency. This was effective as of March 1, 2020, and will continue until the termination of the public health emergency, including any extensions.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Finding Number:	**2021-030 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5021; 05-2105AR5021**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to the timing of the implementation of the new procedures, deficiencies continued to exist during fiscal year 2021.

Effect:
Claims were processed and paid to providers that did not meet all the required criteria.

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:
DHS concurs, in part, and disputes, in part, this finding.

Effective May 31, 2019, DMS established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider application documents, provider revalidation, site visits and fingerprint background requirements. Three of the seven deficient provider files relate to non-compliance with revalidation requirements pre-dating May 31, 2019. The deficiencies noted that occurred prior to May 31, 2019, will be corrected upon revalidation of the provider. The DHS Office of Payment Integrity and Internal Audit also conducts regular provider eligibility compliance reviews and reports its findings to DMS.

Three of the seven deficient providers did not submit an application for revalidation or updated proof of certification. The agency sent multiple notifications to the provider concerning the requirement to revalidate and provide proof of certification. DHS has not terminated the providers due to the suspension of terminations during the COVID-19 federal public health emergency.

The agency disputes one deficiency in which it was noted that the agency failed to provide disclosure forms and a proof of background check for the provider. In this instance, the agency relied upon screening of the provider performed by Medicare as permitted by 42 CFR §455.410(c)(1).

Anticipated Completion Date: Complete

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-031**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5MAP; 05-2105AR5MAP**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (ARChoices Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year findings **2020-021** and **2019-011**.

Criteria:
On January 1, 2019, the Arkansas Independent Assessment (ARIA) tool was used to determine the ARChoices level of care and aided in developing the beneficiary Patient-Centered Service Plan (PCSP). Attendant Care hours are determined utilizing the Task and Hour Standards (THS), which is the written methodology used by the Arkansas Department of Human Services (DHS) Registered Nurses (RNs) as the basis for calculating the number of attendant care hours that are reasonably and medically necessary. In addition, an Individual Service Budget (ISB) sets the maximum dollar amount for all waiver services received by an individual. Services must be provided according to the beneficiary's PCSP, with reimbursement limited to the monthly provision reflected on the PCSP.

Condition and Context:
ALA staff reviewed data for 40 beneficiaries to determine if a valid PCSP was in effect for all dates of service for which claims were paid and if attendant care services were provided in accordance with the beneficiary's PCSP and did not exceed the frequency or the maximum amount allowed. Our review revealed the following deficiencies regarding 14 beneficiaries:

- Sample item 3: Claims totaling $13,096 were paid without a valid PCSP for dates of service beginning June 1, 2020 through January 27, 2021.
- Sample item 4: Claims totaling $685 were paid without a valid PCSP for dates of service beginning June 8, 2020 through July 31, 2020.
- Sample item 9: Claims totaling $16,879 were paid without a valid PCSP for dates of service beginning June 15, 2020 through June 4, 2021.
- Sample item 12: Claims totaling $10,655 were paid without a valid PCSP for dates of service beginning June 15, 2020 through June 11, 2021.
- Sample item 14: Claims totaling $918 were paid without a valid PCSP for dates of service beginning January 1, 2021 through May 7, 2021.
- Sample item 17: Claims totaling $3,928 were paid without a valid PCSP for dates of service beginning June 25, 2020 through September 11, 2020.
- Sample item 20: Claims totaling $1,314 were paid without a valid PCSP for dates of service beginning June 1, 2020 through June 29, 2020.
- Sample item 21: Claims totaling $31,375 were paid without a valid PCSP for dates of service beginning June 14, 2020 through February 28, 2021.
- Sample item 22: Claims totaling $16,159 were paid without a valid PCSP for dates of service beginning May 31, 2020 through June 10, 2021.
- Sample item 26: Claims totaling $ 4,766 were paid without a valid PCSP for dates of service beginning June 16, 2020 through August 11, 2020.
- Sample item 28: Claims totaling $3,418 were paid without a valid PCSP for dates of service beginning June 22, 2020 through March 15, 2021.

Finding Number:	**2021-031 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5MAP; 05-2105AR5MAP**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (ARChoices Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 29: Claims totaling $1,653 were paid without a valid PCSP for dates of service beginning June 15, 2020 through March 15, 2021.
- Sample item 36: Claims totaling $6,573 were paid without a valid PCSP for dates of service beginning June 15, 2020 through October 24, 2020.
- Sample item 39: Claims totaling $15,524 were paid without a valid PCSP for dates of service beginning April 1, 2020 through November 27, 2020.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
In accordance with the Families First Coronavirus Response Act (FFCRA), states must provide continuous coverage, through the end of the month in which the emergency period ends, to all Medicaid beneficiaries who were enrolled in Medicaid on or after March 18, 2020, regardless of any changes in circumstances or redeterminations at scheduled renewals that otherwise would result in termination. As a result, questioned costs were not calculated for the claims paid without a valid PCSP.

Cause:
Prior to January 1, 2021, the Division of Aging, Adult, and Behavioral Health Services (DAABHS) provided OPTUM, the Agency contractor responsible for performing the independent assessments for the ARChoices program, with the referrals for the ARIAs based upon the month of expiration. Once the ARIAs were completed by OPTUM, they were forwarded to the Office of Long Term Care (OLTC) under Provider Services & Quality Assurance so that a DHS RN could review the assessment results to determine if the individual's assessed needs were consistent with services available through the ARChoices program. This determination was documented on a DHS Form 704. This form was then forwarded onto the Division of County Operations (DCO) to aid in determining recipient eligibility (medical necessity). Once this was done, the DHS Form 704 was then sent to DAABHS so that the process for completing a new PCSP could be started.

Effective January 1, 2021, unless identified as needed, ARIAs are not required to be performed for existing ARChoices recipients in order to develop a new PCSP. Reevaluations will continue to be performed on at least an annual basis, with the functional eligibility reaffirmed or revised and a written determination issued by the Office of Long Term Care, and an updated PCSP will be generated.

Delays in requesting, performing, and utilizing the information necessary to complete the PCSP as described above contributed to deficiencies noted with the beneficiaries' PCSP.

Effect:
Amounts paid were in excess of amounts authorized.

Finding Number:	**2021-031 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5MAP; 05-2105AR5MAP**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (ARChoices Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency review and strengthen its policies and procedures to ensure that all amounts paid are in accordance with amounts authorized and that amounts authorized are supported by both a current and valid PCSP and the CMS approved assessment tools, which are currently the ARIA assessment and THS.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency has implemented a workflow management system and strategy to track and report re-evaluation activities that will ensure timely completion of Person-Centered Service Plan for ARChoices beneficiaries. Assessments are also being documented electronically, which allows for more effective tracking and planning.

Anticipated Completion Date: Complete

Contact Person:
Jay Hill
Director, Division of Aging, Adult, and Behavioral Health Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-686-9981
Jay.hill@dhs.arkansas.gov

Finding Number:	**2021-032**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year findings **2020-026** and **2019-006**.

Criteria:
According to Provider Manual Section 140.000, 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 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.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) 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, plus site visits.
- The high-risk category includes those required for moderate, plus fingerprint background checks.

Condition and Context:
From a population of 10,664, ALA staff reviewed files of 40 providers to ensure sufficient, appropriate evidence was provided to support the determination of eligibility, including compliance with revalidation requirements. Our review revealed deficiencies with 10 of the provider files as follows:

High-risk category:

- ➢ Sample item 38: The Agency failed to perform the additional screening requirements (site visit or fingerprint background check). In addition, the Agency did not provide documentation of the provider's professional certification that covered the entire engagement period. *Questioned costs totaled $105*.
- ➢ Sample item 40: The Agency failed to perform the additional screening requirements (site visit or fingerprint background check). In addition, the Agency did not provide documentation of the provider's professional certification that covered the entire engagement period. *Questioned costs totaled $45,640*.

Finding Number:	**2021-032 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Moderate-risk category:

- Sample item 16: The Agency failed to perform the additional screening requirement (site visit) that coincided with the revalidation performed on September 18, 2015. *Questioned costs totaled $8,529*.
- Sample item 21: The Agency failed to perform the additional screening requirement (site visit) that was due by September 25, 2016, until the revalidation was performed on November 5, 2019. *Questioned costs totaled $371*.
- Sample item 24: The Agency failed to perform the additional screening requirement (site visit) that was due by September 25, 2016, until the revalidation was performed on May 14, 2019. *Questioned costs totaled $56*.
- Sample item 30: The Agency failed to perform the additional screening requirement (site visit) that coincided with its 2017 enrollment. *Questioned costs totaled $53*.
- Sample item 32: The provider's revalidation was due by September 25, 2016, but was not performed until January 3, 2020. *Questioned costs totaled $24*.
- Sample item 35: The provider's revalidation was due by September 25, 2016, but was not performed until March 20, 2020. *Questioned costs totaled $11,336*.

Limited-risk category:

- Sample item 8: The provider's revalidation was due by September 25, 2016, but was not performed until May 2, 2019. *Questioned costs totaled $65*.
- Sample item 31: The provider's revalidation was due by September 25, 2016, but was not performed until September 10, 2020. In addition, disclosure forms and standard background checks that covered the entire engagement period were not provided. *Questioned costs totaled $5,435*.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$71,614

Due to the Coronavirus pandemic, the Centers for Medicare and Medicaid Services (CMS), under section 1135(b)(1)(B) of the Social Security Act, **approved Arkansas's request to temporarily cease revalidation**, including screening requirements, of providers who are located in Arkansas or are otherwise directly impacted by the emergency. This was effective beginning March 1, 2020, and continues until the termination of the public health emergency, including any extensions. **As a result, questioned costs were not calculated for the errors regarding late or overdue revalidations for those payments made to providers on or after March 1, 2020.**

Finding Number:	**2021-032 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Noncompliance and Material Weakness**

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to the timing of the implementation of the new procedures, deficiencies continued to exist during fiscal year 2021.

Effect:
Claims were processed and paid to providers that did not meet all the required elements and, therefore, were ineligible.

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:
DHS concurs with this finding. Effective May 31, 2019, DMS established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider application documents, provider revalidation, site visits and fingerprint background requirements. Eight of the ten deficient provider files relate to non-compliance with revalidation requirements pre-dating May 31, 2019. The deficiencies noted that occurred prior to May 31, 2019, will be corrected upon revalidation of the provider. The DHS Office of Payment Integrity and Internal Audit also conducts regular provider eligibility compliance reviews and reports its findings to DMS.

One of the ten deficient providers revalidated after the established revalidation deadline in SFY20. This provider submitted an application for revalidation which was not able to be processed by the revalidation deadline, due to incomplete information on the application. The provider was not terminated as the missing documentation was submitted to the agency.

One of the ten deficient providers did not submit an application for revalidation or proof of licensure and certification. The agency sent multiple notifications to this provider concerning the requirement to revalidate and produce proof of licensure and certification. DHS has not terminated the provider due to the suspension of terminations during the COVID-19 federal public health emergency.

Anticipated Completion Date: May 31, 2019

Contact Person: Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-033**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year findings **2020-027** and **2019-007**.

Criteria:
According to Provider Manual Section 140.000, 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. Managed Care Network providers must also be enrolled in the Arkansas Medicaid Program. Enrollment is considered complete when a provider has 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.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) 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, plus site visits.
- The high-risk category includes those required for moderate, plus fingerprint background checks.

Condition and Context:
To determine if Managed Care Network providers met all necessary criteria to participate in the Medicaid program, ALA staff selected 40 provider files from a population of 5,912 for review. The providers selected participated in the Dental Managed Care program, commonly referred to as Healthy Smiles, and the Provider-Led Arkansas Shared Savings Entity (PASSE) managed care program. ALA review revealed deficiencies with 6 of the provider files as follows:

Moderate-risk category:

- Sample item 21: The provider's revalidation was due by September 25, 2016, but was not performed until March 3, 2020. In addition, the Agency failed to perform the additional screening requirement (site visit) until the revalidation was performed on March 3, 2020, and did not provide documentation of the provider's certification that covered the entire engagement period. Ineligible costs totaled $4,377.

Finding Number:	**2021-033 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Limited-risk category:

- Sample item 1: The provider's revalidation was due by September 25, 2016, but was not performed until April 5, 2019. In addition, the Agency could not provide the required W-9 that covered the entire enrollment period. Ineligible costs totaled $2,015.
- Sample item 8: The provider's revalidation was due by September 25, 2016, but was never performed. In addition, the Agency could not provide the required W-9, disclosure forms, or documentation of a standard background check for review. Ineligible costs totaled $23.
- Sample item 14: The provider's revalidation was due by September 25, 2016, but was not performed until May 23, 2019. In addition, the Agency could not provide the required W-9 that covered the entire enrollment period. Ineligible costs totaled $9,669,741.
- Sample item 23: The provider's revalidation was due by September 25, 2016, but was not performed until September 5, 2019. In addition, The Agency could not provide documentation of provider licensure that covered the entire enrollment period. Ineligible costs totaled $2,766.
- Sample item 38: The provider's revalidation was due by September 25, 2016, but was never performed. In addition, the Agency could not provide the required disclosure forms or documentation of a standard background check that covered the entire enrollment period. Ineligible costs totaled $292.

All ineligible costs identified above were PASSE payments totaling $9,679,214.

NOTE: Because these providers are participating in the managed care portion of Medicaid, providers are reimbursed by the managed care organizations, not the Agency. The managed care organizations receive a predetermined monthly payment from the Agency in exchange for assuming the risk for the covered recipients.

These monthly payments are actuarially determined based, in part, upon historical costs data. Accordingly, the failure to remove unallowable cost data from the amounts utilized by the actuary would lead to overinflated future rates, which will be directly paid by the Agency.

In addition, due to the Coronavirus pandemic, the Centers for Medicare and Medicaid Services (CMS), under section 1135(b)(1)(B) of the Social Security Act, approved Arkansas's request to temporarily cease revalidation, including screening requirements, of providers who are located in Arkansas or are otherwise directly impacted by the emergency. This was effective as of March 1, 2020, and will continue until the termination of the public health emergency, including any extensions.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Finding Number:	**2021-033 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to the timing of the implementation of the new procedures, deficiencies continued to exist during fiscal year 2021.

Effect:
Claims were processed and paid to providers that did not meet all the required elements.

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:
DHS concurs, in part, and disputes, in part, this finding.

Three of the six deficient providers did not submit an application for revalidation or updated proof of certification. The agency sent multiple notifications to the provider concerning the requirement to revalidate and provide proof of certification. DHS has not terminated the providers due to the suspension of terminations during the COVID-19 federal public health emergency.

The agency disputes three deficiencies in which it was noted that the agency failed to provide disclosure forms and proof of licensure for providers. In these three instances, the agency relied upon screening of the providers performed by Medicare as permitted by 42 CFR §455.410(c)(1).

Anticipated Completion Date: Complete

Contact Person:
Elizabeth Pitman
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-244-3944
Elizabeth.Pitman@dhs.arkansas.gov

Finding Number:	**2021-034**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5MAP; 05-2105AR5MAP**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Medicaid Fraud Control Unit**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
A similar issue was reported in prior-year findings **2020-014** and **2019-014**.

Criteria:
42 CFR § 433, Subpart F, establishes requirements for identifying overpayments to Medicaid providers and for refunding the federal portion of identified overpayments to the federal awarding agency. The provisions apply to overpayments discovered by a state, by a provider and made known to the state, or through federal review.

Also, in accordance with 42 CFR § 433.320, an agency must refund the federal share of overpayments that are subject to recovery by recording a credit on its Quarterly Statement of Expenditures (Form CMS-64). An agency must credit the federal share of overpayments on the earlier of (1) the CMS-64 submission due for the quarter in which the overpayment is recovered from the provider or (2) the quarter in which the one-year period following discovery, established in accordance with 42 CFR § 433.316, ends. A credit on the CMS-64 must be made whether or not the state has recovered the overpayment from the provider.

Additionally, as stated in a CMS letter to the State Health Official, SHO #08-004, in accordance with Sections 1903(d)(2)(A) and (d)(3)(A) of the Social Security Act, states are required to return "the federal share of Medicaid overpayments, damages, fines, penalties, and any other component of a legal judgment or settlement when a State recovers pursuant to legal action under its State False Claims Act (SFCA)."

Condition and Context:
ALA performed procedures to verify overpayments identified by the Medicaid Fraud Control Unit (MFCU) were properly reported on the quarterly CMS-64 report. The following errors were discovered:

- Payment for one settlement was made directly to the U.S. Department of Justice (DOJ). DOJ subsequently transferred the State's portion of the settlement, totaling $680,847, to the Agency. In error, the Agency applied the FMAP and reported $527,180 in overpayments on its CMS-64 report. As a result, the federal portion of MFCU related overpayments reported was overstated.
- Payment for one settlement, totaling $1,544,368, was not included on the CMS-64 report. The federal share that should have been reported for MFCU related overpayments was $1,195,804, resulting in an understatement.
- Payment representing a fine for a criminal conviction, totaling $250, was not reported on the CMS-64 report. The federal share that should have been reported for MFCU related overpayments was $194, resulting in an understatement.
- Unpaid restitution balances from previous fiscal years, totaling $270,201, were not included on the CMS-64. The federal share that should have been reported was $209,217, resulting in an understatement.

The net effect of the errors is an understatement totaling $878,035.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$878,035

Finding Number:	**2021-034 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL 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):	**05-2005AR5MAP; 05-2105AR5MAP**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Medicaid Fraud Control Unit**
Type of Finding:	**Noncompliance and Significant Deficiency**

Cause:
The Agency's Accounts Receivable staff, who are responsible for monitoring balances and payments received representing Medicaid overpayments, do not have a full understanding of the reporting requirements. As a result, supporting documents compiled for the MFCU overpayments were not properly prepared.

Effect:
The Agency failed to report all required restitution and other judgments on its CMS-64 reports.

Recommendation:
ALA staff recommend the Agency review and strengthen its accounts receivable procedures and provide adequate training to all individuals involved in the collecting, recording, and reporting of provider overpayments identified by MFCU.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency is updating its process for tracking Medicaid provider overpayments and will begin tracking all overpayments and corresponding collections in the Medicaid Management Information System, which will provide greater continuity in overpayment tracking, collection, and reporting.

Anticipated Completion Date: June 30, 2022

Contact Person:
Jason Callan
Chief Financial Officer, Medicaid Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6540
Jason.callan@dhs.arkansas.gov

Finding Number:	**2021-035**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Material 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Unemployment Insurance Program Letter (UIPL) No. 27-20 established Lost Wages Assistance (LWA), which provided a $300 supplemental benefit for six weeks beginning with the weeks ending August 1, 2020 through September 5, 2020. Claimants from both the regular Unemployment Compensation (UC) system and the Pandemic Unemployment Assistance (PUA) system were eligible for LWA, if eligible for weekly benefits of at least $100 from their respective programs.

Condition and Context:
456,575 weekly LWA benefits payments, totaling $129,580,530, were made during the year ended June 30, 2021. In a random sample of 60 weekly LWA benefits payments to 60 different claimants totaling $18,000, ALA noted 8 claimants, with payments totaling $2,100, who were deemed ineligible at a later date by caseworkers.

In order to determine the severity of the noncompliance, likely questioned costs must be calculated. As a result of this calculation, the $2,100 identified as known questioned costs were projected to the population, resulting in likely questioned costs totaling $15,117,729.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$2,100

Cause:
In response to the increase in demand for services/benefits, the State relaxed controls over identity verification and income verification for the Unemployment Insurance program during fiscal year 2021.

Effect:
Lack of appropriate internal controls resulted in overpayments of federal funds.

Recommendation:
ALA staff recommend the Agency maintain and implement internal controls over benefit payments to ensure that payments are made in the correct amount and to eligible claimants. In addition, ALA staff recommend the Agency continue to pursue recovery of the overpayments of funds, returning them to the appropriate source.

Finding Number:	**2021-035 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
During the Pandemic, many businesses did not respond to information being sent to them by the agency. Later, they would respond, and the issues discovered were adjudicated and many created overpayments.

During 2020, the waiting week was waived, and claims filed were paid the following week. The waiting week allows the employer to respond before the claimant is paid. This allows issues that are undetected to be set prior to claimants receiving payment. The waiting week was reinstated in January of 2021.

Overpayments have been identified and sent to Benefit Payment Control to have the overpayment created or, if qualified, a waiver of the amount due.

Anticipated Completion Date: Completed

Contact Person:
Ken Jennings
Program Administrator UI
Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3244
Kenneth.jennings@arkansas.gov

Finding Number:	**2021-036**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; 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 a 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 award.

Unemployment Insurance Program Letter (UIPL) No. 14-20 established Pandemic Unemployment Assistance (PUA) for the self-employed, those seeking part-time employment, or those who otherwise would not qualify for regular Unemployment Compensation (UC) under state or federal law. As such, the UC and PUA programs are mutually exclusive, and it is not allowable for claims to be paid for the same week of unemployment out of both systems.

In addition, UIPL No. 27-20 established Lost Wages Assistance (LWA), which provided a $300 supplemental benefit for 6 weeks starting with weeks ending August 1, 2020 through September 5, 2020, and required claimants to self-certify that they were unemployed or partially unemployed due to disruptions caused by the COVID-19 pandemic. LWA supplemental benefits were payable for either regular UC and PUA claims, out of each respective system, but not both.

Condition and Context:
Using data analytics, ALA staff identified 81 claimants who received a total of 294 duplicate payments for the same week of LWA in both the regular UC system and the new PUA system. Payments from the regular UC system and the PUA system totaled $88,200, respectively.

ALA staff reviewed the case files of 30 claimants to determine which of the two mutually exclusive benefits they may have been eligible to receive. Our review revealed the following:

- 29 claimants, or 96.7%, were not eligible for the PUA-LWA benefits received totaling $42,600.
- 1 claimant, or 3.3%, was not eligible for the Regular UC-LWA benefits received totaling $1,500.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$44,100

Cause:
Appropriate communication between the two systems administering the regular UC LWA benefits and the PUA LWA benefits was lacking.

Finding Number:	**2021-036 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Effect:
Benefit payments from two separate systems issued for the same week of unemployment for the same claimant, resulting in overpayments of federal funds.

Recommendation:
ALA staff recommend the Agency work to strengthen internal controls over the establishment of eligibility in both systems for regular UC and PUA, as well as the payment of benefits. In addition, ALA staff recommend the Agency continue to pursue the recovery of overpayments of funds, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
The Unemployment System and the Pandemic Unemployment Assistance system were different systems and did not communicate at the beginning of the pandemic period. There are instances of claimants being paid on both systems. Enhancements were made to the systems to allow them to start communicating beginning in November 2020. The overpayments have been identified and are being investigated. Overpayments or waivers will be issued to these claimants.

Anticipated Completion Date: July 2022

Contact Person: Ken Jennings
Program Administrator UI
Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3244
Kenneth.jennings@arkansas.gov

Finding Number:	**2021-037**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; 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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

In addition, 2 CFR § 200.516(a)(6) requires the auditor to report known or likely fraud affecting a federal award.

Condition and Context:
In state fiscal year 2021, the Division of Workforce Services (DWS) identified 464 claims paid for Lost Wages Assistance (LWA) totaling $524,400 as likely fraud.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$524,400

Cause:
In response to the increase in demand for services/benefits, the State relaxed controls over identity verification and income verification for the program during fiscal year 2021.

Effect:
Lack of appropriate internal controls resulted in overpayments of federal funds.

Recommendation:
ALA staff recommend the Agency continue to strengthen controls over benefit payments to ensure that payments are made in the correct amount and to eligible claimants. ALA staff also recommend the Agency seek recoupment of the identified overpayments, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
These claims were sent to the Internal Audit/Fraud Unit for investigation for fraud. The amounts will be sent to Benefit Payment Control for overpayment if the perpetrator is found. ID verification on all unemployment claims filed was restarted January 2021 and the PUA claims started using UIdentify at that time.

Anticipated Completion Date: July 2024

Finding Number:	**2021-037 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

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

Contact Person:

Ken Jennings
Program Administrator UI
Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3244
Kenneth.jennings@arkansas.gov

Finding Number:	**2021-038**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
20 CFR § 604.3 and Ark. Code Ann. § 11-10-507(3)(A)(i), individuals must be unemployed, physically and mentally able to perform suitable work, and available for the work to be eligible for Unemployment Insurance (UI) benefits. Lost Wages Assistance payments are supplemental payments to individuals eligible for at least $100 per week in UI benefits. Incarcerated individuals are generally not available for work, making them ineligible for both UI and Lost Wages Assistance (LWA) benefits.

Condition and Context:
Using data analytics, ALA staff identified $117,000 in LWA awards paid to 188 incarcerated individuals who do not appear to be eligible for benefits. As of June 30, 2021, $3,000 of these benefits to 4 of these claimants had been identified by the Agency as likely fraud.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$114,000

Cause:
Due to increased demand for services/benefits during the Coronavirus pandemic and turnover of key personnel, the control that cross-matched DWS's claimant data with Department of Corrections' inmate data was not properly performed.

Effect:
Lack of appropriate internal controls resulted in overpayments of federal funds.

Recommendation:
ALA staff also recommend the Agency seek recoupment of identified overpayments, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
The regular UI system gets a DOC crossmatch weekly and is worked by staff. The PUA system was set up to get the crossmatch and has been checked and are up to date. The list provided by the DOC also contains incorrect SSN numbers, and some of the instances identified by the audit staff were in fact incorrect as the individual with the claim was not incarcerated. There were also individuals that were incarcerated on the list that were paid weeks of PUA outside of the time they were incarcerated and no change was needed. The fraudulently filed claims have been turned over to the Internal Audit/Fraud Unit. Some claims were found to be legitimate claims and the others have been turned in for overpayment.

Finding Number:	**2021-038 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: Completed

Contact Person:
Ken Jennings
Program Administrator UI
Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3244
Kenneth.jennings@arkansas.gov

Finding Number:	**2021-039**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
Unemployment Insurance Program Letter (UIPL) No. 27-20 provides guidance on administering the Presidential Memorandum, *Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019*, issued on August 8, 2020. UIPL No. 27-20 requires a 25% state match for the Lost Wages Assistance (LWA) program. According to the FEMA Supplemental Lost Wages Payments under Other Needs Assistance Frequently Asked Questions, the state match could be funded by both Department of Treasury Coronavirus Relief Funds and total benefits paid with state unemployment funds to eligible LWA claimants.

Condition and Context:
The State did not meet the 25% match required for the LWA program. Based on reported federal expenditures totaling $136,888,251, the state expenditures required to achieve the 25% match would be $45,629,417. State match expenditures totaled $34,204,967, resulting in a deficit of $11,424,450.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The methodologies used to calculate the required state match contained an error, and the State's share was calculated as 25% of the federal expenditures, instead of 25% of the total expenditures. In addition, the Agency did not have controls in place to properly review the methodologies behind the calculations.

Effect:
Lack of appropriate internal controls resulted in a liability due back to the federal awarding agency.

Recommendation:
ALA staff recommend the Agency strengthen internal controls over compliance with state matching provisions of grant agreements. In addition, ALA staff recommend the Agency contact FEMA for guidance on resolving the liability.

Views of Responsible Officials and Planned Corrective Action:
ADWS discussed this issue with former agency management involved with the initial planning and implementation of this program, extensively reviewed agency workpapers and reviewed documentation published by FEMA for the Lost Wages Assistance Program. The calculations were reviewed daily by several layers of management and approved, based on their understanding. Several other states have acknowledged the same issues with their calculations. If there are similar programs in the future, ADWS will seek additional guidance on these matters before deciding the appropriate course of action.

Finding Number:	**2021-039 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
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):
Subsequent legislation, H.R. 2471, "Consolidated Appropriations Act of 2022", which was signed into law March 15, 2022, has retroactively changed the state match from 25% to 10%, so there is no shortfall, by either calculation.

Anticipated Completion Date: Completed

Contact Person:
Tracii Laettner
Chief Financial Officer
Arkansas Division of Workforce Services
#2 Capitol Mall
Little Rock, AR 72201
(501) 682-3108
Tracii.L.Laettner@arkansas.gov

Finding Number:	**2021-040**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
Unemployment Insurance Program Letter (UIPL) No. 27-20 requires a 25% state match (i.e., recipient share of expenditures) for the LWA program. According to the *FEMA Lost Wages Supplemental Payment Assistance Guidelines*, the Agency is required to report the amount it is required to spend for match (i.e., total recipient share required) on Line 10i of the SF-425 federal financial report and the amount it actually spent toward match (i.e., recipient share of expenditures) on Line 10j of the SF-425 report.

Condition and Context:
ALA review of the June 30, 2021, SF-425 report revealed that the Agency failed to accurately report the amount it was required to spend for match and the amount it actually spent toward match. The Agency reported "zero" in both fields of the report resulting in an understatement totaling $45,629,417 and $34,204,967, respectively.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency did not have adequate controls in place to properly report state match amounts required and expended for the award.

Effect:
Lack of appropriate controls resulted in noncompliance with the reporting requirements of the federal award.

Recommendation:
ALA staff recommend the Agency strengthen internal controls over its compliance with federal reporting requirements.

Views of Responsible Officials and Planned Corrective Action:
ADWS has had other discussions with FEMA to obtain more and better information on this new pandemic unemployment program which was through a federal funding agency that ADWS does not normally receive funding through. In the course of those discussions, ADWS was told to re-submit the final report. ADWS will be submitting the adjusted report soon. The new ADWS CFO will provide an additional layer of review for the report.

Anticipated Completion Date: May 13, 2022

Finding Number:	**2021-040 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**97.050 – COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)**
Federal Awarding Agency:	**Federal Emergency Management Agency**
Federal Award Number(s):	**4518DRARSPLW**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

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

Contact Person:

Tracii Laettner
Chief Financial Officer
Arkansas Division of Workforce Services
#2 Capitol Mall
Little Rock, AR 72201
(501) 682-3108
Tracii.L.Laettner@arkansas.gov

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS

Finding Number:	**2021-041**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**Various – Research and Development Cluster**
Federal Awarding Agency:	**Various**
Federal Award Number(s):	**Unknown***
Federal Award Year(s):	**July 1, 2020 to June 30, 2021**
Compliance Requirement(s) Affected:	**Cash Management**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
A similar finding was not reported in prior year audit

Criteria:
The requirements for cash management are contained in Section 200.305 of Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance), the A-102 Common Rule (§_.21), 0MB Circular A-110 (2 CFR section 215.22), Treasury regulations at 31 CFR part 205, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Additionally, Section 200.303 of the Uniform Guidance indicates that the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The Uniform Guidance also indicates that these internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" (Green Book) issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Office of Management and Budget (0MB) has clarified that the references to the Green Book and COSO were only provided as best practices and not requirements.

Condition and Context:
During our test work over the Research and Development Cluster, we selected a sample of expenditures and cash draws/issued invoices to sponsors to verify the expenditures were paid prior to the date of the reimbursement request. For the Research and Development Cluster, we noted 1 expenditure of our sample of 25 was not paid prior to the reimbursement request. We further extended our sample by 15 expenditures and noted 3 additional expenditures were not paid prior to the reimbursement request. Amounts in question were requested for reimbursement by UAMS from between 1 day and 11 days prior to being paid. We noted that UAMS' internal controls over cash management include process-level controls in place that ensure invoices or personnel costs are incurred before draw requests are made. However, there were no controls to ensure that the incurred costs have also been paid before an invoice to the sponsor is issued. This deficiency is isolated to grants in which an invoice is issued to the sponsor for reimbursement, rather than a cash draw.

Statistically Valid Sample:
The sample was not intended to be, and was not, a statistically valid sample

Questioned Costs:
Questioned costs are not determinable

Cause:
The review of program costs ensures costs are incurred before a draw request is made. This review does not include a determination of whether the incurred costs have also been paid to the vendor.

Effect:
Material weakness in internal control and material noncompliance with the cash management requirement.

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2021-041 (Continued)**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**Various – Research and Development Cluster**
Federal Awarding Agency:	**Various**
Federal Award Number(s):	**Unknown***
Federal Award Year(s):	**July 1, 2020 to June 30, 2021**
Compliance Requirement(s) Affected:	**Cash Management**
Type of Finding:	**Material Noncompliance and Material Weakness**

Recommendation:
We recommend that management design and implement internal controls that will ensure that program costs are paid before a request for reimbursement is made.

* Federal Award Number(s) not provided in report received from other external auditor.

Views of Responsible Officials and Planned Corrective Action:
We concur with the finding. The current process for invoicing utilizes a report that does not identify the date an expense has been paid. Beginning immediately, we will utilize the draw report that identifies cleared expenses by period and reconcile it to the invoicing report to ensure only cleared expenses are invoiced. UAMS is implementing a new financial system on July 5, 2022. With the implementation of the new system, expenses will be categorized so that the billing process for cash draws and invoicing will only allow cleared expenses.

Anticipated Completion Date: July 5, 2022

Contact Person:

Amanda George, CPA, MHSA
Vice Chancellor for Finance & Chief Financial Officer
University of Arkansas for Medical Sciences
UAMS, 4301 W. Markham St, Slot 545
Little Rock, AR 72205
(501) 686-5670
adgeorge@uams.edu

Kristy L. Walters, MBA, CPA, CHFP, CISA
Associate Vice Chancellor for Finance & Treasurer
University of Arkansas for Medical Sciences
UAMS, 4301 W. Markham St, Slot 632
Little Rock, AR 72205
(501) 686-6836, (501) 686-8137
walterskristy@uams.edu

Linda Cavin, BA MACC
Assistant Vice Chancellor & Controller
University of Arkansas for Medical Sciences
UAMS, 4301 W. Markham St, Slot 545
Little Rock, AR 72205
(501) 603-1844
LCavin@uams.edu

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
SNAP Cluster					
US Department of Agriculture					
Supplemental Nutrition Assistance Program	10.551			$ 545,527,745	
COVID-19: Supplemental Nutrition Assistance Program	10.551			295,310,596	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			47,698,091	$ 308,705
US Department of Agriculture Total				**888,536,432**	**308,705**
SNAP Cluster Total				**888,536,432**	**308,705**
Child Nutrition Cluster					
US Department of Agriculture					
School Breakfast Program	10.553			67,529,128	67,507,353
National School Lunch Program	10.555			180,353,427	148,512,064
Summer Food Service Program for Children	10.559			4,224,165	
Child Nutrition Discretionary Grants Limited Availability	10.579			339,390	328,043
US Department of Agriculture Total				**252,446,110**	**216,347,460**
Child Nutrition Cluster Total				**252,446,110**	**216,347,460**
Food Distribution Cluster					
US Department of Agriculture					
Commodity Supplemental Food Program	10.565			2,509,855	559,375
Emergency Food Assistance Program (Administrative Costs)	10.568			3,374,605	2,601,342
COVID-19: Emergency Food Assistance Program (Administrative Costs)	10.568			1,591,854	
Emergency Food Assistance Program (Food Commodities)	10.569			11,709,655	
COVID-19: Emergency Food Assistance Program (Food Commodities)	10.569			5,342,510	
US Department of Agriculture Total				**24,528,479**	**3,160,717**
Food Distribution Cluster Total				**24,528,479**	**3,160,717**
Forest Service Schools and Roads Cluster					
US Department of Agriculture					
Schools and Roads - Grants to States	10.665			5,118,565	5,118,565
US Department of Agriculture Total				**5,118,565**	**5,118,565**
Forest Service Schools and Roads Cluster Total				**5,118,565**	**5,118,565**
Community Facilities Loans and Grants Cluster					
US Department of Agriculture					
Community Facilities Loans and Grants	10.766			20,000	
US Department of Agriculture Total				**20,000**	
Community Facilities Loans and Grants Cluster Total				**20,000**	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Economic Development Cluster					
US Department of Commerce					
Economic Adjustment Assistance	11.307			$ 346,072	
COVID-19: Economic Adjustment Assistance	11.307			50,692	
US Department of Commerce Total				**396,764**	
Economic Development Cluster Total				**396,764**	
CDBG – Entitlement Grants Cluster					
US Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants	14.218			103,923	
US Department of Housing and Urban Development Total				**103,923**	
CDBG – Entitlement Grants Cluster Total				**103,923**	
Fish and Wildlife Cluster					
US Department of the Interior					
Sport Fish Restoration	15.605			5,344,357	$ 58,517
Wildlife Restoration and Basic Hunter Education	15.611			9,495,224	236,482
Enhanced Hunter Education and Safety	15.626			66,258	
US Department of the Interior Total				**14,905,839**	**294,999**
Fish and Wildlife Cluster Total				**14,905,839**	**294,999**
Employment Service Cluster					
US Department of Labor					
Employment Service/Wagner-Peyser Funded Activities	17.207			4,061,395	
Jobs for Veterans State Grants	17.801			984,149	
Local Veterans' Employment Representative Program	17.804			108,195	
US Department of Labor Total				**5,153,739**	
Employment Service Cluster Total				**5,153,739**	
WIOA Cluster					
US Department of Labor					
WIOA Adult Program	17.258			4,410,239	3,691,736
WIOA Youth Activities	17.259			6,389,073	5,519,788
WIOA Dislocated Worker Formula Grants	17.278			4,680,010	3,079,342
US Department of Labor Total				**15,479,322**	**12,290,866**
WIOA Cluster Total				**15,479,322**	**12,290,866**

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Highway Planning and Construction Cluster					
US Department of Transportation					
Highway Planning and Construction	20.205			$ 767,358,447	$ 16,582,179
Recreational Trails Program	20.219			1,505,112	1,309,166
Federal Lands Access Program	20.224			209,997	199,679
US Department of Transportation Total				**769,073,556**	**18,091,024**
Highway Planning and Construction Cluster Total				**769,073,556**	**18,091,024**
FMCSA Cluster					
US Department of Transportation					
Motor Carrier Safety Assistance	20.218			4,655,106	
US Department of Transportation Total				**4,655,106**	
FMCSA Cluster Total				**4,655,106**	
Federal Transit Cluster					
US Department of Transportation					
Federal Transit Formula Grants	20.507			227,836	
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526			922,075	225,346
US Department of Transportation Total				**1,149,911**	**225,346**
Federal Transit Cluster Total				**1,149,911**	**225,346**
Transit Services Programs Cluster					
US Department of Transportation					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			1,416,559	
US Department of Transportation Total				**1,416,559**	
Transit Services Programs Cluster Total				**1,416,559**	
Highway Safety Cluster					
US Department of Transportation					
State and Community Highway Safety	20.600			2,903,650	626,932
National Priority Safety Programs	20.616			5,319,897	499,965
US Department of Transportation Total				**8,223,547**	**1,126,897**
Highway Safety Cluster Total				**8,223,547**	**1,126,897**
Clean Water State Revolving Fund Cluster					
Environmental Protection Agency					
Capitalization Grants for Clean Water State Revolving Funds	66.458			7,108,936	6,711,294
Environmental Protection Agency Total				**7,108,936**	**6,711,294**
Clean Water State Revolving Fund Cluster Total				**7,108,936**	**6,711,294**

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Drinking Water State Revolving Fund Cluster					
Environmental Protection Agency					
Capitalization Grants for Drinking Water State Revolving Funds	66.468			$ 11,176,700	$ 7,350,594
Environmental Protection Agency Total				**11,176,700**	**7,350,594**
Drinking Water State Revolving Fund Cluster Total				**11,176,700**	**7,350,594**
Special Education Cluster (IDEA)					
US Department of Education					
Special Education Grants to States	84.027			114,973,835	111,978,439
Special Education Preschool Grants	84.173			6,079,570	6,074,492
US Department of Education Total				**121,053,405**	**118,052,931**
Special Education Cluster (IDEA) Total				**121,053,405**	**118,052,931**
TRIO Cluster					
US Department of Education					
TRIO Student Support Services	84.042			7,766,938	
TRIO Student Support Services	84.042A			55,097	
TRIO Talent Search	84.044			4,133,977	
TRIO Upward Bound	84.047			7,372,219	
TRIO Educational Opportunity Centers	84.066			2,238,214	
TRIO McNair Post-Baccalaureate Achievement	84.217			362,185	
US Department of Education Total				**21,928,630**	
TRIO Cluster Total				**21,928,630**	
Aging Cluster					
US Department of Health and Human Services					
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044			3,487,696	3,062,462
COVID-19: Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044			1,695,215	1,695,215
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045			9,250,643	9,250,643
COVID-19: Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045			4,732,458	4,732,458
Nutrition Services Incentive Program	93.053			2,433,683	2,433,682
US Department of Health and Human Services Total				**21,599,695**	**21,174,460**
Aging Cluster Total				**21,599,695**	**21,174,460**

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
CCDF Cluster					
US Department of Health and Human Services					
Child Care and Development Block Grant	93.575			$ 57,875,286	
COVID-19: Child Care and Development Block Grant	93.575			85,588,744	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			31,140,216	
US Department of Health and Human Services Total				**174,604,246**	
CCDF Cluster Total				**174,604,246**	
Head Start Cluster					
US Department of Health and Human Services					
Head Start	93.600			12,541,876	$ 2,389,241
COVID-19: Head Start	93.600			471,223	
US Department of Health and Human Services Total				**13,013,099**	**2,389,241**
Head Start Cluster Total				**13,013,099**	**2,389,241**
Medicaid Cluster					
US Department of Health and Human Services					
State Medicaid Fraud Control Units	93.775			2,100,670	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777			5,319,417	
Medical Assistance Program	93.778			6,018,449,775	
US Department of Health and Human Services Total				**6,025,869,862**	
Medicaid Cluster Total				**6,025,869,862**	
Foster Grandparent/Senior Companion Cluster					
Corporation for National and Community Service					
Foster Grandparent Program	94.011			216,840	
Corporation for National and Community Service Total				**216,840**	
Foster Grandparent/Senior Companion Cluster Total				**216,840**	
Disability Insurance/SSI Cluster					
Social Security Administration					
Social Security Disability Insurance	96.001			661,717	
Social Security Administration Total				**661,717**	
Disability Insurance/SSI Cluster Total				**661,717**	
Research and Development Cluster					
US Department of Agriculture					
Agricultural Research Basic and Applied Research	10.001			2,333,364	125,000
Pass-through from Agricultural Research Service (USDA ARS)	10.001		59-6070-1-007	46,612	
Pass-through from Arkansas Children's Research Institute	10.001		58-6026-7-001	29,620	

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Agriculture (Continued)					
Plant and Animal Disease, Pest Control, and Animal Care	10.025			$ 381,007	
Pass-through from Cary Institute	10.025		AP19PPQFO000C552	12,740	
Specialty Crop Block Grant Program - Farm Bill	10.170			125,375	
Grants for Agricultural Research, Special Research Grants					
Pass-through from Mississippi State University	10.200		2018-38500-28888	6,566	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205			2,097,815	
Small Business Innovation Research					
Pass-through from Applied Microwave Technology, Inc.	10.212		2019-33610-29821	17,306	
Sustainable Agriculture Research and Education					
Pass-through from University of Georgia	10.215		2016-38640-25382	37,851	$ 4,309
Pass-through from University of Georgia	10.215		2018-38640-28417	78,474	3,435
Pass-through from University of Georgia	10.215		2019-38640-29878	564	
1890 Institution Capacity Building Grants	10.216			479,923	70,502
Higher Education - Institution Challenge Grants Program	10.217			80,785	38,751
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250			16,642	
Consumer Data and Nutrition Research	10.253			26,798	
Pass-through from Arizona State University	10.253		ASUB00000384	5,116	
Research Innovation and Development Grants in Economic (RIDGE)					
Pass-through from Trustees of Tufts College	10.255		59-5000-6-0070-R	15,959	
Agricultural and Food Policy Research Centers					
Pass-through from Board of Curators of the University of Missouri	10.291		58-0111-20-016	39,110	
Organic Agriculture Research and Extension Initiative					
Pass-through from North Carolina State University	10.307		2019-51300-30247	43,837	
Pass-through from University of Georgia	10.307		2018-51300-28434	778	
Specialty Crop Research Initiative	10.309			522,619	121,095
Pass-through from Texas A&M AgriLife Extension Service	10.309		2020-51181-32156	6,310	
Pass-through from Virginia Polytechnic Institute and State University	10.309		2018-51181-28384	99,000	
Agriculture and Food Research Initiative (AFRI)	10.310			3,384,950	1,267,669
Pass-through from Board of Trustees of Michigan State University	10.310		2015-68003-23415	93,016	
Pass-through from Board of Trustees of Michigan State University	10.310		2020-68012-31822	4,466	
Pass-through from California Polytechnic State University	10.310		2020-67017-31272	14,415	
Pass-through from Cornell University	10.310		90875-20338	28,425	
Pass-through from North Carolina A&T State University	10.310		2020-67018-30847	45,197	
Pass-through from Texas A & M University	10.310		2019-68012-29818	17,298	
Pass-through from The Regents of University of California	10.310		2017-67007-25939	21,568	
Pass-through from University of Connecticut	10.310		2020-69012-31823	631	
Pass-through from University of Delaware	10.310		49553	41,405	
Pass-through from University of Florida	10.310		UFDSP00011815	25,805	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Agriculture (Continued)					
Agriculture and Food Research Initiative (AFRI) (Continued)					
Pass-through from Virginia Polytechnic Institute and State University	10.310		2019-67023-29341	$ 37,979	
Beginning Farmer and Rancher Development Program	10.311			82,269	$ 45,723
Pass-through from Appalachian State University	10.311		2020-49400-32401	38,635	
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326			334,479	22,173
National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program	10.328			204,202	93,852
Crop Protection and Pest Management Competitive Grants Program					
Pass-through from North Carolina State University	10.329		2018-70006-28884	8,532	
Cooperative Extension Service					
Pass-through from Regents of the University of Minnesota	10.500		2018-70027-28584	16,666	
Centers of Excellence at 1890 Institutions					
Pass-through from 1890 Universities Foundation	10.523		2020-38427-31514	2,596	
Team Nutrition Grants	10.574			192	
Wood Utilization Assistance	10.674			5,878	
Forest Health Protection	10.680			729	
Partnership Agreements	10.699			89,219	
Delta Health Care Services Grant Program	10.874			149,806	14,775
Pass-through from Winrock International	10.874		6918-19-A-02	129,217	
Pass-through from Winrock International	10.874		6918-19-A-03	14,364	
Rural Development Cooperative Agreement Program					
Pass-through from Winrock International	10.890		6973-21-A-01	13,975	
Soil and Water Conservation	10.902			464,901	
Environmental Quality Incentives Program	10.912			87,782	
Pass-through from Maus Farms	10.912		82369	8,673	
Pass-through from Natural Resources Conservation Service (USDA NRCS)	10.912		69-7103-174-004	6,929	4,697
Pass-through from S & R Farms	10.912		EQIP 2008 74710313B4H	(5,320)	
Pass-through from Wildy Farms South, Inc.	10.912		82412	21	
Agricultural Conservation Easement Program	10.931			48,546	
Miscellaneous US Department of Agriculture Programs	10.RD	12FPC319P0317/20-JV-11111137-046/15-JV-11330129-032		79,195	
Pass-through from Aero-graphics	10.RD	20133/GS-000F-269GA		144,089	
US Department of Agriculture Total				**12,144,901**	**1,811,981**
US Department of Commerce					
Center for Sponsored Coastal Ocean Research Coastal Ocean Program					
Pass-through from University of Wyoming	11.478		1004495-UA	11,279	
Measurement and Engineering Research and Standards	11.609			72,812	
US Department of Commerce Total				**84,091**	

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Defense					
Issue of Department of Defense excess equipment	12.000			$ 187,458	
Pass-through from Arktonics	12.000		FA864921P0722	7,830	
Pass-through from Galois, Inc.	12.000		No 2021-002	12,580	
Pass-through from Georgia Institute of Technology	12.000		D8162-S3	214,389	
Pass-through from Nanomatronix, LLC	12.000		FA864920P0341-UA1	46,583	
Pass-through from Nanomatronix, LLC	12.000		FA864921P0139-UA1	47,511	
Pass-through from Nanomatronix, LLC	12.000		FA864921P1089	16,393	
Pass-through from Northrop Grumman Corporation	12.000		FA8650-20-C-7017	180,191	
Pass-through from Pennington Biomedical Research Center (US Army)	12.000		CO1962-19178-UAM	238,996	
Pass-through from Radiance Technologies, Inc.	12.000		19T-1069	32,860	
Pass-through from Rejuvenics Technologies, LLC	12.000		75N91020C00054	23,860	
Pass-through from Rochester Institute of Technology	12.000		003890-00001A0	2,560	
Pass-through from University of Dayton	12.000		RSC19026	631	
Pass-through from US DOD (Air Force) pt Children and Families Eval Serv (CAFES)	12.000		FA864921P1392	12,088	
Collaborative Research and Development	12.114			456	
Basic and Applied Scientific Research	12.300			518,980	
Pass-through from Carnegie-Mellon University	12.300		1141302-387586	106,071	
Scientific Research - Combating Weapons of Mass Destruction	12.351			2,828	
Military Medical Research and Development	12.420			2,942,675	$ 396,627
Pass-through from Armed Forces Radiobiology Research Institute	12.420		854770	362,256	
Pass-through from Radiance Technologies, Inc.	12.420		18S-1308	159,262	
Pass-through from Rutgers University	12.420		419	16,631	
Pass-through from University of California - San Diego	12.420		116138032	23,503	
Pass-through from University of North Carolina - Chapel Hill	12.420		W81XWH1920046 Sub 5115674	14,779	
Pass-through from University of Pittsburgh	12.420		W81XWH2010745	37,423	
Pass-through from US DOD SUNY	12.420		SUB # 116404-904	11,213	
Basic Scientific Research	12.431			671,772	
Basic, Applied, and Advanced Research in Science and Engineering	12.630			610,830	
Air Force Defense Research Sciences Program	12.800			1,443,953	749,464
Pass-through from Battelle Memorial Institute	12.800		US001-0000573091-1	273,160	
Pass-through from MacAulay-Brown, Inc.	12.800		FA650-18-D-1060	43,160	
Pass-through from Ozark Integrated Circuits, Inc.	12.800		SL 2602	137,089	
Pass-through from Universal Energy Systems, Inc.	12.800		FA8650-14-D-6516	39,809	
Pass-through from UT-Battelle, LLC	12.800		US001-0000573091	1,575	
CyberSecurity Core Curriculum	12.905			84,152	
Pass-through from University of Louisville Research Foundation	12.905		ULRF_20-1034-01	99,000	
Research and Technology Development	12.910			485,988	53,911
US Department of Defense Total				**9,110,495**	**1,200,002**

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Research and Development Cluster (Continued)					
US Department of the Interior					
Threatened and Endangered Species	15.246			$ 26,271	
SECURE Water Act Research Agreements	15.560			267,272	
Fish and Wildlife Management Assistance	15.608			49,046	
Wildlife Restoration and Basic Hunter Education	15.611			103,817	
Cooperative Endangered Species Conservation Fund	15.615			10,443	
State Wildlife Grants	15.634			345,403	$ 6,547
Pass-through from Oklahoma Department of Wildlife Conservation	15.634		F19AF00904 (T-115-R-1)	20,964	
Fish and Wildlife Coordination and Assistance	15.664			7,568	
Youth Engagement, Education, and Employment	15.676			15,978	
Cooperative Ecosystem Studies Units	15.678			71,801	
Assistance to State Water Resources Research Institutes	15.805			198,298	
U.S. Geological Survey_ Research and Data Collection	15.808			178,155	4,524
Pass-through from AmericaView	15.808		AV18--AR-01 MOD 001-1	20,676	
Cooperative Research Units	15.812			44,303	
Preservation of Japanese American Confinement Sites	15.933			74,396	
Challenge Cost Share					
Pass-through from Ouachita National Forest	15.943		20-CS-11080900-392	438	
Cooperative Research and Training Programs - Resources of the National Park System	15.945			34,987	
US Department of the Interior Total				**1,469,816**	**11,071**
US Department of Justice					
Juvenile Justice and Delinquency Prevention	16.540			34,883	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560			111,493	42,311
Crime Victim Assistance	16.575			191,606	
Crime Victim Assistance/Discretionary Grants	16.582			833,476	
Drug Court Discretionary Grant Program					
Pass-through from Washington County Veteran's Treatment Court	16.585		2020-VC-BX-0049	39,264	16,648
Violence Against Women Formula Grants	16.588			160,908	
STOP School Violence	16.839			58,488	
Miscellaneous US Department of Justice Programs	16.RD	15DDHQ20P0000085		47,113	
US Department of Justice Total				**1,477,231**	**58,959**
US Department of Transportation					
Highway Research and Development Program					
Pass-through from National Cooperative Highway Research Program	20.200		DTFH61-13-H-00024	69,826	24,313
Highway Planning and Construction	20.205			297,508	26,873
State and Community Highway Safety	20.600			172,537	
National Priority Safety Programs	20.616			189,294	

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Research and Development Cluster (Continued)					
US Department of Transportation (Continued)					
University Transportation Centers Program	20.701			$ 1,700,428	$ 820,457
Pass-through from Louisiana State University	20.701		19BASU02	19,534	
Pass-through from Louisiana State University	20.701		19CASU03	20,857	
Pass-through from Louisiana State University	20.701		19GTASU01	10,448	
Pass-through from Louisiana State University	20.701		20ASU044-A	23,232	
Pass-through from Louisiana State University	20.701		20ASU083-A	31,280	
Pass-through from Louisiana State University	20.701		20CLSU07	18,153	
Miscellaneous US Department of Transportation Programs	20.RD	692M15-20-C-00010		111,022	81,241
Pass-through from Kansas State University	20.RD	693JJ618C000016		4,474	
Pass-through from Kansas State University	20.RD	A21-0193-S001		57,528	
US Department of Transportation Total				**2,726,121**	**952,884**
Federal Communications Commission					
COVID-19: COVID-19 Telehealth Program	32.006			905,294	
Federal Communications Commission Total				**905,294**	
National Aeronautics and Space Administration					
Science	43.001			525,904	2,102
Pass-through from Massachusetts Institute of Technology	43.001		NNX15AL48G	6,060	
Pass-through from Universities Space Research Association	43.001		80NSSC17K0742	26,224	
Pass-through from University of Central Florida	43.001		NNX11AD87G	12,933	
Aeronautics					
Pass-through from University of Illinois Urbana-Champaign	43.002		80NSSC19M0125	140,095	
Exploration	43.003			228,116	89,190
Pass-through from Baylor College of Medicine	43.003		7000000807	112,940	
Space Operations	43.007			2,703	
Office of Stem Engagement (OSTEM)	43.008			1,008,048	26,240
Pass-through from Oklahoma State University	43.008		SPOCS-ASU	3,133	
Miscellaneous National Aeronautics and Space Administration Programs					
Pass-through from Nanomatronix, LLC	43.RD	80NSSC19C0565		23,423	
National Aeronautics and Space Administration Total				**2,089,579**	**117,532**
National Endowment for the Arts					
Promotion of the Arts Grants to Organizations and Individuals	45.024			88,902	
National Endowment for the Arts Total				**88,902**	
National Endowment for the Humanities					
Promotion of the Humanities Public Programs	45.164			120,605	
National Endowment for the Humanities Total				**120,605**	

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Research and Development Cluster (Continued)					
National Science Foundation					
Engineering	47.041			$ 2,719,662	$ 113,625
Pass-through from Ambots	47.041		2019 UA NSF FED#1914249	6,298	
Pass-through from Clemson University	47.041		2057-206-2012848-1	8,930	
Pass-through from Nanomatronix, LLC	47.041		2014280-UA1	109,840	
Pass-through from SolaRid AR, LLC	47.041		2015057	8,237	
Pass-through from Telli Technologies, Inc.	47.041		TTI-001-1	2,386	
Pass-through from University of Illinois Urbana-Champaign	47.041		073708-16164	902,790	
Pass-through from University of Illinois Urbana-Champaign	47.041		073708-16496	188,770	
Pass-through from University of Illinois Urbana-Champaign	47.041		073708-16520 RET	21,635	
Pass-through from University of Illinois Urbana-Champaign	47.041		088653-17019 REU	8,571	
Pass-through from University of Illinois Urbana-Champaign	47.041		EEC-1449548	548	
Pass-through from Utah State University	47.041		1922719	29,559	
Pass-through from West Virginia University	47.041		19-473-UA	19,070	
COVID-19: Engineering	47.041			56,398	
Mathematical and Physical Sciences	47.049			1,333,983	131,611
Pass-through from Baylor University	47.049		1903450	20,668	
Geosciences	47.050			577,030	17,780
Computer and Information Science and Engineering	47.070			965,360	836
Pass-through from The Board of Supervisors of Louisiana State University and A&M College	47.070		1842679	4,040	
Pass-through from Washington State University	47.070		1934725	69,764	
Biological Sciences	47.074			2,414,190	103,174
Social, Behavioral, and Economic Sciences	47.075			442,205	14,919
Pass-through from University of Colorado - Boulder	47.075		1554392	120,148	
Education and Human Resources	47.076			2,365,146	242,134
Pass-through from Baylor University	47.076		1001131-03	880	
Pass-through from The Concord Consortium	47.076		1503196	13,507	
Pass-through from University of Nebraska - Lincoln	47.076		25-6321-0333-003-1	12,076	
Office of International Science and Engineering	47.079			310,579	
Integrative Activities	47.083			4,247,911	209,189
Pass-through from Louisiana Tech University	47.083		OIA-1632891	101,319	
Pass-through from University of Hawaii	47.083		2104126	4,406	
Pass-through from University of Nebraska - Lincoln	47.083		25-6222-0852-002	293,936	
Pass-through from University of Nebraska - Lincoln	47.083		25-6238-0980-003	6,719	
Pass-through from University of North Carolina	47.083		20190852-01-UAR	62,649	
Pass-through from West Virginia University	47.083		19-473-UA	16,602	
Pass-through from West Virginia University	47.083		19-473-UALR	123,918	
Pass-through from West Virginia University	47.083		OIA-1920920	57,210	
Miscellaneous National Science Foundation Programs	47.RD	PHY-1949610-001		105,904	
National Science Foundation Total				**17,752,844**	**833,268**

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Research and Development Cluster (Continued)					
Small Business Administration					
Small Business Development Centers	59.037			$ 195,408	
State Trade Expansion	59.061			14,051	
Small Business Administration Total				**209,459**	
US Department of Veterans Affairs					
Research and Development					
Pass-through from Geriatric Research, Education & Clinical Center	64.054		N/A	14,593	
US Department of Veterans Affairs Total				**14,593**	
Environmental Protection Agency					
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			39,203	
Nonpoint Source Implementation Grants	66.460			958,082	
Environmental Protection Consolidated Grants for the Insular Areas - Program Support					
Pass-through from GBMc & Associates	66.600		EPA and ANRC Sub SGA 20-1200	2,423	
Environmental Protection Agency Total				**999,708**	
US Department of Energy					
Cybersecurity, Energy Security & Emergency Response (CESER)	81.008			222,146	$ 28,125
Office of Science Financial Assistance Program	81.049			967,500	3,697
Pass-through from Giner, Inc.	81.049		402418	5,884	
Pass-through from Ozark Integrated Circuits, Inc.	81.049		DE-SC0017732	67,978	
Conservation Research and Development	81.086			481,608	
Pass-through from North Carolina State University	81.086		2014-0654-84	19,867	8,200
Renewable Energy Research and Development	81.087			1,385,536	600,075
Pass-through from Texas Tech University	81.087		210437-01	72,726	
Pass-through from United Technologies Research Center	81.087		1229257	70,650	
Fossil Energy Research and Development	81.089			2,584	
Pass-through from Siemens Corporation	81.089		DE-FE0026348	191,827	
National Industrial Competitiveness through Energy, Environment, and Economics					
Pass-through from Honeywell Federal Manufacturing & Technologies, LLC	81.105		DE-NA0002839	1,105	
Pass-through from Honeywell Federal Manufacturing & Technologies, LLC	81.105		N000321009	58,153	
Pass-through from Honeywell Federal Manufacturing & Technologies, LLC	81.105		N000341165	94,393	
Electricity Research, Development and Analysis	81.122			907,479	444,351
Pass-through from NextWatt, LLC	81.122		NW-DE-OE0000909	247,979	

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Research and Development Cluster (Continued)					
US Department of Energy (Continued)					
Advanced Research Projects Agency-Energy	81.135			$ 883,209	$ 295,565
Pass-through from The Regents of the University of California - Berkeley	81.135		DEAR0000900	139,724	
Miscellaneous US Department of Energy Programs	81.RD	7540598		19,762	
Pass-through from Argonne National Laboratory	81.RD	DE-AC02-06CH11357		54,347	
Pass-through from Oak Ridge National Laboratory	81.RD	DE-AC05-00OR22725		114,836	
Pass-through from Sandia National Laboratories	81.RD	P.O. 2177972		384,627	
Pass-through from UT-Battelle, LLC	81.RD	4000177869		37,788	
US Department of Energy Total				**6,431,708**	**1,380,013**
US Department of Education					
Special Education Grants to States	84.027			444,903	
Career and Technical Education - Basic Grants to States	84.048			3,800	
Rehabilitation Long-Term Training	84.129			75,909	
Graduate Assistance in Areas of National Need	84.200			165,157	
Education Research, Development and Dissemination	84.305			44,107	
English Language Acquisition State Grants	84.365			601,682	
Promoting Readiness of Minors in Supplemental Security Income	84.418			34,840	
COVID-19: Education Stabiliazation Fund - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D			177,100	
COVID-19: Education Stabilization Fund - HEERF Institutional Portion					
Pass-through from Santa Fe College	84.425F		TAA122422	20,388	
US Department of Education Total				**1,567,886**	
US Department of Health and Human Services					
Special Programs for the Aging Title IV and Title II, Discretionary Projects	93.048			7,412	
Innovations in Applied Public Health Research	93.061			388,267	
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			964,236	41,933
Family Smoking Prevention and Tobacco Control Act Regulatory Research					
Pass-through from Virginia Commonwealth University	93.077		FP00006477-SA002	116,456	
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086			584,418	
Food and Drug Administration Research	93.103			35,083	
Maternal and Child Health Federal Consolidated Programs	93.110			706,909	
Oral Diseases and Disorders Research					
Pass-through from Indiana University	93.121		IN4678404UA	9,749	
Injury Prevention and Control Research and State and Community Based Programs	93.136			357,871	
Community Programs to Improve Minority Health Grant Program	93.137			54,237	
Rural Health Research Centers	93.155			466,428	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
COVID-19: Rural Health Research Centers	93.155			$ 82,474	
Human Genome Research	93.172			104,013	
Research Related to Deafness and Communication Disorders					
Pass-through from Appalachian State University	93.173		7R15DC013137-02	3,086	
Telehealth Programs	93.211			18,740	
Research on Healthcare Costs, Quality and Outcomes	93.226			324,711	$ 78,425
Pass-through from Indiana University - Purdue University at Indianapolis	93.226		11000850-024	47,181	
National Center on Sleep Disorders Research	93.233			109,587	
Mental Health Research Grants	93.242			326,692	101,451
Pass-through from Brown University	93.242		1577	54,294	
Pass-through from Duke University	93.242		A031076	6,407	
Pass-through from University of Rochester	93.242		417724G UR FAO G	21,030	
Pass-through from University of Washington	93.242		UWSC11556	15,946	
Pass-through from Washington/Madison County Adult Drug Court	93.242		1H79TI080136-01	10,504	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			430,812	256,644
Pass-through from Benton County Drug Court	93.243		5H79TI080172-03	64,277	
Pass-through from Empact-Suicide Prevention Center	93.243		1H79T108165-02	764	
Pass-through from Empact-Suicide Prevention Center	93.243		TAA1904125	11,688	
Pass-through from Sebastian County Veterans Drug Treatment Court	93.243		TAA2108138	37,188	21,677
Pass-through from Washington/Madison County Adult Drug Court	93.243		T1082976	63,622	
COVID-19: Poison Center Support and Enhancement Grant	93.253			44,749	
Alcohol Research Programs	93.273			941,224	212,930
Pass-through from Palo Alto Inst for Research & Education	93.273		R01 AA024136-01A	36,704	
Pass-through from University of Oklahoma - Health Science Center	93.273		7 R01 AA012207-1	8,202	
Drug Abuse and Addiction Research Programs	93.279			2,683,594	50,668
Pass-through from InterveXion Therapeutics, LLC	93.279		53890	212,374	
Pass-through from InterveXion Therapeutics, LLC	93.279		53043, 54787	79,197	
Pass-through from InterveXion Therapeutics, LLC	93.279		U01DA045366	238,421	
Pass-through from The Miriam Hospital	93.279		5R25DA037190-04	3,897	
Pass-through from The Miriam Hospital	93.279		7109993MZ-2	2,957	
Pass-through from The Miriam Hospital	93.279		7147185NDZ	2,934	
Pass-through from University of California - Los Angeles	93.279		1550 G YA607	3,268	
Pass-through from University of Texas - Dallas	93.279		GMO 200606 PO#00	35,705	

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Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			$ 149,642	
Pass-through from Rensselear Polytechnic Institute	93.286		1R56EB026490-01A1 Sub A20-0049	31,061	$ 21,342
Pass-through from Rensselear Polytechnic Institute	93.286		R01EB025241 A18-0135-S001	15,948	15,948
Pass-through from Vanderbilt University Medical Center	93.286		R21EB025258	13,207	
Minority Health and Health Disparities Research	93.307			2,315,352	98,365
Pass-through from Arkana Laboratories	93.307		R43 MD014110	170	
Pass-through from University of North Carolina - Chapel Hill	93.307		5R01MD013573-04	5,540	
COVID-19: Minority Health and Health Disparities Research	93.307			41,960	
Trans-NIH Research Support	93.310			5,527,223	739,063
Pass-through from Duke University	93.310		A03-2484	9,207	
Pass-through from Duke University	93.310		A03-2484 AND A03	55,626	
Pass-through from Duke University	93.310		A03-3943	174,952	
Pass-through from Duke University	93.310		A03-3944	405,264	
Pass-through from Regents of the University of New Mexico	93.310		3RGH1	21,554	
COVID-19: Trans-NIH Research Support	93.310			641,103	
Pass-through from Washington State University	93.310		1 R01 MD016526-0	126,528	
Pass-through from Washington State University	93.310		101615(SUB 00000	148,899	60,307
Outreach Programs to Reduce the Prevalence of Obesity in High Risk Rural Areas	93.319			67,065	
COVID-19: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			45,829	
National Center for Advancing Translational Sciences	93.350			5,528,073	202,852
Pass-through from Duke University	93.350		5 UL1 TR002553-0	45,225	
Pass-through from Duke University	93.350		A030662	(213,598)	
Pass-through from National Center for Advancing Translational Sciences	93.350		3UL1TR002243-04S	54,749	
Pass-through from University of Pittsburgh	93.350		0055353 (129324	34,677	
Pass-through from University of Southern California	93.350		119679618	(2)	
Research Infrastructure Programs					
Pass-through from University of Utah	93.351		10051759-ARK	104,571	
Nursing Research	93.361			204,524	3,655
Cancer Cause and Prevention Research	93.393			945,963	275,824
Pass-through from University of California - Berkeley	93.393		7456431	55,765	
Cancer Detection and Diagnosis Research	93.394			2,593,832	1,391,661
Pass-through from CytoAstra, LLC	93.394		CYTOASTRA	59,966	
Pass-through from Fred Hutchison Cancer Research Center	93.394		0001025931	99,275	
Pass-through from Massachusetts General Hospital	93.394		227914	21,508	
COVID-19: Cancer Detection and Diagnosis Research	93.394			182,737	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
Cancer Treatment Research	93.395			$ 1,386,039	$ 29,225
Pass-through from Rensselear Polytechnic Institute	93.395		A12785 1R01CA197491	4,157	
Pass-through from The EMMS Corporation	93.395		2UM1CA121947-09	2,921	
Pass-through from The EMMS Corporation	93.395		UM1CA121947-EMMS	423,566	
Pass-through from University of California - Los Angeles	93.395		2 UM ICAI21947-0	125,517	
Pass-through from University of California - San Francisco	93.395		UCSF	142,879	
Pass-through from University of Florida	93.395		UFDSP00012380	10,645	
Pass-through from University of Texas - MD Anderson Cancer	93.395		3001355557	91,443	
Cancer Biology Research	93.396			623,604	39,315
Pass-through from Medical College of Wisconsin	93.396		7R01CA151354-08	14,524	
Cancer Centers Support Grants					
Pass-through from Mayo Clinic	93.397		5 P50 CA136393-0	5,469	
Pass-through from Mayo Clinic	93.397		5P50CA136393-10	5,532	
Cancer Research Manpower	93.398			466,015	
ACL National Institute on Disability, Independent Living, and Rehabilitation Research					
Pass-through from Memorial Hermann Health System d/b/a TIRR Memorial Hermann	93.433		90DP0092-04-00	33,431	
Pass-through from Pennsylvania State University	93.433		90REGE0014-01-00	15,240	
Teaching Health Center Graduate Medical Education Payment	93.530			425,466	
Community-Based Child Abuse Prevention Grants	93.590			31,123	
Developmental Disabilities Basic Support and Advocacy Grants					
Pass-through from Arkansas Governor's Council on Developmental Disabilities	93.630		21-UAP-010-1920-SG	81,600	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632			471	
Children's Justice Grants to States	93.643			67,949	
COVID-19: Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665			1,023,004	
Medical Student Education					
Pass-through from University of South Alabama	93.680		A19-0189-S001	284,850	
COVID-19: PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738			49,814	
Opioid STR	93.788			1,030,875	
Pass-through from University of Texas - Austin	93.788		1H79TI080203 Sub UTA17-000811	7,541	
Organized Approaches to Increase Colorectal Cancer Screening	93.800			320,059	153,549
Section 223 Demonstration Programs to Improve Community Mental Health Services					
Pass-through from Western Arkansas Counseling and Guidance Center	93.829		TAA2108137	120,991	107,361

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
Cardiovascular Diseases Research	93.837			$ 498,938	$ 19,171
Pass-through from Rutgers University	93.837		PO#1434208_SUB A	107,161	
COVID-19: Lung Diseases Research					
Pass-through from RTI International	93.838		34-312-0217571-6	114,767	
Blood Diseases and Resources Research					
Pass-through from University of Kentucky Research Foundation	93.839		1R01HL138179-01	804	
Pass-through from University of Kentucky Research Foundation	93.839		3200003129-20-27	36,163	
Pass-through from University of Pennsylvania	93.839		1-R01-HL-141408-	44,447	
Pass-through from University of Pennsylvania	93.839		P01HL146373	44,478	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			1,374,229	2,664
Pass-through from Kitware, Inc.	93.846		4R44AR075481-002 Sub K002704-00	173,458	8,382
Pass-through from Kitware, Inc.	93.846		K002704-00-S02	5,580	
Pass-through from Kitware, Inc.	93.846		R44AR075481	34,301	6,614
Pass-through from Northeastern University	93.846		500730-78050	55,074	
Pass-through from University of Memphis	93.846		5 R01 AR066050-0	28,569	
Pass-through from University of Tennessee	93.846		9500074677	21,233	
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			643,796	165,016
Pass-through from University of Alabama - Birmingham	93.847		000518751-SP008	65,929	
Pass-through from University of Alabama - Birmingham	93.847		000526855-006	8,926	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			714,655	
Pass-through from Emory University	93.853		A394752	37,984	
Pass-through from Stanford University	93.853		CONTRACT 6186550	13,525	
Pass-through from University of Cincinnati	93.853		IRB # 260036	960	
Allergy and Infectious Diseases Research	93.855			3,355,897	666,299
Pass-through from East Carolina University	93.855		AWD-20-1838-S002	31,966	
Pass-through from East Coast University	93.855		A20-0051-S002	(2,364)	
Pass-through from Indiana University	93.855		87813	20,238	
Pass-through from Indiana University	93.855		8441_UA	67,109	
Pass-through from Innovation Pathways	93.855		UAMS 001	24,500	
Pass-through from Johns Hopkins University	93.855		U01 AI138897	5,000	
Pass-through from National Scientific Labs, LLC	93.855		NSL0001	87,103	
Pass-through from The Miriam Hospital	93.855		7147159SAM	47,975	
Pass-through from University of California - San Diego	93.855		124519281	57,638	
Biomedical Research and Research Training	93.859			13,474,236	580,215
Pass-through from Arkansas Children's Hospital	93.859		P20GM121293	233,270	
Pass-through from Arkansas Children's Research Institute	93.859		034516 - UAMS EN	28,715	
Pass-through from Arkansas Children's Research Institute	93.859		034976-SWINDLE	100,369	
Pass-through from Arkansas Children's Research Institute	93.859		1P20GM109096	6,668	
Pass-through from Arkansas Children's Research Institute	93.859		5P20GM109096-05,	12,099	
Pass-through from Arkansas Children's Research Institute	93.859		ACRI # 034488	238,839	

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Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
Biomedical Research and Research Training (Continued)					
Pass-through from Arkansas Children's Research Institute	93.859		GR034487	$ 68,187	
Pass-through from Arkansas Children's Research Institute	93.859		GR034974	14,014	
Pass-through from Arkansas Children's Research Institute	93.859		P20GM109096	69,015	
Pass-through from Johns Hopkins University	93.859		R01M118760	19,689	
Pass-through from Purilogics, LLC	93.859		2R44GM117685-02	177	
Pass-through from University of Kentucky Research Foundation	93.859		3200003706-21-24	4,190	
Pass-through from University of New Mexico	93.859		3REY1	23,140	
Pass-through from Washington University	93.859		WU-21-238	76,827	
Child Health and Human Development Extramural Research	93.865			4,776,567	$ 1,828,254
Pass-through from National Institute of Health	93.865		3R01HD090180-05S	34,068	
Pass-through from University of Alabama - Birmingham	93.865		000507132-SC001	(387)	
Pass-through from University of Minnesota	93.865		ADVANCE ACCOUNT	516	
Aging Research	93.866			2,577,696	137,227
Pass-through from Neurotrack Technologies, Inc.	93.866		R44AG063672	261,557	
Pass-through from Oregon Health & Science University	93.866		1013624_UAMS	47,277	
Pass-through from Oregon Health & Science University	93.866		1R01AG055681-01A	36,708	
Pass-through from The Medical University of South Carolina	93.866		3R01AG046543-04S	365	
Pass-through from The Medical University of South Carolina	93.866		MUSC14-076	297	
Pass-through from University of California - San Francisco	93.866		11658SC	30,417	
Medical Library Assistance	93.879			129,538	65,708
Pass-through from University of North Texas - Health Science Center	93.879		HS763-0000151538	148	
Pass-through from University of North Texas - Health Science Center	93.879		RF00194-2020-023	24,515	
Pass-through from University of North Texas - Health Science Center	93.879		RF00194-2021-006	19,644	
Pass-through from University of North Texas - Health Science Center	93.879		RF00194-2020-023	8,559	
Pass-through from University of Pennsylvania	93.879		572635	49,086	
Pass-through from University of Washington	93.879		5R01LM012222-04	83,793	
Primary Care Training and Enhancement	93.884			322,005	
COVID-19: National Bioterrorism Hospital Preparedness Program	93.889			46,298	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912			3,571	
Pass-through from Arkansas Rural Health Partnership	93.912		G25RH32922	13,349	
HIV Prevention Activities Health Department Based	93.940			36,698	
COVID-19: PPHF Geriatric Education Centers	93.969			89,683	
Preventive Health and Health Services Block Grant	93.991			58,691	

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Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
COVID-19: Miscellaneous US Department of Health and Human Services Programs					
Pass-through from Duke University	93.RD	HHSO100201400002I		$ 42,029	
Miscellaneous US Department of Health and Human Services Programs	93.RD	53446		24,956	
Pass-through from Alliance for Clinical Trials in Oncology	93.RD	IRB # 239368		3,575	
Pass-through from Arkansas Research Alliance	93.RD	CLIN 0002- BIO3		343,878	
Pass-through from Capital Consulting Corporation	93.RD	HHSH25020170038G		26,500	
Pass-through from Centers for Disease Control & Prevention	93.RD	PO 4501924081		18,478	
Pass-through from CYTO Wave Technology, LLC	93.RD	ADVANCE ACCOUNT		32,103	
Pass-through from ECOG-ACRIN Cancer Research Group	93.RD	IRB#260064		11,200	
Pass-through from Leidos Biomedical Research, Inc.	93.RD	16X011		577,884	
Pass-through from Leidos Biomedical Research, Inc.	93.RD	20X023F		789,954	
Pass-through from Leidos Biomedical Research, Inc.	93.RD	20X023F TO 2		244,502	$ 39,113
Pass-through from Leidos Biomedical Research, Inc.	93.RD	20X023F TO3		27,070	
Pass-through from Leidos Biomedical Research, Inc.	93.RD	20X023F TO5		51,425	
Pass-through from Leidos Biomedical Research, Inc.	93.RD	SUB # 20X023F		17,047	
Pass-through from Massachusetts General Hospital	93.RD	ADVANCE ACCOUNT		8,308	
Pass-through from NRG Oncology Foundation	93.RD	205541		400	
Pass-through from NRG Oncology Foundation	93.RD	IRB # 260043		250	
Pass-through from NRG Oncology Foundation	93.RD	MCTR:ZORN:216;PR		26,514	
Pass-through from Rensselear Polytechnic Institute	93.RD	2R01EB005807-09A1 Sub A20-138-S002		44,630	14,002
Pass-through from Southwest Oncology Group	93.RD	IRB # 239482		18,000	
Pass-through from Southwest Oncology Group	93.RD	S1815:PROTOCOL#2		2,950	
Pass-through from Southwest Oncology Group	93.RD	S1914		4,549	
Pass-through from Southwest Oncology Group	93.RD	SWOG 1404		13,000	
Pass-through from XlerateHealth, LLC	93.RD	3UT2GM130174-02S1		29,968	
US Department of Health and Human Services Total				**69,124,731**	**7,434,860**
Corporation for National and Community Service					
AmeriCorps	94.006			64,192	
Corporation for National and Community Service Total				**64,192**	
Department of Homeland Security					
Pre-Disaster Mitigation	97.047			63,157	
Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection	97.077			6,172	
Department of Homeland Security Total				**69,329**	
Research and Development Cluster Total				**126,451,485**	**13,800,570**

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Student Financial Assistance Cluster					
US Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007			$ 6,233,243	
Federal Work-Study Program	84.033			4,169,850	
Federal Perkins Loan Program_Federal Capital Contributions	84.038			4,914,903	
Federal Pell Grant Program	84.063			204,581,207	
Federal Direct Student Loans	84.268			471,155,909	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379			856,464	
US Department of Education Total				**691,911,576**	
US Department of Health and Human Services					
Nurse Faculty Loan Program (NFLP)	93.264			5,490	
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342			4,744,214	
Nursing Student Loans	93.364			370,196	
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925			502,770	
US Department of Health and Human Services Total				**5,622,670**	
Student Financial Assistance Cluster Total				**697,534,246**	
US Department of Agriculture					
Agricultural Research Basic and Applied Research	10.001			30,365	
Plant and Animal Disease, Pest Control, and Animal Care	10.025			1,325,481	
Wildlife Services					
Pass-through from Texas A & M University	10.028		TFS-20-sar-422237	16,327	
Conservation Reserve Program					
Pass-through from National Fish and Wildlife Foundation	10.069		0801.17.060806	52,316	
Wetlands Reserve Program	10.072			14,777	
Voluntary Public Access and Habitat Incentive Program	10.093			656,998	
Market News	10.153			10,000	
Wholesale Farmers and Alternative Market Development	10.164			2,269	
Specialty Crop Block Grant Program - Farm Bill	10.170			259,089	$ 65,859
Organic Certification Cost Share Programs	10.171			2,801	2,801
Local Food Promotion Program	10.172			125,605	
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178			7,087,975	359,001
Cooperative Forestry Research	10.202			338,268	
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203			2,835,428	
Animal Health and Disease Research	10.207			43,456	
Small Business Innovation Research					
Pass-through from Stratcor, Inc.	10.212		USDA-NIFA-SBIR-006790	18,225	
Sustainable Agriculture Research and Education	10.215			14,807	
Pass-through from University of Georgia	10.215		2019-38640-29878	22,423	

State of Arkansas
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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Agriculture (Continued)					
1890 Institution Capacity Building Grants	10.216			$ 9,807	
Higher Education - Institution Challenge Grants Program	10.217			19,983	
Homeland Security Agricultural	10.304			33,533	
Specialty Crop Research Initiative	10.309			42,254	
Agriculture and Food Research Initiative (AFRI)	10.310			5,359	
Pass-through from University of Florida	10.310		12020-67037-31555	4,311	
Beginning Farmer and Rancher Development Program	10.311			181,954	$ 32,000
National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program	10.328			3,008	
Crop Protection and Pest Management Competitive Grants Program	10.329			189,559	
Veterinary Services Grant Program	10.336			25,985	
Rural Business Development Grant	10.351			1,925	
Value-Added Producer Grants					
Pass-through from Iowa State University	10.352		Sub#23108B	4,115	
Rural Rental Housing Loans	10.415			3,910,871	
State Mediation Grants	10.435			57,019	
Cooperative Extension Service	10.500			3,602,236	728,933
Pass-through from Kansas State University	10.500		2018-48661-28954	2,281	
Smith-Lever Funding (Various Programs)	10.511			3,426,804	
Agriculture Extension at 1890 Land-grant Institutions	10.512			657,223	
Renewable Resources Extension Act and National Focus Fund Projects	10.515			111,374	
Centers of Excellence at 1890 Institutions					
Pass-through from North Carolina A&T State University	10.523		2020-38427-31516	1,000	
Scholarships for Students at 1890 Institutions	10.524			181,003	
COVID-19: Pandemic EBT Food Benefits	10.542			1,123,837	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			42,897,893	
Child and Adult Care Food Program	10.558			29,826,417	
State Administrative Expenses for Child Nutrition	10.560			4,008,790	
WIC Farmers' Market Nutrition Program (FMNP)	10.572			64,196	
Senior Farmers Market Nutrition Program	10.576			65,434	63,422
Fresh Fruit and Vegetable Program	10.582			2,491,896	2,427,522
Child Nutrition Direct Certification Performance Awards	10.589			30,303	
Forestry Research	10.652			390,680	
Cooperative Forestry Assistance	10.664			2,840,245	119,975
Forest Legacy Program	10.676			2,459,126	
Forest Stewardship Program	10.678			278,662	
Pass-through from American Forest Foundation	10.678		NR203A750001C040	12,840	
Forest Health Protection	10.680			142,461	63,632
Good Neighbor Authority	10.691			56,074	
State & Private Forestry Hazardous Fuel Reduction Program	10.697			13,300	

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Agriculture (Continued)					
Soil and Water Conservation	10.902			$ 2,244,239	$ 1,096,691
Pass-through from Alcorn State University	10.902		68-3A75-18-004	62,132	15,000
Pass-through from American Forest Foundation	10.902		NR183A750013C004	24,165	
Pass-through from Natural Resources Conservation Service (USDA NRCS)	10.902		NR203A750001G006	77,265	
Environmental Quality Incentives Program	10.912			223,957	
Feral Swine Eradication and Control Pilot Program	10.934			693,004	668,574
US Department of Agriculture Total				**115,355,130**	**5,643,410**
US Department of Commerce					
Cluster Grants	11.020			(3,973)	
Economic Development Technical Assistance	11.303			193,813	
Manufacturing Extension Partnership	11.611			920,304	
COVID-19: Manufacturing Extension Partnership	11.611			365,707	
US Department of Commerce Total				**1,475,851**	
US Department of Defense					
Issue of Department of Defense Excess Equipment	12.000			2,984,694	
Procurement Technical Assistance For Business Firms	12.002			463,317	
Payments to States in Lieu of Real Estate Taxes	12.112			1,172,885	1,172,885
Military Construction, National Guard	12.400			2,061,696	
National Guard Military Operations and Maintenance (O&M) Projects	12.401			54,437,965	
COVID-19: National Guard Military Operations and Maintenance (O&M) Projects	12.401			350,139	
National Guard ChalleNGe Program	12.404			2,772,280	
Basic, Applied, and Advanced Research in Science and Engineering					
Pass-through from National Science Teaching Association	12.630		21-871-003	3,463	
Pass-through from Technology Student Association	12.630		AWD-100034-1	36,127	
GenCyber Grants Program	12.903			16,847	
US Department of Defense Total				**64,299,413**	**1,172,885**
US Department of Housing and Urban Development					
Manufactured Home Dispute Resolution	14.171			95,689	
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			26,911,267	26,164,099
COVID-19: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			3,724,663	
Emergency Solutions Grant Program	14.231			1,486,225	1,477,470
COVID-19: Emergency Solutions Grant Program	14.231			2,226,342	2,192,642
Home Investment Partnerships Program	14.239			4,376,021	423,708
Housing Opportunities for Persons with AIDS	14.241			869,045	852,999
COVID-19: Housing Opportunities for Persons with AIDS	14.241			90,615	90,615

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Housing and Urban Development (Continued)					
Housing Trust Fund	14.275			$ 4,395,543	
Fair Housing Assistance Program State and Local	14.401			665,584	
COVID-19: Education and Outreach Initiatives					
Pass-through from Pulaski County Arkansas	14.416		PULASKI COUNTY	417,761	
US Department of Housing and Urban Development Total				**45,258,755**	**$ 31,201,533**
US Department of the Interior					
Indian Education Higher Education Grant	15.114			193,680	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250			42,412	
Abandoned Mine Land Reclamation (AMLR)	15.252			1,316,310	
Flood Control Act Lands	15.433			132,292	132,292
Minerals Leasing Act	15.437			354,420	198,069
National Forest Acquired Lands	15.438			387,910	387,910
Fish and Wildlife Management Assistance	15.608			139,258	57,775
Cooperative Endangered Species Conservation Fund	15.615			820,017	31,932
Clean Vessel Act.	15.616			1,280,472	1,144,824
Sportfishing and Boating Safety Act	15.622			54,100	54,100
State Wildlife Grants	15.634			299,066	83,632
Federal Junior Duck Stamp Conservation and Design	15.644			1,942	
White-nose Syndrome National Response Implementation	15.684			20,000	
U.S. Geological Survey Research and Data Collection	15.808			53,885	
National Cooperative Geologic Mapping	15.810			49,357	
National Geological and Geophysical Data Preservation	15.814			3,263	
Historic Preservation Fund Grants-In-Aid	15.904			678,677	61,658
Outdoor Recreation Acquisition, Development and Planning	15.916			994,682	
Cooperative Research and Training Programs - Resources of the National Park System	15.945			33,135	
Water Use and Data Research	15.981			69,289	
US Department of the Interior Total				**6,924,167**	**2,152,192**
US Department of Justice					
Sexual Assault Services Formula Program	16.017			382,159	382,146
COVID-19: Coronavirus Emergency Supplemental Funding Program	16.034			985,984	456,261
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525			303,754	
Juvenile Justice and Delinquency Prevention Allocation	16.540			122,103	116,787
Missing Children's Assistance	16.543			179,600	
National Criminal History Improvement Program (NCHIP)	16.554			673,232	
Crime Victim Assistance	16.575			25,010,400	24,432,287
Crime Victim Compensation	16.576			121,282	
Crime Victim Assistance/Discretionary Grants	16.582			71,320	

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Justice (Continued)					
Drug Court Discretionary Grant Program	16.585			$ 275,372	
Pass-through from Mid South Health Systems	16.585		N/A	13,079	
Violence Against Women Formula Grants	16.588			2,011,215	$ 1,724,493
Residential Substance Abuse Treatment for State Prisoners	16.593			269,370	136,436
Project Safe Neighborhoods	16.609			194,148	155,582
Juvenile Mentoring Program	16.726			34,866	
Edward Byrne Memorial Justice Assistance Grant Program	16.738			1,960,413	1,827,256
DNA Backlog Reduction Program	16.741			820,241	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			368,342	
Criminal and Juvenile Justice and Mental Health Collaboration Program					
Pass-through from Mid South Health Systems	16.745		N/A	3,673	
Edward Byrne Memorial Competitive Grant Program	16.751			119,041	
Harold Rogers Prescription Drug Monitoring Program	16.754			658,838	230,198
John R. Justice Prosecutors and Defenders Incentive Act	16.816			36,345	
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838			878,493	427,730
Equitable Sharing Program	16.922			183,709	
US Department of Justice Total				**35,676,979**	**29,889,176**
US Department of Labor					
Labor Force Statistics	17.002			747,458	
Compensation and Working Conditions	17.005			111,484	
Registered Apprenticeship	17.201			129,536	129,536
Unemployment Insurance	17.225			73,540,097	
COVID-19: Unemployment Insurance	17.225			1,735,649,337	
Senior Community Service Employment Program	17.235			1,534,168	1,410,652
Trade Adjustment Assistance	17.245			3,104,928	
H-1B Job Training Grants	17.268			1,032,672	851,352
Pass-through from GMACW	17.268		HG-30131-17-60-A-47	121,734	
Work Opportunity Tax Credit Program (WOTC)	17.271			76,118	
YouthBuild	17.274			336,310	
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277			883,632	526,636
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280			471,617	
Apprenticeship USA Grants	17.285			646,397	390,553
Occupational Safety and Health Susan Harwood Training Grants	17.502			92,639	
Consultation Agreements	17.504			1,076,205	
Mine Health and Safety Grants	17.600			136,299	
US Department of Labor Total				**1,819,690,631**	**3,308,729**

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of State					
Academic Exchange Programs - Undergraduate Programs					
Pass-through from World Learning, Inc.	19.009		SL 3319	$ 4,279	
US Department of State Total				**4,279**	
US Department of Transportation					
Highway Research and Development Program	20.200			100,000	
Commercial Driver's License Program Implementation Grant	20.232			422,063	
Railroad Development	20.314			1,662	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505			2,065,398	$ 1,694,250
Formula Grants for Rural Areas and Tribal Transit Program	20.509			3,738,941	3,582,990
COVID-19: Formula Grants for Rural Areas and Tribal Transit Program	20.509			21,319,230	20,179,376
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528			166,744	155,449
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614			100,551	
Pipeline Safety Program State Base Grant	20.700			663,266	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			187,909	
US Department of Transportation Total				**28,765,764**	**25,612,065**
US Department of the Treasury					
Low Income Taxpayer Clinics	21.008			103,372	
COVID-19: Coronavirus Relief Fund	21.019			904,193,999	179,326,165
COVID-19: Emergency Rental Assistance Program	21.023			5,052,299	
COIVD-19: Homeowner Assistance Fund	21.026			1,258,480	
US Department of the Treasury Total				**910,608,150**	**179,326,165**
General Services Administration					
Donation of Federal Surplus Personal Property	39.003			6,248,534	
General Services Administration Total				**6,248,534**	
National Aeronautics and Space Administration					
Office of Stem Engagement (OSTEM)	43.008			46,129	
National Aeronautics and Space Administration Total				**46,129**	
Institute of Museum and Library Services					
Museum Grants for African American History and Culture	45.309			248,000	
Grants to States	45.310			1,887,128	
COVID-19: Grants to States	45.310			48,092	
Institute of Museum and Library Services Total				**2,183,220**	

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
National Endowment for the Arts					
Promotion of the Arts Grants to Organizations and Individuals	45.024			$ 441,500	$ 441,500
Promotion of the Arts Partnership Agreements	45.025			547,502	447,954
Pass-through from Mid-America Alliance	45.025		#FY2021-00108108	4,000	
National Endowment for the Arts Total				**993,002**	**889,454**
National Endowment for the Humanities					
Promotion of the Humanities Federal/State Partnership	45.129			919	
Pass-through from Arkansas Humanities Council	45.129		F0029563 FY19	100	
Pass-through from Arkansas Humanities Council	45.129		N/A	14,787	
Promotion of the Humanities Challenge Grants	45.130			8,567	
Promotion of the Humanities Division of Preservation and Access	45.149			149,863	
COVID-19: Promotion of the Humanities Division of Preservation and Access	45.149			51,921	
Promotion of the Humanities Research	45.161			14,067	
Promotion of the Humanities Professional Development	45.163			69,121	
Promotion of the Humanities Public Programs					
Pass-through from National Endowment for the Humanities	45.164		N/A	929	
Promotion of the Humanities Office of Digital Humanities	45.169			27,857	
National Endowment for the Humanities Total				**338,131**	
National Science Foundation					
Education and Human Resources	47.076			1,730,029	
Integrative Activities	47.083			599,791	81,951
Pass-through from Arkansas Science & Technology Authority	47.083		20-EPS3-0013	112,374	
Pass-through from University of Alaska	47.083		PO539384	518	
National Science Foundation Total				**2,442,712**	**81,951**
Small Business Administration					
Small Business Development Centers	59.037			1,340,312	
COVID-19: Small Business Development Centers	59.037			766,867	
Federal and State Technology Partnership Program	59.058			112,032	1,250
State Trade Expansion	59.061			62,387	
Small Business Administration Total				**2,281,598**	**1,250**
US Department of Veterans Affairs					
Veterans State Nursing Home Care	64.015			14,100,657	
Post-9/11 Veterans Educational Assistance	64.027			115,107	
Post-9/11 Veterans Educational Assistance	64.028			148,142	
Burial Expenses Allowance for Veterans	64.101			452,068	
Vocational Rehabilitation for Disabled Veterans	64.116			3,429	
All-Volunteer Force Educational Assistance	64.124			286,843	

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Veterans Affairs (Continued)					
Veterans Cemetery Grants Program	64.203			$ 1,206,005	
Miscellaneous US Department of Veterans Affairs Programs	64.U01	N/A		90,078	
US Department of Veterans Affairs Total				**16,402,329**	
Environmental Protection Agency					
Air Pollution Control Program Support	66.001			1,076,692	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			500,015	
Diesel Emissions Reduction Act (DERA) State Grants	66.040			280,795	$ 262,866
Multipurpose Grants to States and Tribes	66.204			136,064	71,500
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			2,148,670	
State Public Water System Supervision	66.432			861,588	
State Underground Water Source Protection	66.433			74,333	
Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d))	66.444			264	
Water Quality Management Planning	66.454			80,157	
Nonpoint Source Implementation Grants	66.460			1,865,495	1,030,165
Environmental Information Exchange Network Grant Program and Related Assistance	66.608			171,600	
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			517,008	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701			54,020	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			152,808	
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716			11,161	
Pass-through from Extension Foundation	66.716		SA-2021-57	9,026	
Hazardous Waste Management State Program Support	66.801			379,438	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			7,630	
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804			637,108	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			567,609	
State and Tribal Response Program Grants	66.817			94,745	
Superfund State and Indian Tribe Combined Cooperative Agreements (Site-Specific and Core)	66.961			295,870	
Environmental Protection Agency Total				**9,922,096**	**1,364,531**

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Energy					
Weatherization Assistance for Low-Income Persons	81.042			$ 1,902,224	$ 1,792,602
Conservation Research and Development	81.086			845	
State Energy Program Special Projects	81.119			46,995	
US Department of Energy Total				**1,950,064**	**1,792,602**
Federal Emergency Management Administration					
COVID-19: Miscellaneous Federal Emergency Management Administration Programs	83.U01			11,875,720	
Federal Emergency Management Administration Total				**11,875,720**	
US Department of Education					
Adult Education - Basic Grants to States	84.002			5,638,375	2,407,067
Title I Grants to Local Educational Agencies	84.010			154,076,830	152,987,797
Migrant Education State Grant Program	84.011			5,430,151	5,133,522
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013			266,463	63,890
Overseas Programs - Group Projects Abroad	84.021			280,851	
Higher Education Institution Aid	84.031			9,071,532	
Federal Family Education Loans	84.032			146,116,692	
Career and Technical Education - Basic Grants to States	84.048			12,484,933	7,839,880
Pass-through from Jonesboro Public School System	84.048		V048A200004	100,350	
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126			30,278,499	
Rehabilitation Long-Term Training	84.129			157,048	
Migrant Education Coordination Program	84.144			51,946	49,936
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177			459,903	
Special Education - Grants for Infants and Families	84.181			4,144,237	
Safe and Drug-Free Schools and Communities_State Grants	84.186			(2,771)	(2,771)
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			301,306	
Education for Homeless Children and Youth	84.196			729,539	625,406
Javits Gifted and Talented Students Education	84.206			344,958	18,635
Innovative Approaches to Literacy; Promise Neighborhoods; and Full-Service Community School	84.215			(1,957)	(1,957)
Twenty-First Century Community Learning Centers	84.287			6,060,743	5,431,472
Special Education - State Personnel Development	84.323			584,802	575,702
Pass-through from Great Rivers Educational Coop	84.323		H323A150013	173,927	
Pass-through from Great Rivers Educational Coop	84.323		H323A200017	9,112	
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325			894,450	276,929
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			129,601	

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Education (Continued)					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			$ 927,993	
Child Care Access Means Parents in School	84.335			206,238	
School Renovation Grants	84.352			(73)	$ (73)
Rural Education	84.358			2,842,073	2,797,913
Rural Education	84.358A			31,317	
English Language Acquisition State Grants	84.365			4,463,121	3,324,222
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367			19,895,546	19,186,128
Pass-through from National Writing Project	84.367		U367O150004	6,313	
Grants for State Assessments and Related Activities	84.369			3,833,460	
Comprehensive Literacy Development	84.371			5,008,946	4,388,318
School Improvement Grants	84.377			798,704	758,130
Strengthening Minority-Serving Institutions	84.382			1,474,441	
Student Support and Academic Enrichment Program	84.424			11,615,377	11,615,361
COVID-19: Education Stabilization Fund - Governor's Emergency Education Relief (GEER) Fund	84.425C			20,157,838	3,887,274
COVID-19: Education Stabilization Fund - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D			263,041,250	252,122,443
COVID-19: Education Stabilization Fund - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E			61,880,508	
COVID-19: Education Stabilization Fund - HEERF Institutional Portion	84.425F			106,338,141	
COVID-19: Education Stabilization Fund - Discretionary Grants: Reimagining Workforce Preparation Grants	84.425G			342,418	
COVID-19: Education Stabilization Fund - HEERF Historically Black Colleges and Universities (HBCUs)	84.425J			6,111,932	
COVID-19: Education Stabilization Fund - HEERF Minority Serving Institutions (MSIs)	84.425L			315,792	
COVID-19: Education Stabilization Fund - HEERF Strengthening Institutions Program (SIP)	84.425M			4,586,252	
COVID-19: Education Stabilization Fund - HEERF Fund for the Improvement of Postsecondary Education (FIPSE) Formula Grant	84.425N			62,783	
COVID-19:CRRSAA: Education Stabilization Fund -Higher Education Emergency Relief Fund (HEERF II)	84.425R			298,951	238,005
COVID19 - Education Stabilization Fund - CARES Act Subtotal				463,135,865	256,247,722
American Printing House for the Blind	84.906			52,233	
Disaster Recovery Assistance for Education	84.938			39	39
COVID-19: Miscellaneous US Department of Education Programs	84.U01	N/A		15,770	
US Department of Education Total				**892,088,883**	**473,723,268**

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Delta Regional Authority					
Delta Regional Development	90.200			$ 69,188	
States' Economic Development Assistance Program	90.204			34,975	
Delta Regional Authority Total				**104,163**	
US Election Assistance Commission					
2018 HAVA Election Security Grants	90.404			587,767	
COVID-19: 2018 HAVA Election Security Grants	90.404			1,407,916	
US Election Assistance Commission Total				**1,995,683**	
US Department of Health and Human Services					
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042			136,420	$ 132,755
COVID-19: Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042			128,289	128,289
Special Programs for the Aging, Title III, Part D Disease Prevention, and Health Promotion Services	93.043			176,247	176,247
Special Programs for the Aging, Title IV, and Title II Discretionary Projects	93.048			609,130	35,000
National Family Caregiver Support, Title III, Part E	93.052			1,734,196	1,734,196
COVID-19: National Family Caregiver Support, Title III, Part E	93.052			852,682	852,682
Sexual Risk Avoidance Education	93.060			265,236	135,572
Public Health Emergency Preparedness	93.069			5,909,778	19,626
Medicare Enrollment Assistance Program	93.071			332,049	50,441
Lifespan Respite Care Program	93.072			29,790	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			85,411	
Sodium Reduction in Communities	93.082			342,872	
Guardianship Assistance	93.090			776,892	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			230,034	157,299
Food and Drug Administration Research	93.103			1,085,468	1,227
Area Health Education Centers	93.107			1,267,936	
Maternal and Child Health Federal Consolidated Programs	93.110			879,655	100,701
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			590,551	
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118			38,438	
Emergency Medical Services for Children	93.127			188,636	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			140,350	
Injury Prevention and Control Research and State and Community Based Programs	93.136			2,209,956	107,662
COVID-19: Injury Prevention and Control Research and State and Community Based Programs	93.136			27,386	
Community Programs to Improve Minority Health Grant Program	93.137			24,937	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Health and Human Services (Continued)					
Projects for Assistance in Transition from Homelessness (PATH)	93.150			$ 212,885	$ 212,885
Disabilities Prevention	93.184			358,512	
Graduate Psychology Education	93.191			316,468	
Telehealth Programs	93.211			383,696	
COVID-19: Telehealth Programs	93.211			581,433	
Family Planning Services	93.217			4,709,814	
Traumatic Brain Injury State Demonstration Grant Program	93.234			129,065	
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235			695,697	687,718
State Capacity Building	93.240			44,111	
State Rural Hospital Flexibility Program	93.241			213,319	91,939
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			7,172,945	1,722,958
Pass-through from Mid South Health Systems	93.243		1H79SM061557-01	166	
Pass-through from Mid South Health Systems	93.243		N/A	38,777	
Advanced Nursing Education Workforce Grant Program	93.247			673,086	
Early Hearing Detection and Intervention	93.251			246,895	51,890
Poison Center Support and Enhancement Grant	93.253			162,927	
Immunization Cooperative Agreements	93.268			47,240,612	78,959
COVID-19: Immunization Cooperative Agreements	93.268			1,763,634	83,415
Viral Hepatitis Prevention and Control	93.270			131,971	69,340
Drug-Free Communities Support Program Grants	93.276			82,043	
Pass-through from Out of the Dark, Inc.	93.276		N/A	6,602	
State Partnership Grant Program to Improve Minority Health	93.296			18,570	
Small Rural Hospital Improvement Grant Program	93.301			370,036	323,939
COVID-19: Small Rural Hospital Improvement Grant Program	93.301			1,732,690	1,732,690
PPHF2018: Office of Smoking and Health - National State-Based Tobacco Control Programs - Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305			108,889	
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314			129,143	
Outreach Programs to Reduce the Prevalence of Obesity in High Risk Rural Areas	93.319			572,990	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			2,134,807	
COVID-19: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			40,230,395	
State Health Insurance Assistance Program	93.324			694,645	
Behavioral Risk Factor Surveillance System	93.336			143,987	
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			(4,100)	
COVID-19: Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			2,892,571	

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Health and Human Services (Continued)					
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366			$ 304,805	$ 121,398
Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	93.367			185,240	
ACL Independent Living State Grants	93.369			338,964	
National and State Tobacco Control Program	93.387			999,249	
The State Flexibility to Stabilize the Market Grant Program	93.413			80,480	
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426			1,681,249	607,098
ACL National Institute on Disability, Independent Living, and Rehabilitation Research					
Pass-through from The University of Texas at Dallas	93.433		20-1688	166	
Pass-through from Memorial Hermann Health System d/b/a TIRR Memorial Hermann	93.433		20-1688-1	8,811	
Every Student Succeeds Act/Preschool Development Grants	93.434			2,663,776	
Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.436			326,317	
State Physical Activity and Nutrition (SPAN)	93.439			635,159	15,411
Food Safety and Security Monitoring Project	93.448			34,211	
ACL Assistive Technology	93.464			506,179	
Title IV-E Prevention Program	93.472			4,119,162	
COVID-19: Provider Relief Fund	93.498			16,916,110	
MaryLee Allen Promoting Safe and Stable Families Program	93.556			1,909,123	
Temporary Assistance for Needy Families	93.558			58,448,714	16,590,748
Child Support Enforcement	93.563			23,271,181	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566			5,771	
Low-Income Home Energy Assistance	93.568			32,442,282	32,305,775
COVID-19: Low-Income Home Energy Assistance	93.568			7,269,584	7,269,584
Community Services Block Grant	93.569			8,294,025	7,984,777
COVID-19: Community Services Block Grant	93.569			4,390,973	4,302,236
Refugee and Entrant Assistance Discretionary Grants	93.576			11,814	
State Court Improvement Program	93.586			283,292	
Community-Based Child Abuse Prevention Grants	93.590			334,856	
Grants to States for Access and Visitation Programs	93.597			102,360	
Chafee Education and Training Vouchers Program (ETV)	93.599			144,147	
Adoption and Legal Guardianship Incentive Payments	93.603			291,844	
Developmental Disabilities Basic Support and Advocacy Grants	93.630			732,032	432,548
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632			454,393	
Children's Justice Grants to States	93.643			86,870	
Stephanie Tubbs Jones Child Welfare Services Program	93.645			2,811,577	

State of Arkansas
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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Health and Human Services (Continued)					
COVID-19: Stephanie Tubbs Jones Child Welfare Services Program	93.645			$ 281,392	
Child Welfare Research Training or Demonstration					
Pass-through from The Research for the State of University - University of Albany	93.648		12-89268	99,915	
Foster Care Title IV-E	93.658			42,019,318	
Adoption Assistance	93.659			34,063,151	
COVID-19: Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665			106,366	$ 19,738
Social Services Block Grant	93.667			13,492,177	
Child Abuse and Neglect State Grants	93.669			997,961	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			1,209,875	1,155,061
COVID-19: Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			116,729	107,160
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			642,862	
COVID-19: John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			130,672	
Medical Student Education	93.680			2,781,652	799,206
Ending the HIV Epidemic: A Plan for America - Ryan White HIV/AIDS Programs Parts A and B	93.686			122,320	
Mental and Behavioral Health Education and Training Grants	93.732			378,876	
State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735			54,819	
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738			927,018	
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			27,794	
Elder Abuse Prevention Interventions Program	93.747			85,256	
Children's Health Insurance Program	93.767			179,283,792	
Pass-through from Arkansas Children's Hospital	93.767		D89MC23141-02-00	(231)	
Opioid STR	93.788			6,055,039	1,672,670
Money Follows the Person Rebalancing Demonstration	93.791			427,002	
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796			3,226,979	
Organized Approaches to Increase Colorectal Cancer Screening	93.800			40,243	16,036
Section 223 Demonstration Programs to Improve Community Mental Health Services					
Pass-through from Mid South Health Systems	93.829		N/A	112,220	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			143,952	

State of Arkansas
Schedule of Expenditures of Federal Awards
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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
US Department of Health and Human Services (Continued)					
Biomedical Research and Research Training	93.859			$ 54,340	
Pass-through from University of Kentucky Research Foundation	93.859		UT2GM130174	18,804	
Pass-through from XlerateHealth, LLC	93.859		1UT2GM130174-01	2,782	
Maternal, Infant and Early Childhood Home Visiting Grant	93.870			7,944,509	
National Bioterrorism Hospital Preparedness Program	93.889			1,947,006	$ 1,533,131
COVID-19: National Bioterrorism Hospital Preparedness Program	93.889			1,287,882	1,287,882
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			2,603,569	183,750
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement					
Pass-through from Greater Delta Alliance for Health, Inc.	93.912		1 D60 RH25757-04	515	
Grants to States for Operation of State Offices of Rural Health	93.913			168,791	
HIV Care Formula Grants	93.917			6,770,738	2,119,364
COVID-19: HIV Care Formula Grants	93.917			186,675	
Healthy Start Initiative	93.926			1,311,193	
HIV Prevention Activities Health Department Based	93.940			1,699,993	191,835
Assistance Programs for Chronic Disease Prevention and Control	93.945			206,725	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			99,680	
Block Grants for Community Mental Health Services	93.958			6,276,293	6,239,134
Block Grants for Prevention and Treatment of Substance Abuse	93.959			7,784,794	3,909,949
PPHF Geriatric Education Centers	93.969			840,336	87,993
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			981,936	
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981			369,655	116,529
COVID-19: Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981			146,808	136,682
Mental Health Disaster Assistance and Emergency Mental Health	93.982			1,633,449	1,593,660
Preventive Health and Health Services Block Grant	93.991			1,047,943	144,019
Maternal and Child Health Services Block Grant to the States	93.994			6,515,011	3,627
Autism and Other Developmental Disabilities, Surveillance, Research, and Prevention	93.998			534,509	
Test for Suppression Effects of Advanced Energy	93.999			76,135	
Miscellaneous US Department of Health and Human Services Programs	93.U01	N/A		3,561,701	
US Department of Health and Human Services Total				**643,235,257**	**99,634,431**

State of Arkansas
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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditure	Amount Provided to Subrecipients
Corporation for National and Community Service					
State Commissions	94.003			$ 232,944	
AmeriCorps	94.006			1,610,386	$ 1,302,605
Commission Investment Fund	94.008			231,802	11,575
Volunteers in Service to America	94.013			119,346	
Corporation for National and Community Service Total				**2,194,478**	**1,314,180**
Department of Homeland Security					
State and Local Homeland Security National Training Program	97.005			339,801	
Homeland Security Preparedness Technical Assistance Program	97.007			137,334	
Non-Profit Security Program	97.008			71,114	71,114
Boating Safety Financial Assistance	97.012			1,278,295	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			21,144	5,000
Flood Mitigation Assistance	97.029			37,037	36,782
COVID-19: Crisis Counseling	97.032			529,445	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			24,121,456	19,067,003
Hazard Mitigation Grant	97.039			1,468,414	1,256,797
National Dam Safety Program	97.041			2,960	
Emergency Management Performance Grants	97.042			3,968,167	1,568,236
COVID-19: Emergency Management Performance Grants	97.042			245,155	
State Fire Training Systems Grants	97.043			15,715	
Cooperating Technical Partners	97.045			954,927	
BRIC: Building Resilient Infrastructure and Communities	97.047			1,651,515	1,530,865
COVID-19: Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			136,888,251	
Homeland Security Grant Program	97.067			4,162,501	3,521,363
Earthquake Consortium	97.082			32,230	11,241
COVID-19: Miscellaneous Department of Homeland Security Programs	97.U01	N/A		2,062,160	
Department of Homeland Security Total				**177,987,621**	**27,068,401**
Total Expenditures of Federal Awards				**$ 14,012,775,452**	**$ 1,310,619,892**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

(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	Assistance Listing Number(s)	Expenditures
Arkansas Development Finance Authority:		
HOME Investment Partnerships Program	14.239	$4,376,021
COVID-19: Homeowner Assistance Fund	21.026	$1,258,480
Federal Family Education Loans	84.032	$146,116,692
State of Arkansas Construction Assistance Revolving Loan Fund:		
Clean Water State Revolving Fund Cluster	66.458	$7,108,936
State of Arkansas Drinking Water Revolving Loan Fund:		
Drinking Water State Revolving Fund Cluster	66.468	$11,176,700
University of Arkansas for Medical Sciences:		
Research and Development Cluster	various	$72,292,758
Provider Relief Fund		$16,129,864

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

(1) Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation

The Schedule presents total federal awards expended for each individual federal program in accordance with *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 Federal Assistance Listing (FAL).

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 $30,000,000 in disbursements, expenditures, or distributions. Major and non-major 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 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, 2021, for these loans are as follows:

Assistance Listing Number	Program Name	Amount
84.038	Federal Perkins Loan Program_Federal Capital Contributions	$430,592
93.264	Nurse Faculty Loan Program (NFLP)	110,543
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	4,744,214
93.364	Nursing Student Loans	370,196
	Total	$5,655,545

(3) Federally Funded Loan Programs (Continued)

The State also participates in the Federal Direct Loans (Direct Loan) Program, FAL 84.268, and the Federal Family Education Loans Program (FFEL), FAL 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, 2021, Direct Loans totaling $471,155,909 and FFEL loans totaling $0 were made to students enrolled at higher educational agencies in the State. These loans are included in the Schedule. The outstanding loan balance for FAL 84.032 at June 30, 2021, was $132,448,398.

Education loans made or purchased by the Arkansas Student Loan Authority, a division of Arkansas Development Finance Authority, are guaranteed by the Great Lakes Higher Education Corporation (Great Lakes), United Student Aid Funds (USAF), or the U.S. Department of Education (USDE). Student loans guaranteed by the USDE are considered noncash awards, which amounted to $145,729,453 at July 1, 2020. The Great Lakes, USAF, and USDE guarantees are contingent upon the loans being serviced within the due diligence requirements of the guarantors and loan services.[1]

Expenditures reflected in FAL 10.415, Preservation Revolving Loan Fund, include loans to contractors for development of multi-family housing. The funding sources for these loans are two $2,125,000 promissory notes executed between Arkansas Development Finance Authority and U.S. Department of Agriculture 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 was $3,422,922 for the year ended June 30, 2021. Total disbursements for loans made totaled $796,973 during the year ended June 30, 2021. [1]

Expenditures reflected in FAL 14.228, Neighborhood Stabilization Programs, include loans to contractors for redevelopment of foreclosed or abandoned homes for sale or rent in order to stabilize neighborhoods and stem the decline of house values in neighboring homes. The funding source for these loans is federal grant funds. The funds are disbursed after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance was $18,390,281 for the year ended June 30, 2021. No disbursements were made for repayable loans during the year ended June 30, 2021. [1]

Expenditures reflected in FAL 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 after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable was $7,700,000 for the year ended June 30, 2021. No disbursements were made for repayable loans during the year ended June 30, 2021.[1]

Expenditures reflected in FAL 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 after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance was $110,896,382 for the year ended June 30, 2021. Total disbursements of federal funds for repayable loans totaled $2,912,472 during the year ended June 30, 2021.[1]

Expenditures reflected in FAL 14.275, Housing Trust Fund, include loans to contractors for development or redevelopment of affordable housing, particularly rental housing, for extremely low-income and very low-income households. The funding source for these loans is federal grant funds. The funds are disbursed after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance was $4,491,426 for the year ended June 30, 2021. Total disbursements for loans made totaled $3,139,963 during the year ended June 30, 2021.[1]

Expenditures reflected in FAL 66.458, Capitalization Grants for the Clean Water State Revolving Funds, include loans to municipalities and other public entities for construction of water treatment facilities. The funding source for these loans includes federal grant funds, state match funds, bond 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 Program's outstanding loan receivable balance from subrecipients from all funding sources was $325.8 million for the year ended June 30, 2021. During fiscal 2021, approximately $695,000 of loans were forgiven. Total federal disbursements totaled approximately $6.7 million during fiscal year 2021, which represented funding for principal forgiveness and repayable loans. For the year ended June 30, 2021, the Program received $398,000 in federal funds for administrative costs.[1]

(3) Federally Funded Loan Programs (Continued)

Expenditures reflected in FAL 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 consolidation of new or existing water systems. The funding source for these loans includes federal grant funds, state match funds, bond 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 Program's outstanding loan receivable balance from subrecipients from all funding sources was $204.3 million for the year ended June 30, 2021. Total federal loan disbursements totaled $7.4 million during fiscal year 2021. Total loans forgiven totaled $4.5 million during fiscal year 2021. For the year ended June 30, 2021, the Program received $3.8 million in federal funds for administrative costs, which were disbursed to the administration agencies.[1]

The U.S. Department of Energy allowed the state of Arkansas to use ARRA-State Energy Program (FAL 81.041) funds to create the Energy Revolving Loan Program. The loan program was created to encourage the development, implementation, and deployment of cost-effective energy efficiency and renewable energy projects in the state and to support the creation of additional employment opportunities and other economic development benefits. Of the total amount of program funds expended and reported on the accompanying SEFA for fiscal years 2011 and 2012, $11,370,000 was transferred to the revolving loan fund and made available for future loans. There were no program funds transferred to the revolving loan fund for fiscal year 2021. The outstanding loan receivable balance from subrecipients for the year ended June 30, 2021, totaled $3,200,046. Total disbursements for new loans made during fiscal year 2021 totaled $141,801.

(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:

Assistance Listing Number	Program Name	Amount
10.178	Trade Mitigation Program Eligible Recipient Operational Funds	$ 6,728,974
10.555	National School Lunch Program (Child Nutrition Cluster)	17,451,592
10.558	Child and Adult Care Food Program	13,195
10.565	Commodity Supplemental Food Program	1,947,729
10.569	COVID-19: Emergency Food Assistance Program (Food Commodities)	5,342,510
10.569	Emergency Food Assistance Program (Food Commodities)	11,709,655
12.000	Issue of Department of Defense excess equipment	2,982,886
39.003	Donation of Federal Surplus Personal Property	6,248,534
83.000	COVID-19: Miscellaneous Federal Emergency Management Administration Programs	11,875,720
84.906	American Printing House for the Blind	52,233
93.268	COVID-19: Immunizations Cooperative Agreements	164,250
93.268	Immunizations Cooperative Agreements	44,098,941
93.498	COVID-19: Provider Relief Fund	74,412
97.000	Miscellaneous Department of Homeland Security Programs	2,062,160
	Total	$ 110,752,791

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

During fiscal year 2021, the State received cash rebates totaling $18,080,139 from infant formula manufacturers on sales of formula to participants in the WIC program (FAL 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFR § 246.16a 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 284,690 more persons than could be served this fiscal year in the absence of the rebate contract.

(6) Disability Determination for Social Security

External auditors other than Arkansas Legislative Audit have been engaged to audit Disability Determination for Social Security Administration (DDSSA) included in the State of Arkansas Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021. This entity is not included in the Schedule of Expenditures of Federal Awards because the audit is based on the federal fiscal year, which ends September 30. The audit firm was Stan Parks, CPA, which issued an audit report for October 1, 2019, through September 30, 2020. The audit for the period ended September 30, 2021, has been procured by DDSSA.

(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 Schedule under FAL 17.225. The $1,809,189,434 of expenditures reported on the Schedule is comprised of $1,768,522,000 of federal funds and $40,667,434 of State UI funds.

(8) Notes Payable

The federal loan programs listed subsequently are administered directly by Arkansas Development Finance Authority (the Authority), and balances and transactions relating to the programs are included in the Authority's basic combined 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, 2021, consists of: [1]

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2021
10.415	Preservation Revolving Loan Fund	$ 3,427,737

(9) Coronavirus Relief Fund

In March 2020, the Federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act provided funding for several economic assistance programs to address the impact of the COVID-19 outbreak. The CARES Act established the Coronavirus Relief Fund (CRF) to provide assistance to states and other local and tribal governments with necessary expenditures incurred to address the public health emergency. The assistance had to be applied to allowable expenditures incurred in the period beginning March 1, 2020, and ending December 30, 2020. The State of Arkansas received CRF assistance in the amount of $1.25 billion. In December 2020, the federal government enacted the Consolidated Appropriations Act, 2021, that included an extension of the timeframe to expend CRF funds through December 31, 2021. Any CRF funds not expended by December 31, 2021, must be returned to the U. S. Treasury. Because of the requirement to return unexpended CRF funds, the State accrued a liability of $67.6 million for CRF funds unexpended as of June 30, 2021. In the period from July 1, 2021 through December 1, 2021, the State of Arkansas expended an additional $41.9 million of CRF funding, resulting in a remaining liability of $25.7 million.

(10) State and Local Fiscal Recovery Fund

On March 11, 2021, the federal government enacted the American Rescue Plan Act (ARPA). ARPA provided funding for several economic assistance programs to address the impact of the COVID-19 outbreak. ARPA established the State and Local Fiscal Recovery Fund (SLFRF) to provide assistance to states and other local and tribal governments with necessary expenditures incurred to address the public health emergency. The assistance must be applied to allowable expenditures incurred in the period beginning March 3, 2021, and ending December 31, 2024. In June 2021, the State of Arkansas received the first of two equal distributions of SLFRF assistance in the amount of $786.6 million, of the $1.6 billion total allocated to the State of Arkansas. Any SLFRF funds not expended by December 31, 2024, must be returned to the U. S. Treasury. Because of the requirement to return unexpended SLFRF funds, the State accrued a liability of $786.6 million for SLFRF funds unexpended as of June 30, 2021. In the period from July 1, 2021 through December 10, 2021, the State of Arkansas expended $431.0 million of SLFRF funding, resulting in a remaining liability of $355.6 million.

(11) Temporary Increase is Federal Medical Assistance Percentage

During the year ended June 30, 2021, certain federal programs listed in the Schedule received a temporary increase in the Federal Medical Assistance Percentage (FMAP) or Enhanced Federal Medical Assistance Percentage (E-FMAP), authorized through the Family First Coronavirus Response Act. The programs affected by this increase include the following:

Assistance Listing Number	Program Name
93.090	Guardianship Assistance
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care_Title IV-E
93.659	Adoption Assistance
93.767	Children's Health Insurance Program
93.778	Medical Assistance Program

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

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2021

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

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 no longer valid or warranting further action.

The schedule for the year ended June 30, 2021 is located on **page 153** and includes all findings from the prior audit, June 30, 2020, and certain findings from previous audits, including the years ended June 30, 2019 and 2018.

STATE OF ARKANSAS
Department of Finance and Administration

OFFICE OF THE SECRETARY
1509 West Seventh Street, Suite 401
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-2242
Fax: (501) 682-1029
www.arkansas.gov/dfa

August 9, 2021

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

Dear Mr. Norman,

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, 2020, 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

Larry W. Walther
Secretary

2020 Prior Year Financial Statement Finding Number 2020-001

Auditee reported status as of June 30, 2021: Corrective action was taken.

Division of Workforce Services

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework of internal controls, adopted by the State of Arkansas in DFA's Financial Management Guide, states that communications related to both operational and financial data are needed at all levels of an agency in a relevant, reliable, and timely fashion. The State did not have the policies and procedures in place to appropriately record the financial effects of the new unemployment insurance pandemic programs authorized under the CARES Act of 2020. As a result, we noted the following:

- Operating revenues were overstated by $52,930,508 when a portion of federal grant receipts were erroneously coded to a general ledger account related to Operating revenues, as opposed to the more appropriate general ledger account related to Non-operating revenues. The State made an attempt to correct the misstatement, but the modification was not made for the correct amount, or to the correct general ledger account. As a result, the correcting entry also caused a $19,299,223 overstatement of Non-operating revenues and a $72,229,731 overstatement of Operating expenses.
- A federal receivable of $170,564,947 related to the new pandemic programs [Federal Pandemic Unemployment Assistance (FPUC), Pandemic Extended Unemployment Compensation (PEUC), and Pandemic Unemployment Assistance (PUA)] was not recorded.
- Unemployment benefits payable of $293,784,718 for the new pandemic programs (FPUC, PEUC, and PUA) were not recorded until auditors inquired about the lack of such an entry. Additionally, auditors recalculated this payable to be $303,090,396, a difference of $9,305,678.

Lack of appropriate controls over financial reporting could cause financial statements to be misstated.

Upon notifying DFA-CAFR of the potential misstatements, an entry was made in AASIS to correct the amounts listed above.

We recommend the State work to improve its controls over financial reporting, creating policies and procedures that encourage more accurate reporting of its programs.

Views of Responsible Officials and Planned Corrective Action:
ADWS management concurs with the finding.

- The State made an attempt to correct the misstatement, but the modification was not made for the correct amount, or to the correct general ledger account. As a result, the correcting entry also caused a $19,299,223 overstatement of Non-operating revenues and a $72,229,731 overstatement of Operating expenses. Accounting staff unintentionally copied the posting templates from employer contributions, instead of other program revenues. To eliminate the risk, the Assistant Controller will review all new templates before posting.
- The root cause was breakdowns in communications and the lateness in calculating and posting the payable that caused this receivable. The Controller Unit will develop SOP's to ensure all appropriate entries are posted.
- Under normal circumstances, UI Program Unit uses a prescribed formula to calculate the payable for UI Regular Benefits. That formula is: Average Duration divided by 2, times compensable claims, times Average Weekly Benefit.

***2020 Prior Year Financial Statement Finding Number 2020-001* (Continued)**

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

At the seven (7) day period ending June 30, 2020; ADWS paid 83,088 compensable UI claims. The average weekly benefit amount for the quarter ending June 30, 2020 was $223.0 and the average claim duration was 8.8 weeks. Using these numbers, the UI Benefits payable at June 30, 2020 equals: $81,525,946.

There are differences in the regular benefits and new programs, such as duration, timing, and the very nature of the program. ADWS reviewed each of the programs for these issues, as well as for trends in the total payouts, and calculated our estimate.

Adjusted procedure: financial management will discuss all programs existing at year end, internally and with the program unit, and develop best estimates, as appropriate that must be approved by both program and fiscal leadership.

Anticipated Completion Date: Complete

Contact Person: Kristopher Jones
Assistant Director, FMAS
Arkansas Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3108
Kris.jones@arkansas.gov

2020 Prior Year Finding Number:	**2020-002**
State/Educational Agency(s):	**Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**17.225 – Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Partially corrected: ADWS will be reaching out to the AR Department of Health to discuss options for checking UI claims against their database of death certificates. ADWS has already taken action on other planned corrective actions below.

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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Our review of claimant data revealed overpayments as follows:

- Comparing claimant data to the death list provided by the Department of Health, ALA staff identified unemployment benefits totaling $15,220 that were paid for claims on behalf of four deceased individuals.
- Using data analytics, ALA staff identified $8,152,235 in post-pandemic-period payments to 3,384 claimants as suspicious due to the consistent wages reported for those employees by their employers in quarters 1 and 2 of calendar year 2020. In a random sample of 60 claimants, with benefits totaling $154,217, ALA noted:
    a) One claimant was paid 13 weeks of regular Unemployment Compensation (UC) and Federal Pandemic Unemployment Compensation (FPUC) totaling $12,298, between April 4, 2020 and June 27, 2020, for an unemployment claim on a part-time job lost when the business closed. The claimant still maintained gainful employment with a local university, earning wages of $16,491 in both quarters 1 and 2 of the calendar year 2020. If the wages had been correctly reported by the claimant in her weekly claims for unemployment, she would not have been eligible for any benefits; therefore, the entire $12,298 was an overpayment. The university disputed the unemployment claim with the Division of Workforce Services, which failed to properly consider the income and erroneously upheld the eligibility of the individual.
    b) Of the 60 claimants in the sample, 10 claimants, with benefit payments totaling $14,981, were victims of identity theft, who had claims filed fictitiously using their names and Social Security numbers. If projected to the population of $8,152,235 suspicious payments in this test, the result would be $791,927 in UC overpayments due to identity theft.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$42,499

Cause:
In response to the increase in demand for services/benefits, the State relaxed controls over identity verification and income verification for the program during the fourth quarter of fiscal year 2020.

2020 Prior Year Finding Number:	**2020-002 (Continued)**
State/Educational Agency(s):	**Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**17.225 – Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Effect:
Lack of appropriate internal controls resulted in overpayments of both state and federal funds.

Recommendation:
ALA staff recommend the Agency maintain and strengthen internal controls over benefit payments to ensure that payments are made in the correct amount and to eligible claimants. ALA staff also recommend the Agency seek recoupment of the identified overpayments.

Views of Responsible Officials and Planned Corrective Action:
ADWS management concurs with the finding.

1. To reduce the risk of improper payments due to weak controls around identify verification, ADWS has implemented or planned the following:
   a. Beginning in July 2020, PUA claimants whose applications were flagged as suspicious (i.e. “Internal Review” status) were mailed a letter requesting additional documentation including state-issued identification be submitted electronically to the PUA.Review@arkansas.gov email address or via fax or mail. In-person identity verification was not mandatory; in-person verification was the alternative method to the email, fax, and mail options. Claimants who successfully provided the requested documentation were released from Internal Review status and resumed normal claim activity.
   b. In December 2020, ADWS implemented the UIdentify solution from OnPoint Technology as another alternate method of identity verification. UIdentify sends an email to the claimant with a link for the claimant to scan the barcode on the back of their driver’s license. The solution then cross matches the barcode information against national Department of Motor Vehicles (DMV) databases and returns a “Match” or “Mismatch” result to ADWS.

      From December 4, 2020 thru January 11, 2021, a total of 60,757 emails were sent to claimants in Internal Review status. All applications for claimants who successfully verified their identity were released to resume normal claim activity.
   c. Data Analytics – Several data analytics techniques are currently utilized including a robust fraud algorithm, which identifies claims meeting certain parameters (i.e. multiple claims with common data elements, invalid email domains, high-risk banks, etc.).
   d. Tips/Leads – ADWS provides multiple methods to report suspected fraud including a fraud hotline and an online reporting option. Daily leads are also received from the IDH fraud alerts and regular communication regarding fraud is shared with the public.
   e. Although ADWS does not currently cross match against local death records, Regular UC has over 32 cross match processes some of which cross match national databases for death records and PUA has moved 17 of the same processes into production.
   f. ADWS is also planning to leverage the NASWA Integrity Hub Suspicious Actor Repository to further improve this process.
   g. Further, ADWS is currently implementing a “Fact-Finding for ID Theft Questionnaire” that requires clarification/attestation from a claimant that resolves duplicate claims.

2020 Prior Year Finding Number:	**2020-002 (Continued)**
State/Educational Agency(s):	**Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**17.225 – Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

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

2. Regarding the recoupment of identified overpayments, ADWS has implemented or planned the following:
   a. ADWS has a Benefits Payment Control Unit that pursues overpayments.
   b. Regarding overpayments due to Identity Theft specifically, ADWS must identify the perpetrator and proper claimant before attempting collections. ADWS actively works with OIG, FBI, and other organizations to coordinate this effort.

Anticipated Completion Date: Complete

Contact Person:
Kristopher Jones
Assistant Director, FMAS
Arkansas Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3108
Kris.jones@arkansas.gov

2020 Prior Year Finding Number:	**2020-003**
State/Educational Agency(s):	**Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**17.225 – Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken.

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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Unemployment Insurance Program Letter No. 14-20 establishes Pandemic Unemployment Assistance (PUA) for individuals who are self-employed, who are seeking part-time employment, or who otherwise would not qualify for regular Unemployment Compensation (UC) under state or federal law. As such, the programs are mutually exclusive, and it is not allowable for claims to be paid for the same week of unemployment out of both programs.

Condition and Context:
Using data analytics, ALA staff identified 1,820 claimants who received a total of 3,761 payments for the same week of unemployment in both the regular UC system and the new PUA system. The duplicate payments paid from the regular UC system totaled $1,291,245, and those paid from the PUA system totaled $1,304,451.

ALA staff reviewed the case files of 30 claimants, sampled from the population of 1,820 claimants, receiving duplicate payments and noted the following:

- 21 of the 30 claimants (70%) were not eligible for the PUA benefits received.
- 7 of the 30 claimants (23.3%) were not eligible for the regular UC benefits received.
- 2 of the 30 claimants (6.7%) were not eligible for either the PUA or the regular UC benefits received.
- Of the $100,883 PUA benefits sampled, *ALA identified questioned costs totaling $88,174.* If projected to the population of duplicate payments, likely questioned costs could total $1,139,770.
- Of the $98,288 regular UC benefits sampled, *ALA identified questioned costs totaling $15,264.* If projected to the population of duplicate payments, likely questioned costs could total $200,529.

Statistically Valid Sample:
Not at statistically valid sample

Questioned Costs:
$103,438

Cause:
The duplicate payments appear to be due to a lack of appropriate communication between the two systems administering the regular UC benefits and the PUA benefits.

Effect:
A lack of adequate controls allowed benefit payments from two separate systems to be issued for the same week of unemployment for the same claimant, resulting in overpayments of state and federal funds.

2020 Prior Year Finding Number:	**2020-003 (Continued)**
State/Educational Agency(s):	**Department of Commerce – Division of Workforce Services**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**17.225 – Unemployment Insurance**
Federal Awarding Agency:	**U.S. Department of Labor**
Federal Award Number(s):	**Not Applicable**
Federal Award Year(s):	**Not Applicable**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency work to strengthen internal controls over the establishment of eligibility for regular UC and PUA, as well as the payment of benefits, in a way that considers the information in both systems. In addition, ALA staff recommend the Agency continue to pursue the recovery of overpayments of funds, returning them to their appropriate source.

Views of Responsible Officials and Planned Corrective Action:
ADWS management concurs with the finding.

1. To reduce the risk of improper payments due to duplicate payments between UC and PUA, ADWS has implemented the following:
    a. ADWS sent a quarterly and now daily list to Protech that identifies claimants that are monetarily eligible to collect regular UC. Those claims are flagged as not entitled in the PUA system.
2. In terms of recouping Identified Overpayments, ADWS has implemented or planned the following improvements:
    a. This response is the same as that found in the response to Finding 2020-002.

Anticipated Completion Date: Complete

Contact Person:
Kristopher Jones
Assistant Director, FMAS
Arkansas Division of Workforce Services
2 Capitol Mall
Little Rock, AR 72201
501-682-3108
Kris.jones@arkansas.gov

2020 Prior Year Finding Number:	**2020-013**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**93.659 – Adoption Assistance**
Federal Awarding Agency:	**U.S. Department of Human Services**
Federal Award Number(s):	**2001ARADPT; 1901ARADPT; 1801ARADPT**
Federal Award Year(s):	**2018, 2019, and 2020**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially corrected. The agency updated its internal control procedures to include procedures for processing adoption subsidy overpayments in April 2021. A new report has been developed to identify termination of parent's rights. An internal monitoring review of the finding is pending.

Repeat Finding:
Not applicable

Criteria:
In accordance with 42 USC § 673(a)(4)(A) and (B), a payment may not be made to parents, with respect to a child, if the state determines that the parents are no longer legally responsible for the support of the child or the child is no longer receiving any support from the parents. Parents who have been receiving adoption assistance payments shall keep the state responsible for administering the program informed of circumstances that would make them ineligible for the payments.

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 federal award in compliance with federal statutes, regulations, and the terms and conditions of the award. These controls should be in compliance with Green Book or COSO guidance.
- Evaluate and monitor its compliance with the award.
- Take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings.

Condition and Context:
When an adoptive parent is no longer legally responsible for the support of the child (i.e., death of parent, termination of parental rights, child no longer receiving support from parent), the Adoption Unit must be notified in order to end the adoption subsidy. However, the notifications are not always timely, and the required information entered into the Children's Reporting and Information System (CHRIS) is delayed, resulting in payments made to parents past the subsidy end date. As a result, the Agency established internal control procedures to identify these types of payments and forward the overpayment information to the accounts receivable department for collection.

ALA obtained a report from CHRIS staff that contained all subsidy overpayments for the year ended June 30, 2020. The report contained subsidy overpayments for 33 clients. ALA reviewed documentation for 5 clients to ensure the overpayments were researched and properly submitted for collection.

The following deficiencies were noted:

- For 2 clients, the adoption subsidy continued for six months following the death of the adoptive parent. Agency staff were unaware that the six monthly checks had been cashed and did not perform research procedures to determine if the accounts receivable department should be notified of an overpayment. *Questioned costs totaled $3,610.*
- For 2 clients, the Agency was not notified timely that parental rights had been terminated. Additionally, when the termination was discovered, the overpayment information sent to the accounts receivable department was not complete because it did not include the entire overpayment period, voided warrants, or uncashed warrants. *Questioned costs totaled $10,467.*

2020 Prior Year Finding Number:	**2020-013 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**93.659 – Adoption Assistance**
Federal Awarding Agency:	**U.S. Department of Human Services**
Federal Award Number(s):	**2001ARADPT; 1901ARADPT; 1801ARADPT**
Federal Award Year(s):	**2018, 2019, and 2020**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Significant Deficiency**

Condition and Context (Continued):
Further discussion with the Agency revealed that required overpayment adjustments have not been made on the quarterly federal financial reports or communicated with the federal awarding agency.
In addition, the Agency acknowledged that its documented internal control procedures have not been updated since 2015.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
State fiscal year 2020 - $5,604
State fiscal year 2019 - $5,492
State fiscal year 2018 - $2,981

Cause:
The internal control process for identifying, researching, calculating, and submitting overpayments to accounts receivable is inadequate. Additionally, the Adoption Unit is not notified timely of events requiring an adoption subsidy to end.

Effect:
The Agency does not have an adequate process in place to accurately identify and calculate overpayments and properly notify the accounts receivable department that an overpayment has occurred. Additionally, the federal awarding agency may require a refund.

Recommendation:
ALA staff recommend the Agency immediately update its documented internal control procedures regarding the overpayment process and provide relevant training to staff. In addition, ALA staff recommend the Agency immediately develop procedures for notifying the Adoption Unit regarding termination of adoptive parent parental rights to ensure subsidy end date information is processed timely.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Division of Children and Family Services (DCFS) has reviewed and updated the internal control procedures to include overpayment processes. Additional training has been provided to the adoption staff responsible for reviewing overpayments. DCFS has also worked with the Office of Information Technology to create a new report to identify when the termination of parental rights has been entered in CHRIS for a dissolved adoption. The report will allow the adoption staff to complete the subsidy end date in CHRIS and review for any overpayment.

Anticipated Completion Date: April 30, 2021

Contact Person:
Mischa Martin
Director, Division of Children and Family Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6331
Mischa.martin@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-014**
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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5021; 05-2005AR5021 (Children's Health Insurance Program)**
	05-1905AR5MAP; 05-2005AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially corrected. The agency updated its procedures for processing overpayments in February 2021 and will attach funding codes to overpayments that can be identified as Medicaid/CHIP in June 2021. An internal monitoring review of the finding is pending.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-014**.

Criteria:
42 CFR § 433, Subpart F, establishes requirements for identifying overpayments to Medicaid providers and for refunding the federal portion of identified overpayments to the federal awarding agency. The provisions apply to overpayments discovered by a state, by a provider and made known to the state, or through federal review.

Also, in accordance with 42 CFR § 433.320, an agency must refund the federal share of overpayments that are subject to recovery by recording a credit on its Quarterly Statement of Expenditures (Form CMS-64). An agency must credit the federal share of overpayments on the earlier of (1) the CMS-64 submission due for the quarter in which the overpayment is recovered from the provider or (2) the quarter in which the one-year period following discovery, established in accordance with 42 CFR § 433.316, ends. A credit on the CMS-64 must be made whether or not the state has recovered the overpayment from the provider.

Finally, 42 CFR § 457.628(a) states that the requirements for the Medicaid program under 42 CFR §§ 433.312 - 433.322 also apply to the Children's Health Insurance Program (CHIP).

Condition and Context:
ALA review of the Agency's process for reporting provider overpayments due to fraud resulted in the discovery of four overpayments, totaling $72,686, that were not reported on the CMS-64 as required. In addition, three of the four overpayments were never entered into the Agency's QuickBooks system, intended to be the Agency's monitoring mechanism for its receivables.

The Agency confirmed that it does not identify the program from which overpayments were originally paid (i.e., Medicaid or CHIP). Therefore, ALA was unable to determine that all reported overpayments, which were not recouped through ICN level adjustments in MMIS, were appropriately applied to the Medicaid program.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Medicaid - $72,686
CHIP - Unknown

Cause:
Individuals involved in the collecting and reporting of provider overpayments did not have an adequate understanding of the federal regulations governing the reporting of identified overpayments.

2020 Prior Year Finding Number:	**2020-014 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5021; 05-2005AR5021 (Children's Health Insurance Program)**
	05-1905AR5MAP; 05-2005AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Effect:
The Agency failed to report all identified overpayments and to report the overpayments timely. 42 CFR § 433.320(a)(4) states that if the federal share of an overpayment is not refunded, the state will be liable for interest on the amount equal to the federal share of the non-recovered, non-refunded overpayment amount. Interest during this period will be at the Current Value of Funds Rate and will accrue beginning on the day after the end of the one-year period following discovery until the last day of the quarter for which the CMS-64 is submitted, refunding the federal share of the overpayment.

Recommendation:
ALA staff recommend the Agency provide adequate training to ensure staff responsible for identifying and reporting provider overpayments fully understand the reporting requirements for overpayments that are identified by the Office of Medicaid Inspector General and the Medicaid Fraud Control Unit. ALA further recommends the Agency strengthen controls to ensure all identified overpayments are included on the appropriate CMS-64 and reported timely.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency updated its procedures for processing Medicaid provider overpayments received from OMIG and MFCU on February 19, 2020. The payments noted in the findings were received from MFCU prior to the agency's implementation of corrective action.

The agency will attach funding codes to overpayments that can be identified as Medicaid or CHIP for reporting.

Anticipated Completion Date: June 30, 2021

Contact Person:
Jason Callan
Deputy Chief Financial Officer, Medicaid Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6540
Jason.callan@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-015**
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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5021; 05-2005AR5021 (Children's Health Insurance Program)**
	05-1905AR5MAP; 05-2005AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Material Weakness**

Auditee reported status as of June 30, 2021: Partially corrected. The agency developed internal controls addressing the actuarial review, submission, and completion of MLR reports for PASSE and Dental Managed Care in May 2021. An internal monitoring review for this finding is pending.

Repeat Finding:
Not applicable

Criteria:
In accordance with 45 CFR § 75.302(b)(7), a non-federal entity must establish written procedures to implement and 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.

In addition, 45 CFR § 75.303 states that 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 award. These controls should be in compliance with Green Book or COSO guidance.
- Evaluate and monitor its compliance with the award.
- Take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings.

Condition and Context:
The Agency failed to establish documented Medical Loss Ratio (MLR) internal controls for the Dental managed care program. After further inquiry to gain an understanding of the Agency's control processes, ALA was unable to identify any internal controls and could not perform MLR control testing on the Dental managed care program.

ALA was able to identify and test MLR controls for the Provider-Led Arkansas Shared Savings Entity (PASSE) managed care program. MLR reports are a requirement of each PASSE. These reports must be submitted to the Agency by April 30 and meet certain requirements outlined in the PASSE agreement as follows:

a) Total incurred claims.
b) Expenditures on quality improving activities.
c) Expenditures related to activities compliant with program integrity requirements.
d) Non-claims costs.
e) Premium revenue.
f) Taxes.
g) Licensing fees.
h) Regulatory fees.
i) Methodologies for allocation of expenditures.

2020 Prior Year Finding Number:	**2020-015 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5021; 05-2005AR5021 (Children's Health Insurance Program)**
	05-1905AR5MAP; 05-2005AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Material Weakness**

Condition and Context (Continued):

j) Any credibility adjustment applied.
k) The calculated MLR.
l) Any remittance owed to the state, if applicable.
m) A comparison of the information reported with the audited financial report.
n) A description of the aggregation method used to calculate total incurred claims.
o) The number of member months.

Our testing revealed that adequate documentation was not provided to support that the required MLR reports were submitted timely and contained complete and accurate information. As a result, ALA was unable to determine if there was sufficient, appropriate evidence documenting that this control was operating effectively.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency did not adequately develop or document internal control procedures for its staff regarding MLR for the Dental managed care program. Adequate oversight was not in place regarding MLR for PASSE.

Effect:
Failure to adequately document and implement appropriate internal control procedures limits the Agency's ability to adequately monitor the program to ensure compliance.

Recommendation:
ALA staff recommend the Agency develop and document internal controls regarding MLR for the Dental managed care program. In addition, ALA recommends the Agency strengthen the PASSE internal controls for MLR to ensure consistent operating effectiveness of the controls.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency contracts with a vendor to perform an actuarial analysis of Medical Loss Ratio (MLR reports) for PASSE and Dental Managed Care. The vendor produces a report of this analysis. The agency will develop written controls addressing the actuarial review, submission, and completion of MLR reports for PASSE and Dental Managed Care.

Anticipated Completion Date: April 30, 2021

2020 Prior Year Finding Number:	**2020-015 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5021; 05-2005AR5021 (Children's Health Insurance Program)**
	05-1905AR5MAP; 05-2005AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Material Weakness**

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

Contact Person:

Janet Mann
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6270
Janet.mann@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-016**
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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5021; 05-2005AR5021 (Children's Health Insurance Program)**
	05-1905AR5MAP; 05-2005AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: **Partially corrected.** The agency developed internal controls addressing the actuarial review, submission, and completion of MLR reports for PASSE and Dental Managed Care in May 2021. An internal monitoring review for this finding is pending.

Repeat Finding:
Not applicable

Criteria:
In a final rule, published in the Federal Register on May 6, 2016 (81 FR 27498), CMS adopted Medical Loss Ratio (MLR) requirements for Medicaid and CHIP managed care programs. One of the requirements is that a state must require each Medicaid managed care plan to calculate and report an MLR for rating periods starting on or after July 1, 2017. Each CHIP managed care plan is required to calculate and report an MLR for rating periods for state fiscal years beginning on or after July 1, 2018.

Additionally, 42 CFR § 438.8(e)(4) defines the requirements regarding fraud prevention activities for the numerator of the MLR calculation.

Finally, with regard to capitation rate setting for certain Managed Care Organization (MCO) plans, **prior** approval must be obtained as required in accordance with the regulations below:

- 42 CFR § 438.4(b) - Capitation rates for MCOs must be reviewed and approved by CMS as actuarially sound and must be provided to CMS in an approved format and within a timeframe that meets the requirements defined by 42 CFR § 438.7.
- 42 CFR § 438.7(a) - States must submit all MCO rate certifications concurrent with the review and approval process for contracts as specified in 42 CFR § 438.3(a).
- 42 CFR § 438.3(a) - CMS must review and approve all contracts, including those contracts that are not subject to the prior approval requirements in 42 CFR § 438.806. For states seeking approval of contracts prior to a specific effective date, proposed final contracts must be submitted to CMS for review no later than 90 days prior to the effective date of the contract.
- 42 CFR § 438.3(c) - The capitation rate and the receipt of capitation payments under the contract must be specifically identified in the applicable contract submitted for CMS review and approval.
- 42 CFR § 438.806(b) - For MCO contracts, prior approval by CMS is a condition of Federal Financial Participation (FFP) under any MCO contract that has a value equal to or greater than the following threshold amounts: $1,000,000 for 1998 (the value for all subsequent years is increased by the percentage increase in the consumer price index). FFP is not available in an MCO contract that does not have prior approval from CMS.

Condition and Context:
ALA reviewed the Dental managed care program and the Provider-Led Arkansas Shared Savings Entity (PASSE) managed care program for compliance with the various managed care MLR requirements. As result of procedures performed, the following deficiencies were noted:

2020 Prior Year Finding Number:	**2020-016 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5021; 05-2005AR5021 (Children's Health Insurance Program)**
	05-1905AR5MAP; 05-2005AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Dental Managed Care:

Two entities participate in the Dental managed care program: Delta Dental and Managed Care of North America (MCNA). ALA review of the MLR requirements regarding these entities revealed the following:

- No documentation was provided to substantiate that the MLR calculation for calendar year 2018 was performed by MCNA and provided to the Agency.
- Although fraud prevention expenses were included in the numerator of the MLR calculation for Delta Dental for both calendar years 2018 and 2019, there was no Agency review of the calculation; therefore, whether the amounts included were in accordance with the amounts allowed could not be determined.
- Although it is assumed that the MLR reported for a rating period was calculated by using data from that rating period, this could not be verified as there was no Agency review of the accuracy/appropriateness of the MLR calculations performed by Delta Dental and MCNA for calendar years 2018 and 2019.

PASSE:

- No documentation was provided to substantiate that the Agency received prior approval from CMS for the revised calendar year 2019 rates prior to implementing the revised rates in October 2019.
- No documentation was provided to substantiate that the Agency received prior approval from CMS for the revised calendar year 2020 rates prior to implementing the revised rates in June 2020.

Statistically Valid Sample:
Not applicable

Questioned Costs:
Unknown

Cause:
The Agency did not adequately develop or implement procedures to ensure that the various managed care MLR requirements were met.

Effect:
Failure to adequately develop and implement appropriate internal control procedures limits the Agency's ability to adequately monitor the program to ensure compliance.

Recommendation:
ALA staff recommend the Agency develop and implement control procedures for managed care MLR requirements for both the Dental and PASSE managed care programs to ensure compliance.

2020 Prior Year Finding Number:	**2020-016 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5021; 05-2005AR5021 (Children's Health Insurance Program)**
	05-1905AR5MAP; 05-2005AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles - Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:

DHS concurs with this finding. The agency contracts with a vendor to perform an actuarial analysis of Medical Loss Ratio (MLR reports) for PASSE and Dental Managed Care. The vendor produces a report of this analysis. The agency will develop written controls addressing the actuarial review, submission, and completion of MLR reports for PASSE and Dental Managed Care.

The agency timely submitted capitation rates to CMS pursuant to 42 CFR § 438.3 for calendar years 2019 and 2020. The agency will work with the CMS to avoid any future delays in rate approval.

Anticipated Completion Date: April 30, 2021

Contact Person:

Janet Mann
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6270
Janet.mann@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-017**
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 Awarding Agency:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5021; 05-2005AR5021 (Children's Health Insurance Program)**
	05-1905AR5MAP; 05-2005AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Material Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Partially corrected. The agency has improved its ability to provide greater specificity in tracking "other non-federal funds" through the purchase of a new general ledger system that is to be implemented by 9/1/21. Internal monitoring for this finding is pending.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-017**.

Criteria:
In accordance with 45 CFR § 95.507(4), the Agency's established Cost Allocation Plan is required to contain sufficient information in such detail to permit the Director - Division of Cost Allocation, after consulting with the Operating Divisions, to make an informed judgment on the correctness and fairness of the State's procedures for identifying, measuring, and allocating all costs to each of the programs operated by the Agency.

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 (MAP).

In addition, 45 CFR § 75.303 states that a non-federal entity must "**take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings**."

Condition and Context:
Procedures implemented by the Agency to monitor state general revenues and other non-federal revenues used to "match" the federal grant award monies are not sufficiently detailed to determine that state match requirements were met for the MAP and CHIP.

The Agency does not maintain documentation identifying the original source of revenues categorized as other non-federal. State general revenues used to meet match requirements are transferred to the paying funds once available. The Agency utilizes an outside accounting system, Lotus 1-2-3, to maintain and trace state general revenue and other non-federal funds available. Agency staff manually key information into this system daily; however, no reviews or controls are in place to ensure the accuracy of this information or the funding category balances.

ALA's prior-year testing revealed that accounting records maintained in the Lotus 1-2-3 system included one-sided adjustments to state general revenue and other non-federal funds, causing the ending balances of both funding categories to be inaccurate. Periodic reconciliations of fund balances in the Lotus 1-2-3 system were only performed "in total" and not by the funding source (i.e., federal, state, or other non-federal).

Finally, Agency procedures implemented to monitor the use of state general revenue and other non-federal funding sources are completed at the Division level instead of the federal program level (i.e., Medicaid, CHIP, etc.).

As a result, sufficient, appropriate evidence could not be provided for ALA to perform testing to determine if the State met the required match in accordance with federal regulations.

Statistically Valid Sample:
Not a statistically valid sample

2020 Prior Year Finding Number:	**2020-017 (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 Awarding Agency:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5021; 05-2005AR5021 (Children's Health Insurance Program)** **05-1905AR5MAP; 05-2005AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Material Noncompliance and Material Weakness**

Questioned Costs:
Unknown

Cause:
Internal controls and monitoring procedures regarding the identification of revenue sources used for matching are inadequate to effectively monitor state match requirements at the federal program level.

Effect:
Compliance with the matching compliance requirement cannot be determined.

Recommendation:
ALA recommends the Agency review and strengthen internal controls to allow the Agency to appropriately identify funding sources used to meet state match requirements.

Views of Responsible Officials and Planned Corrective Action:
DHS disputes in part and concurs in part with this finding. While the agency maintains documentation identifying funds classified as "other non-federal" in its fund control *ledgers, the funds and sources could be documented with greater specificity. The agency will update its process to* provider greater specificity in tracking "other non-federal" funds.

The agency is in the process of reviewing general ledger systems to replace Lotus 1-2-3. This system will contain enhanced controls to support maintaining and documenting the accuracy of fund balances.

While the agency is not able to provide the level of detail requested by ALA, we maintain that the current process meets the State match obligation and complies with GAAP and state and federal law.

Anticipated Completion Date: December 31, 2021

Contact Person:
Misty Eubanks
Interim Chief Financial Officer
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6327
Misty.BowenEubanks@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-018**
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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken. The agency updated its independent assessment process in January 2020. Internal monitoring was completed in June 2021.

Repeat Finding:
Not applicable

Criteria:
The Provider-Led Arkansas Shared Savings Entity (PASSE) program transitioned to a full-risk Managed Care Organization (MCO) model on March 1, 2019. The program covers services for behavioral health (BH) recipients and developmentally disabled (DD) recipients. To receive services through PASSE, individuals must have an independent assessment (IA) performed that designates them at the appropriate level of need to participate in the program.

The 1915(c) Home and Community-Based Services Waiver, applicable to the DD population, requires that an IA be performed at least every three years.

Section 1915(i) of the Social Security Act, applicable to the BH population, which provides states the option to offer home and community-based services through the state's plan, requires that an IA be performed at least every 12 months. In addition, 42 CFR § 441.720(b) states that for reassessments, the IA of need must be conducted at least every 12 months and as needed when the individual's support needs or circumstances change significantly, in order to revise the service plan.

Condition and Context:
From a population of over 7,000 PASSE recipients, ALA selected a sample of 60 (classified as BH) to determine if the following attributes had been met:

- An open eligibility segment for the recipient during the dates of service.
- A valid IA on file in effect for the dates of service.
- Appropriate amount paid in accordance with the actuarially determined rates.

ALA's review revealed exceptions affecting payments for 29 recipients as detailed below:

The following 11 exceptions occurred because the Agency could not provide documentation supporting that an IA was updated or in effect for the payments made representing all dates of service. As a result, payments were made outside an approved/updated IA.

- Sample item 1: The IA expired on July 2, 2019, and payments for this recipient continued for dates of service through September 30, 2019. *Questioned costs totaled $8,187.*
- Sample item 3: The IA expired on May 31, 2019, and payments for this recipient continued for dates of service through December 31, 2019. *Questioned costs totaled $8,138.*
- Sample item 12: The IA expired on July 22, 2019, and payments for this recipient continued for dates of service through December 31, 2019. *Questioned costs totaled $6,431.*
- Sample item 14: The IA expired on April 19, 2019, and payments for this recipient continued for dates of service through August 31, 2019. *Questioned costs totaled $1,998.*
- Sample item 25: The IA expired on March 8, 2019, and payments for this recipient continued for dates of service through August 31, 2019. *Questioned costs totaled $2,798.*
- Sample item 26: The IA expired on March 29, 2019, and payments for this recipient continued for dates of service through August 31, 2019. *Questioned costs totaled $3,129.*

2020 Prior Year Finding Number:	**2020-018 (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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 31: The IA expired on May 2, 2019, and payments for this recipient continued for dates of service through August 31, 2019. *Questioned costs totaled $2,996.*
- Sample item 38: The IA expired on April 22, 2019, and payments for this recipient continued for dates of service through June 4, 2019. *Questioned costs totaled $133.*
- Sample item 40: The IA for this recipient became effective on June 28, 2019, and a payment for this recipient was made representing dates of service that were prior to the effective date of the IA. *Questioned costs totaled $899.*
- Sample item 42: The IA expired on May 31, 2019, and payments for this recipient continued for dates of service through December 31, 2019. *Questioned costs totaled $8,138.*
- Sample item 49: The IA expired on November 20, 2019, and payments for this recipient continued for dates of service through December 31, 2019. *Questioned costs totaled $1,710.*

The following 18 exceptions occurred because an IA was not updated timely, resulting in payments made for dates of service outside an approved/updated IA.

- Sample item 2: The IA expired on August 12, 2019, and was not updated until November 12, 2019. Payments for this recipient continued for dates of service from August 13, 2019 through November 11, 2019. *Questioned costs totaled $9,093.*
- Sample item 4: The IA expired on September 4, 2019, and was not updated until January 2, 2020. Payments for this recipient continued for dates of service from September 5, 2019 through January 1, 2020. *Questioned costs totaled $5,009.*
- Sample item 7: The IA expired on June 21, 2019, and was not updated until August 22, 2019. Payments for this recipient continued for dates of service from June 22, 2019 through August 21, 2019. *Questioned costs totaled $1,845.*
- Sample item 9: The IA expired on August 9, 2019, and was not updated until January 13, 2020. Payments for this recipient continued for dates of service from August 10, 2019 through January 12, 2020. *Questioned costs totaled $5,851.*
- Sample item 11: The IA expired on May 29, 2019, and was not updated until August 23, 2019. Payments for this recipient continued for dates of service from May 30, 2019 through August 22, 2019. *Questioned costs totaled $2,707.*
- Sample item 13: The IA expired on March 15, 2019, and was not updated until July 10, 2019. Payments for this recipient continued for dates of service from March 16, 2019 through July 9, 2019. *Questioned costs totaled $1,289.*
- Sample item 17: The IA expired on June 19, 2019, and was not updated until July 11, 2019. Payments for this recipient continued for dates of service from June 20, 2019 through July 10, 2019. *Questioned costs totaled $643.*
- Sample item 21: The IA expired on August 5, 2019, and was not updated until October 17, 2019. Payments for this recipient continued for dates of service from August 6, 2019 through October 16, 2019. *Questioned costs totaled $1,837.*
- Sample item 24: The IA expired on March 21, 2019, and was not updated until August 28, 2019. Payments for this recipient continued for dates of service from March 22, 2019 through August 27, 2019. *Questioned costs totaled $2,678.*

2020 Prior Year Finding Number:	**2020-018 (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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 29: The IA expired on May 24, 2019, and was not updated until July 3, 2019. Payments for this recipient continued for dates of service from May 25, 2019 through July 2, 2019. *Questioned costs totaled $1,058.*
- Sample item 36: The IA expired on August 23, 2019, and was not updated until August 30, 2019. Payments for this recipient continued for dates of service from August 24, 2019 through August 29, 2019. *Questioned costs totaled $193.*
- Sample item 39: The IA expired on May 15, 2019, and was not updated until July 12, 2019. Payments for this recipient continued for dates of service from May 16, 2019 through July 11, 2019. *Questioned costs totaled $1,253.*
- Sample item 44: The IA expired on June 13, 2019, and was not updated until November 25, 2019. Payments for this recipient continued for dates of service from June 14, 2019 through November 24, 2019. *Questioned costs totaled $6,048.*
- Sample item 55: The IA expired on June 6, 2019, and was not updated until July 8, 2019. Payments for this recipient continued for dates of service from June 7, 2019 through July 7, 2019. *Questioned costs totaled $1,025.*
- Sample item 56: The IA expired on July 25, 2019, and was not updated until October 9, 2019. Payments for this recipient continued for dates of service from July 26, 2019 through October 8, 2019. *Questioned costs totaled $2,377.*
- Sample item 57: The IA expired on July 12, 2019, and was not updated until July 22, 2019. Payments for this recipient continued for dates of service from July 13, 2019 through July 21, 2019. *Questioned costs totaled $290.*
- Sample item 59: The IA expired on April 25, 2019, and was not updated until July 18, 2019. Payments for this recipient continued for dates of service from April 26, 2019 through July 17, 2019. *Questioned costs totaled $3,966.*
- Sample item 60: The IA expired on April 30, 2019, and was not updated until September 17, 2019. Payments for this recipient continued for dates of service from May 1, 2019 through September 16, 2019. *Questioned costs totaled $2,996.*

Questioned Costs:
$94,715

Cause:
The full-risk PASSE program began in March 2019. Rather than being performed evenly throughout the year, the majority of the BH assessments were performed by the Agency's contractor, Optum, in large groupings during calendar year 2018. To more evenly distribute the assessment workload throughout the year, the Agency and its contractor spread the assessments out over the full 12 months. Due to the timing of this process, there were still instances of late BH assessments noted during fiscal year 2020.

Effect:
Gaps were revealed in the performance of the required independent assessments for the BH population. As a result, payments were made outside the approved/updated dates of service for numerous recipients.

2020 Prior Year Finding Number:	**2020-018 (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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency review and strengthen its independent assessment procedures to ensure they are completed timely and in accordance with federal regulations.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with the finding. As of January 1, 2020, the agency has updated its independent assessment process to ensure timely completion of reassessments. The scheduling process for assessments begins 60 days from the due date of assessment and beneficiaries may call to schedule an assessment up to six months prior to the assessment due date. Members that are not assessed prior to their reassessment date will be removed from the PASSE. (Note: Members are not being removed from the PASSE for lack of reassessment during the COVID-19 federal public health emergency).

Anticipated Completion Date: Complete

Contact Person:
Janet Mann
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6270
Janet.mann@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-019**
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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken. The agency updated its process for performing provider eligibility reviews in May 2019 and completed regular compliance reviews during fiscal year 2021.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-006**.

Criteria:
According to section 140.000, 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.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) 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, plus site visits.
- The high-risk category includes those required for moderate, plus fingerprint background checks.

Condition and Context:
ALA staff reviewed 40 paid providers to ensure sufficient, appropriate evidence was provided to support the determination of eligibility, including compliance with revalidation requirements. ALA review revealed deficiencies with 11 of the provider files as follows:

Moderate-risk category:

- Sample item 23: The Agency failed to perform the additional screening requirement (site visit). *Questioned costs totaled $1,978.*
- Sample item 29: The provider's revalidation was due by February 19, 2020, but was not performed until April 13, 2020. In addition, a site visit was never performed supporting the 2015 revalidation. (Subsequent site visits were suspended on March 4, 2020, due to the COVID-19 pandemic.) *Questioned costs totaled $5,155.*

2020 Prior Year Finding Number:	**2020-019 (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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 30: The Agency failed to perform the additional screening requirement (site visit). *Questioned costs totaled $523.*
- Sample item 33: The provider's revalidation was due by June 25, 2016, but was not performed until June 6, 2019. *Questioned costs totaled $1,120.*
- Sample item 36: The provider's revalidation was due by September 25, 2016, but was not performed until May 7, 2019. *Questioned costs totaled $280.*

Limited-risk category:

- Sample item 9: The provider's revalidation was due by September 25, 2016, but was never performed. According to the Agency, the provider was to be terminated, but due to the COVID-19 pandemic, no providers have been terminated. *Questioned costs totaled $126.*
- Sample item 24: The provider's revalidation was due by April 30, 2017, but was not performed until May 3, 2019. *Questioned costs totaled $480.*
- Sample item 25: The provider's revalidation was due by September 25, 2016, but was not performed until August 29, 2019. In addition, there was not an application on file that covered the entire enrollment period. *Questioned costs totaled $2,206.*
- Sample item 26: The provider's revalidation was due by September 25, 2016, but was not performed until August 29, 2019. In addition, there was not an application on file that covered the entire enrollment period. *Questioned costs totaled $5,607.*
- Sample item 34: The provider's revalidation was due by June 21, 2017, but was not performed until October 25, 2019. *Questioned costs totaled $570.*
- Sample item 38: The Agency did not provide documentation of the provider's certification that covered the entire enrollment period. *Questioned costs totaled $2,665.*

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$20,710

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to timing of the implementation of the new procedures, deficiencies continued to exist during fiscal year 2020.

Effect:
Claims were processed and paid to providers that did not meet all the required elements and, therefore, were ineligible.

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

2020 Prior Year Finding Number:	**2020-019 (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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:

DHS concurs with this finding. Effective May 31, 2019, DMS established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. The DHS Office of Payment Integrity and Internal Audit also conducts regular provider eligibility compliance reviews and reports its findings to DMS.

Eight of the eleven deficient provider files relate to non-compliance with revalidation requirements pre-dating May 31, 2019. The deficiencies noted that occurred prior to May 31, 2019 will be corrected upon revalidation for the provider.

Two of the eleven deficient providers revalidated after the established revalidation deadline in SFY2020. These providers submitted applications for revalidation which were not able to be processed by the revalidation deadline due to incomplete information on the application. The providers were not terminated as they submitted the missing information at the request of the agency.

One of the eleven deficient providers did not have the required proof of grant award required for eligibility. The agency sends an automatic notification when a provider's grant award on file expires. If the updated award is not received within 60 days of the expiration date the provider is terminated. This provider was not terminated as the expiration of award occurred during the federal COVID-19 public health emergency.

Anticipated Completion Date: Complete

Contact Person:

Janet Mann
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6270
Janet.mann@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-020**
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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken. The agency updated its provider eligibility internal controls in May 2019 and completed regular compliance reviews during fiscal year 2021.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-007**.

Criteria:
According to section 140.000, 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. Managed Care Network providers must also be enrolled in the Arkansas Medicaid Program. 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.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) 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, plus site visits.
- The high-risk category includes those required for moderate, plus fingerprint background checks.

Condition and Context:
To determine if Managed Care Network providers met all necessary criteria to participate in the Medicaid program, ALA staff selected 60 paid provider files for review. The providers selected participated in the Dental managed care program, commonly referred to as Healthy Smiles, and the Provider-Led Arkansas Shares Savings Entity (PASSE) managed care program. ALA review revealed deficiencies with 19 of the provider files as follows:

High-risk category:

- ➢ Sample item 38: The Agency did not perform the additional screening requirements (site visit and fingerprint background check) or provide documentation of the provider's certification that covered the entire enrollment period. *Ineligible costs totaled $65,070.*

2020 Prior Year Finding Number:	**2020-020 (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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

Moderate-risk category:

- Sample item 18: The Agency did not perform the additional screening requirement (site visit) or provide documentation of the provider's certification that covered the entire enrollment period. *Ineligible costs totaled $183.*
- Sample item 19: The Agency did not perform the additional screening requirement (site visit). *Ineligible costs totaled $80.*
- Sample item 20: The Agency did not perform the additional screening requirement (site visit). *Ineligible costs totaled $2,352.*
- Sample item 21: The Agency did not perform the additional screening requirement (site visit). *Ineligible costs totaled $309.*
- Sample item 23: The Agency did not perform the additional screening requirement (site visit) or provide documentation of the provider's certification that covered the entire enrollment period. *Ineligible costs totaled $3,568.*
- Sample item 30: The provider's revalidation was due by December 12, 2019, but was not performed until February 4, 2020. In addition, the Agency did not perform the additional screening requirement (site visit) for the 2014 re-enrollment. *Ineligible costs totaled $18,466.*
- Sample item 39: The provider's revalidation was due by September 25, 2016, but was not performed until October 31, 2019. *Ineligible costs totaled $1,598.*

Limited-risk category:

- Sample item 2: The provider's revalidation was due by September 25, 2016, but was not performed until May 22, 2019. In addition, the Agency could not provide the required W-9 that covered the entire enrollment period. *Ineligible costs totaled $153.*
- Sample item 3: The provider's revalidation was due by September 25, 2016, but was not performed until July 26, 2019. *Ineligible costs totaled $213.*
- Sample item 4: The provider's revalidation was due by September 17, 2017, but was not performed until August 2, 2019. *Ineligible costs totaled $58.*
- Sample item 7: No documentation was provided for this testing item. *Ineligible costs totaled $304.*
- Sample item 8: The provider's revalidation was due by September 25, 2016, but was not performed until July 8, 2019. *Ineligible costs totaled $65.*
- Sample item 12: The provider's revalidation was due by September 25, 2016, but was not performed until March 4, 2020. *Ineligible costs totaled $330.**
- Sample item 22: The provider's revalidation was due by September 25, 2016, but was not performed until August 22, 2019. In addition, the Agency could not provide documentation of the provider's certification that covered the entire enrollment period. *Ineligible costs totaled $1,082.*
- Sample item 24: The provider's revalidation was due by September 25, 2016, but was not performed until June 19, 2019. *Ineligible costs totaled $60.*
- Sample item 27: The provider's revalidation was due by May 22, 2017, but was not performed until August 16, 2019. *Ineligible costs totaled $50.*
- Sample item 31: The provider's revalidation was due by September 25, 2019, but was not performed until December 11, 2019. *Ineligible costs totaled $31.*

2020 Prior Year Finding Number:	**2020-020 (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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 34: The provider's revalidation was due by September 25, 2016, but was not performed until August 14, 2019. *Ineligible costs totaled $1,808.****

Dental Managed Care***** payments for the deficiencies noted above totaled $2,138. PASSE payments totaled $93,642.

NOTE: Because these providers are participating in the managed care portion of CHIP, providers are reimbursed by the managed care organizations, not the Agency. The managed care organizations receive a predetermined monthly payment from the Agency in exchange for assuming the risk for the covered recipients.

These monthly payments are actuarially determined based, in part, upon historical costs data. Accordingly, the failure to remove unallowable cost data from the amounts utilized by the actuary would lead to overinflated future rates, which will be directly paid by the Agency.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to timing of the implementation of the new procedures, deficiencies continued to exist during fiscal year 2020.

Effect:
Claims were processed and paid to the managed care entities for providers that did not meet all required criteria.

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:
DHS concurs with this finding. Effective May 31, 2019, DMS established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. Fifteen of the nineteen deficient provider files relate to non-compliance with revalidation requirements pre-dating May 31, 2019. The deficiencies noted that occurred prior to May 31, 2019 will be corrected upon revalidation for the provider. The DHS Office of Payment Integrity and Internal Audit also conducts regular provider eligibility compliance reviews and reports its findings to DMS.

Two of the nineteen deficient providers revalidated after the established revalidation deadline in SFY2020. These providers submitted applications for revalidation which were not able to be processed by the revalidation deadline due to incomplete information on the application. The providers were not terminated as they submitted the missing information at the request of the agency.

2020 Prior Year Finding Number:	**2020-020 (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):	**05-1905AR5021; 05-2005AR5021**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action (Continued):
Two of the nineteen deficient providers did not have the required proof of certification on file. The agency sends an automatic notification when a provider's certification on file expires. If the certification is not received within 60 days of the expiration date the provider is terminated. One provider submitted the requested certification during SFY20. The other provider has not submitted the requested certification but was not terminated due to the federal COVID-19 public health emergency.

Anticipated Completion Date: Complete

Contact Person:
Janet Mann
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6270
Janet.mann@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-021**
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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (ARChoices Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Partially corrected. The agency developed a workflow management strategy to ensure timely completion of PCSP's for ARChoices beneficiaries in July 2020. Internal monitoring for this finding is pending.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-011**.

Criteria:
Prior to January 1, 2019, the ARChoices waiver was governed by Section 212.300 of the ARChoices provider manual. It stated that each beneficiary must have an individualized Person-Centered Service Plan (PCSP) and that attendant care hours are based on the Resource Utilization Group (RUG) score produced from the ARPath assessment. Services must be provided according to the beneficiary's PCSP, with reimbursement limited to the amount and frequency authorized in the PCSP.

On January 1, 2019, the Arkansas Independent Assessment (ARIA) tool was used to determine the ARChoices level of care and aided in developing the beneficiary PCSP. Attendant care hours are determined utilizing the Task and Hour Standards (THS), which is the written methodology used by the Arkansas Department of Human Services (DHS) Registered Nurses (RNs) as the basis for calculating the number of attendant care hours that are reasonably and medically necessary. In addition, an Individual Service Budget (ISB) sets the maximum dollar amount for all waiver services received by an individual. Services must be provided according to the beneficiary's PCSP, with reimbursement limited to the amount and frequency authorized on the PCSP.

Condition and Context:
ALA staff reviewed data for 40 beneficiaries to determine if a valid PCSP was in effect for all dates of service for which claims were paid and if attendant care services were provided in accordance with the beneficiary's PCSP and did not exceed the frequency or the maximum amount allowed. This review revealed the following deficiencies regarding 28 beneficiaries:

- Sample item 2: Claims were paid without a valid PCSP for dates of service beginning May 27, 2019 through October 25, 2019. *Questioned costs totaled $3,053.*
- Sample item 3: Claims were paid without a valid PCSP for dates of service beginning June 17, 2019 through January 21, 2020. *Questioned costs totaled $6,187.*
- Sample item 6: Claims were paid without a valid PCSP for dates of service beginning June 4, 2019 through February 13, 2020. *Questioned costs totaled $1,373.*
- Sample item 7: Claims were paid without a valid PCSP for dates of service beginning June 1, 2019 through May 30, 2020. *Questioned costs totaled $19,274* but were only calculated through March 17, 2020, *to ensure adherence to the guidance contained in the note below*.
- Sample item 9: Claims were paid without a valid PCSP for dates of service beginning May 27, 2019 through August 22, 2019. *Questioned costs totaled $1,840.*
- Sample item 10: Claims were paid without a valid PCSP for dates of service beginning June 4, 2019 through May 29, 2020. *Questioned costs totaled $11,857* but were only calculated through March 17, 2020, *to ensure adherence to the guidance contained in the note below*.
- Sample item 11: Claims were paid without a valid PCSP for dates of service beginning June 17, 2019 through October 18, 2019. *Questioned costs totaled $4,828.*

2020 Prior Year Finding Number:	**2020-021 (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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (ARChoices Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 13: Claims were paid without a valid PCSP for dates of service beginning April 3, 2019 through April 28, 2020. *Questioned costs totaled $14,444* but were only calculated through March 17, 2020, *to ensure adherence to the guidance contained in the note below*.
- Sample item 14: Claims were paid without a valid PCSP for dates of service beginning February 6, 2019 through June 5, 2020. *Questioned costs totaled $7,097* but were only calculated through March 17, 2020, *to ensure adherence to the guidance contained in the note below*.
- Sample item 15: Claims were paid without a valid PCSP for dates of service beginning October 22, 2019 through January 24, 2020. *Questioned costs totaled $268.*
- Sample item 16: Claims were paid without a valid PCSP for dates of service beginning June 18, 2019 through November 4, 2019. *Questioned costs totaled $1,119.*
- Sample item 19: Claims were paid without a valid PCSP for dates of service beginning June 17, 2019 through October 25, 2019. *Questioned costs totaled $4,338.*
- Sample item 21: Claims were paid without a valid PCSP for dates of service beginning June 17, 2019 through September 9, 2019. *Questioned costs totaled $2,350.*
- Sample item 22: Claims were paid without a valid PCSP for dates of service beginning June 10, 2019 through August 17, 2019. *Questioned costs totaled $2,153.*
- Sample item 23: Claims were paid without a valid PCSP for dates of service beginning October 15, 2018 through June 12, 2020. *Questioned costs totaled $7,106* but were only calculated through March 17, 2020, *to ensure adherence to the guidance contained in the note below*.
- Sample item 24: Claims were paid without a valid PCSP for dates of service beginning June 17, 2019 through January 2, 2020. *Questioned costs totaled $11,581.*
- Sample item 26: Claims were paid without a valid PCSP for dates of service beginning June 17, 2019 through February 7, 2020. *Questioned costs totaled $13,090.*
- Sample item 27: Claims were paid without a valid PCSP for dates of service beginning May 1, 2019 through November 25, 2019. *Questioned costs totaled $12,678.*
- Sample item 28: Claims were paid without a valid PCSP for dates of service beginning May 1, 2019 through October 25, 2019. *Questioned costs totaled $5,957.*
- Sample item 29: Claims were paid without a valid PCSP for dates of service beginning June 10, 2019 through June 12, 2020. *Questioned costs totaled $9,221* but were only calculated through March 17, 2020, *to ensure adherence to the guidance contained in the note below*.
- Sample item 30: Claims were paid without a valid PCSP for dates of service beginning August 9, 2019 through October 4, 2019. *Questioned costs totaled $1,252.*
- Sample item 31: Claims were paid without a valid PCSP for dates of service beginning April 19, 2019 through October 28, 2019. *Questioned costs totaled $6,090.*
- Sample item 32: Claims were paid without a valid PCSP for dates of service beginning October 16, 2019 through March 11, 2020. *Questioned costs totaled $3,412.*
- Sample item 33: Claims were paid without a valid PCSP for dates of service beginning January 28, 2020 through February 28, 2020. *Questioned costs totaled $506.*

2020 Prior Year Finding Number:	**2020-021 (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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (ARChoices Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 34: Claims were paid without a valid PCSP for dates of service beginning June 16, 2019 through June 13, 2020. *Questioned costs totaled $14,222* but were only calculated through March 17, 2020, *to ensure adherence to the guidance contained in the note below*.
- Sample item 37: Claims were paid without a valid PCSP for dates of service beginning June 1, 2019 through September 8, 2019. *Questioned costs totaled $908.*
- Sample item 38: Claims were paid without a valid PCSP for dates of service beginning June 17, 2019 through June 12, 2020. *Questioned costs totaled $16,577* but were only calculated through March 17, 2020, *to ensure adherence to the guidance contained in the note below*.
- Sample item 39: Claims were paid without a valid PCSP for dates of service beginning June 16, 2019 through February 17, 2020. *Questioned costs totaled $14,563.*

NOTE: In accordance with the Families First Coronavirus Response Act (FFCRA), states must provide continuous coverage, through the end of the month in which the emergency period ends, to all Medicaid beneficiaries who were enrolled in Medicaid on or after March 18, 2020, regardless of any changes in circumstances or redeterminations at scheduled renewals that otherwise would result in termination.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$197,344

Cause:
The Agency failed to ensure that attendant care hour claims for ARChoices wavier beneficiaries were adequately supported by current and valid agreements (PCSP, RUG score, or ARIA assessment).

Effect:
Amounts paid were in excess of amounts authorized.

Recommendation:
ALA staff recommend the Agency review and strengthen its policies and procedures to ensure that all amounts paid are in accordance with amounts authorized and that amounts authorized are supported by both a current and valid PCSP and the CMS approved assessment tools, which are currently the ARIA assessment and THS.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with the finding. On July 20, 2020, the agency implemented a workflow management system and strategy to track and report re-evaluation activities that will ensure timely completion of Person-Centered Service Plans for ARChoices beneficiaries.

Anticipated Completion Date: Complete

2020 Prior Year Finding Number:	**2020-021 (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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (ARChoices Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

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

Contact Person:

Jay Hill
Director, Division of Aging, Adult, and Behavioral Health Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-686-9981
Jay.hill@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-022**
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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken. The agency updated its independent assessment process in January 2020. The agency completed internal monitoring in June 2021.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-012**.

Criteria:
The Provider-Led Arkansas Shared Savings Entity (PASSE) program transitioned to a full-risk Managed Care Organization (MCO) model on March 1, 2019. The program covers services for behavioral health (BH) recipients and developmentally disabled (DD) recipients. To receive services through PASSE, individuals must have an independent assessment performed that designates them at the appropriate level of need to participate in the program.

The 1915(c) Home and Community-Based Services Waiver, applicable to the DD population, requires that an IA be performed at least every three years.

Section 1915(i) of the Social Security Act, applicable to the BH population, provides states the option to offer home and community-based services through the state's plan and requires that an IA be performed at least every 12 months. In addition, 42 CFR § 441.720(b) states that, for reassessments, the IA of need must be conducted at least every 12 months and as needed when the individual's support needs or circumstances change significantly, in order to revise the service plan.

Condition and Context:
ALA selected 60 PASSE recipients (50 BH recipients and 10 DD recipients) to determine if the following attributes had been met:

- An open eligibility segment for the recipient during the dates of service.
- A valid IA on file in effect for the dates of service.
- Appropriate amount paid in accordance with the actuarially determined rates.

Our review revealed exceptions affecting payments for 22 BH recipients as detailed below:

The following six exceptions occurred because the Agency could not provide documentation supporting that an IA was updated or in effect for the payments made representing all dates of service. As a result, payments were made outside an approved/updated IA.

- Sample item 6: The IA expired on May 9, 2019, and payments for this recipient continued for dates of service through August 31, 2019. *Questioned costs totaled $1,973.*
- Sample item 19: The IA expired on May 14, 2019, and payments for this recipient continued for dates of service through August 31, 2019. *Questioned costs totaled $1,973.*
- Sample item 25: The IA expired on April 18, 2019, and payments for this recipient continued for dates of service through August 31, 2019. *Questioned costs totaled $1,973.*
- Sample item 36: The IA expired on October 11, 2019, and payments for this recipient continued for dates of service through December 31, 2019. *Questioned costs totaled $2,852.*
- Sample item 45: The IA expired on December 9, 2019, and payments for this recipient continued for dates of service through December 31, 2019. *Questioned costs totaled $1,863.*
- Sample item 52: The IA expired on June 11, 2019, and payments for this recipient continued for dates of service through December 31, 2019. *Questioned costs totaled $5,793.*

2020 Prior Year Finding Number:	**2020-022 (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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
The following 16 exceptions occurred because an IA was not updated timely, resulting in payments made for dates of service outside an approved/updated IA.

- Sample item 1: The IA expired on December 19, 2019, and was not updated until February 19, 2020. Payments for this recipient continued for dates of service from December 20, 2019 through February 18, 2020. *Questioned costs totaled $417.*
- Sample item 8: The IA expired on February 26, 2019, and was not updated until May 11, 2020. Payments for this recipient continued for dates of service from February 27, 2019 through May 10, 2020. *Questioned costs, totaling $9,037*, were calculated beginning February 27, 2019 through March 17, 2020, *to ensure adherence to the guidance contained in the note below*.
- Sample item 10: The IA expired on June 10, 2019, and was not updated until June 1, 2020. Payments for this recipient continued for dates of service from June 11, 2019 through May 31, 2020. *Questioned costs, totaling $18,882*, were calculated beginning June 11, 2019 through March 17, 2020, *to ensure adherence to the guidance contained in the note below*.
- Sample item 14: The IA expired on September 17, 2019, and was not updated until December 6, 2019. Payments for this recipient continued for dates of service from September 18, 2019 through December 5, 2019. *Questioned costs totaled $6,524.*
- Sample item 15: The IA expired on August 1, 2019, and was not updated until September 23, 2019. Payments for this recipient continued for dates of service from August 2, 2019 through September 22, 2019. *Questioned costs totaled $8,129.*
- Sample item 22: The IA expired on October 17, 2019, and was not updated until October 30, 2019. Payments for this recipient continued for dates of service from October 18, 2019 through October 29, 2019. *Questioned costs totaled $1,124.*
- Sample item 31: The IA expired on June 3, 2019, and was not updated until July 2, 2019. Payments for this recipient continued for dates of service from June 4, 2019 through July 1, 2019. *Questioned costs totaled $4,211.*
- Sample item 35: The IA expired on June 14, 2019, and was not updated until September 20, 2019. Payments for this recipient continued for dates of service from June 15, 2019 through September 19, 2019. *Questioned costs totaled $1,620.*
- Sample item 40: The IA expired on March 28, 2019, and was not updated until June 21, 2019. Payments for this recipient continued for dates of service from March 29, 2019 through June 20, 2019. *Questioned costs totaled $470.*
- Sample item 44: The IA expired on May 24, 2019, and was not updated until August 22, 2019. Payments for this recipient continued for dates of service from May 25, 2019 through August 21, 2019. *Questioned costs totaled $5,265.*
- Sample item 46: The IA expired on September 4, 2019, and was not updated until November 26, 2019. Payments for this recipient continued for dates of service from September 5, 2019 through November 25, 2019. *Questioned costs totaled $2,587.*
- Sample item 50: The IA expired on August 29, 2019, and was not updated until November 18, 2019. Payments for this recipient continued for dates of service from August 30, 2019 through November 17, 2019. *Questioned costs totaled $9,636.*

2020 Prior Year Finding Number:	**2020-022 (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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 54: The IA expired on June 25, 2019, and was not updated until July 29, 2019. Payments for this recipient continued for dates of service from June 26, 2019 through July 28, 2019. *Questioned costs totaled $753.*
- Sample item 55: The IA expired on July 22, 2019, and was not updated until February 13, 2020. Payments for this recipient continued for dates of service from July 23, 2019 through February 12, 2020. *Questioned costs totaled $18,613.*
- Sample item 58: The IA expired on October 23, 2019, and was not updated until December 23, 2019. Payments for this recipient continued for dates of service from October 24, 2019 through December 22, 2019. *Questioned costs totaled $3,553.*
- Sample item 60: The IA expired on October 11, 2019, and was not updated until December 3, 2019. Payments for this recipient continued for dates of service from October 12, 2019 through December 2, 2019. *Questioned costs totaled $1,712.*

NOTE: In accordance with the Families First Coronavirus Response Act (FFCRA), states must provide continuous coverage, through the end of the month in which the emergency period ends, to all Medicaid beneficiaries who were enrolled in Medicaid on or after March 18, 2020, regardless of any changes in circumstances or redeterminations at scheduled renewals that otherwise would result in termination.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$108,960

Cause:
The full-risk PASSE program began in March 2019. Rather than being performed evenly throughout the year, the majority of the BH assessments were performed by the Agency's contractor, Optum, in large groupings during calendar year 2018. To more evenly distribute the assessment workload throughout the year, the Agency and its contractor spread the assessments out over the full 12 months. Due to the timing of this process, there were still instances of late BH assessments noted during fiscal year 2020.

Effect:
Gaps were revealed in the performance of the required independent assessments for the BH population. As a result, payments were made outside the approved/updated dates of service for numerous recipients.

Recommendation:
ALA staff recommend the Agency review and strengthen its independent assessment procedures to ensure they are completed timely and in accordance with federal regulations.

2020 Prior Year Finding Number:	**2020-022 (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):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. As of January 1, 2020, the agency has updated its independent assessment process to ensure timely completion of reassessments. The scheduling process for assessments begins 60 days from the due date of assessment and beneficiaries may call to schedule an assessment up to six months prior to the assessment due date. Members that are not assessed prior to their reassessment date will be removed from the PASSE. (Note: Members are not being removed from the PASSE for lack of reassessment during the COVID-19 federal public health emergency).

Anticipated Completion Date: Complete

Contact Person:
Janet Mann
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6270
Janet.mann@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-023**
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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1805AR5MAP; 05-1905AR5MAP; 05-2005ARMAP**
Federal Award Year(s):	**2018, 2019, and 2020**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially corrected. The agency conducted staff training focusing on the deficiencies noted in the findings. in May 2021. An internal monitoring review of the finding is pending.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-016**.

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 § 435.914 that 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, and in that case, the initial determination should be made within 90 days. Also, 42 CFR § 435.916 requires that eligibility redeterminations be performed at least once every 12 months.

States are required, per Section 1940 of the Social Security Act (42 USC 139w), to have a mechanism in place to verify assets by accessing information held by financial institutions. This information is to be used to determine or renew Medicaid eligibility for aged, blind, and disabled Medicaid applicants or recipients when an asset test is required.

Condition and Context:
ALA staff reviewed 19 traditional Medicaid recipient files in the ANSWER system and 41 Modified Adjusted Gross Income (MAGI) Medicaid recipient files in the Curam 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 108 claims totaling $47,578, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 80 claims. *Questioned costs totaled $25,478.*

  The annual reevaluation was also not completed timely. The 2020 reevaluation, due in August 2019, was not completed until November 8, 2019. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file, with 46 claims totaling $131, was for an individual who was deceased at the time of the claims and, therefore, not eligible, affecting all 46 claims. *Questioned costs totaled $98.*

  In addition, 33 claims paid in 2019 and 2018 were also affected. Questioned costs totaled $89 and $20, respectively. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file, with 62 claims totaling $1,029, did not contain disability verification, affecting 2 claims. *Questioned costs totaled less than $1.*

  In addition, 13 claims paid in 2019 were also affected. Questioned costs totaled $565. (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child) (Non-MAGI/ANSWER)
- One client file, with 117 claims totaling $14,940, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 58 claims. *Questioned costs totaled $5,481.* (Aid to the Aged) (Non-MAGI/ANSWER)

2020 Prior Year Finding Number:	**2020-023 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1805AR5MAP; 05-1905AR5MAP; 05-2005ARMAP**
Federal Award Year(s):	**2018, 2019, and 2020**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Significant Deficiency**

Condition and Context (Continued):

- One client file, with 19 claims totaling $32,962, did not contain adequate documentation supporting the income and resources criteria, affecting 3 claims. *Questioned costs totaled $12,090.*

  The initial eligibility determination was also not completed timely. The application was received on September 26, 2019, but not approved until April 29, 2020, exceeding the 45-day limit. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file, with 341 claims totaling $19,289, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 55 claims. *Questioned costs totaled $2,837.* (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child) (Non-MAGI/ANSWER)
- One client file, with 15 claims totaling $1,679, did not contain documentation proving income eligibility, affecting all 15 claims. *Questioned costs totaled $1,561.*

  The annual reevaluation was also not completed timely. The 2020 reevaluation, due in September 2019 was not completed until December 17, 2019. (Adult Expansion) (MAGI/CURAM)

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

- One client file did not have a timely eligibility determination. The application was received on July 5, 2019, but was not approved until September 19, 2019, exceeding the 45-day limit. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file did not have a timely eligibility determination. The application was received on November 5, 2019, but was not approved until February 18, 2020, exceeding the 90-day limit. (Aid to the Disabled) (Non-MAGI/ANSWER)

Deficiencies related to eligible recipients with late *re-determinations*. Although there are no questioned costs associated with these recipients, the total amount of claims paid (state and federal) 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 January 2020 but was not completed until February 12, 2020. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled $5,492 in state fiscal year 2020. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file did not have a timely reevaluation, as it was due in July 2019 but was not completed until October 11, 2019. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled $15,768 in state fiscal year 2020. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file did not have a timely reevaluation, as it was due in October 2019 but was not completed until November 13, 2019. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled $5,955 in state fiscal year 2020. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file did not have a timely reevaluation, as it was due in June 2019 but was not completed until July 19, 2019. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled $2,243 in state fiscal year 2020. (Aid to the Aged) (Non-MAGI/ANSWER)

2020 Prior Year Finding Number:	**2020-023 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1805AR5MAP; 05-1905AR5MAP; 05-2005ARMAP**
Federal Award Year(s):	**2018, 2019, and 2020**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Significant Deficiency**

Condition and Context (Continued):

Additionally, for 1 of 19 traditional Medicaid determinations reviewed, there was no evidence in the file to show that the Asset Verification System was utilized during the eligibility determination.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
State fiscal year 2020 - $47,546
State fiscal year 2019 - $654
State fiscal year 2018 - $20

Cause:
The Agency had previously asserted that the root cause of the deficiencies resulted from the Division of Aging, Adult, and Behavioral Health Services and the Agency's contractor, Optum, being unable to complete the reassessments timely. Although the Agency asserted that a new business process was being developed to ensure timely eligibility determinations, deficiencies continued to exist during fiscal year 2020.

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 with 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 with 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:
DHS concurs with this finding. These deficiencies were a result of staff's non-compliance with agency eligibility processes and policy. Staff will receive training focused on correcting the noted deficiencies and compliance with policy will be monitored.

Anticipated Completion Date: April 30, 2021

Contact Person:
Mary Franklin
Director, Division of County Operations
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-682-8377
Mary.franklin@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-024**
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 Awarding Agency:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5ADM; 05-2005AR5ADM**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially corrected. The agency corrected errors to formulas used to allocated expenditures on the CMS-64 and made prior period adjustments on the CMS-64 in April 2021. An internal monitoring review of the finding is pending.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-018**.

Criteria:
42 CFR 430.30(c) requires submission of a quarterly statement of expenditures report (CMS-64) for the Medical Assistance Program (MAP) no later than 30 days after the end of each quarter. Amounts reported on the CMS-64 must be an accurate and complete accounting of actual expenditures.

Condition and Context:
ALA staff performed testing of expenditures reported on the CMS-64 for the quarters ended December 31, 2019, and March 31, 2020, to confirm accuracy and completeness with the expenditures recorded in the Agency's financial management system. ALA review revealed the following errors:

- From the December 31, 2019, CMS-64 report, six line items totaling $67,693,380 and representing 92% of administrative expenditures were selected. ALA identified uncorrected errors on four items, resulting in an **overstatement** of the federal portion of expenditures totaling $357,875.
- From the March 31, 2020, CMS-64 report, seven line items totaling $98,034,106 and representing 92% of administrative expenditures were selected. ALA identified uncorrected errors on 3 items, resulting in an **overstatement** of the federal portion of expenditures totaling $137,546.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$495,421

Cause:
The Agency implemented new procedures for calculating amounts to be reported on the quarterly CMS-64 expenditure reports. When designing this process, the Agency failed to adequately review and verify the accuracy of formulas used to determine the expenditure amounts for each report line. Additionally, the Agency failed to adequately review report calculations for accuracy prior to submitting the quarterly reports.

Effect:
The Agency failed to properly report expenditures on the CMS-64 quarterly reports, resulting in the Agency claiming excess federal funds.

Recommendation:
ALA staff recommend the Agency review the Excel workbooks used to assist in completing the CMS-64 reports and verify the accuracy and necessity of formulas used to allocate expenditures to the appropriate report lines. ALA further recommends the Agency correct identified errors by entering prior period adjustments on subsequent CMS-64 reports.

2020 Prior Year Finding Number:	**2020-024 (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 Awarding Agency:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5ADM; 05-2005AR5ADM**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The agency has corrected the errors to the formulas used to allocate expenditures on the CMS-64 and will correct the identified errors by making prior period adjustments on the upcoming quarterly submission of the CMS-64. There will be no impact to federal financial participation with these adjustments.

Anticipated Completion Date: April 30, 2021

Contact Person:
Jason Callan
Deputy Chief Financial Officer, Medicaid Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6540
Jason.callan@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-025**
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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1805AR5MAP; 05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2015, 2016, 2017, 2018, 2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Capitation Payments Paid Subsequent to Recipient Death**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially corrected. The agency completion of Medicaid rollout for ARIES was competed in April 2021. The process for activating review and reconciliation for PCCM payments will be completed in July 2021. An internal monitoring review of the finding is pending.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-019**.

Criteria:
It is the State's responsibility to ensure that capitation payments are only paid for eligible Medicaid recipients and that any changes to a recipient's eligibility are 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 capitation payments paid or adjusted in state fiscal year 2020 with dates of service after their date of death.

ALA staff review of 40 recipients with capitation payments for dates of service subsequent to the date of death revealed the following:

- Twenty-nine recipients had capitation payments paid representing dates of service after their date of death. These payments had not been recouped as of fieldwork date November 16, 2020. *Questioned costs totaled $7,239.*
- For seven recipients, MMIS did not have a date of death recorded, or the date of death was not correct as of fieldwork date December 2, 2020.
- For eight recipients, capitation payments were paid more than six months past the date of death and ranged from 9 to 63 months.

As a result of testing performed, a system issue with the Arkansas's Network System for Welfare, Eligibility and Reporting (ANSWER) was revealed. The ANSWER system automatically opened a non-SSI eligibility segment for one recipient after the SSI eligibility segment for that recipient was closed due to the recipient's death. As a result, capitation payments began again for that recipient at the beginning of the next calendar year, months after the recipient's death.

Statistically Valid Sample:
Not a statistically valid sample

2020 Prior Year Finding Number:	**2020-025 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1805AR5MAP; 05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2015, 2016, 2017, 2018, 2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Capitation Payments Paid Subsequent to Recipient Death**
Type of Finding:	**Noncompliance and Significant Deficiency**

Questioned Costs:
State fiscal year 2020 - $698
State fiscal year 2019 - $6,311
State fiscal year 2018 - $154
State fiscal year 2017 - $31
State fiscal year 2016 - $36
State fiscal year 2015 - $9

Cause:
The Agency is not receiving timely notification of recipient deaths. Additional delays involve the time required to confirm the date of death after receiving notification. An automatic retrospective review is completed in MMIS to identify payments for recoupment that were made subsequent to the date of death. However, if an eligibility segment is closed for another reason prior to receiving notification of date of death and the date of death is not updated in MMIS, the payments will not be recouped. Although the Agency has indicated that it is reviewing all date of death discrepancies between the eligibility systems and MMIS, these deficiencies continued to exist during fiscal year 2020.

Effect:
Capitation payments were made on behalf of deceased recipients.

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

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with the finding. The deficiencies noted can be attributed to the following factors:

- The incorrect date of death was received from the Social Security Administration
- The agency did not receive the date of death file prior to case closure
- The ANSWER system automatically opened an eligibility segment in error

The agency's new integrated eligibility system (ARIES) will prevent many system errors with dates of death related to the transfer of information between multiple eligibility systems. The entire Medicaid population for the state will be operational in ARIES by April 12, 2021.

It was also identified that claims were paid subsequent to a recipient's death when MMIS contained a date of death. Capitation payments were paid subsequent to the date of death due to the agency not receiving timely notification of death and the span of time required to confirm date of death after receiving notification. An automatic retrospective review and reconciliation is completed in the MMIS to identify claims for recoupment that were paid subsequent to date of death. All deficiencies identified are NET and PCCM capitation payments. The retrospective review and reconciliation for NET is completed on annual basis in January and the agency is in the process of activating the review and reconciliation for PCCM. The PCCM review and reconciliation will be completed annually in June.

Anticipated Completion Date: June 30, 2021

2020 Prior Year Finding Number:	**2020-025 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1805AR5MAP; 05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2015, 2016, 2017, 2018, 2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Capitation Payments Paid Subsequent to Recipient Death**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

Contact Person:

Janet Mann
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6270
Janet.mann@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-026**
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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken. The agency updated its process for performing provider eligibility reviews in May 2019 and completed regular compliance reviews during fiscal year 2021.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-006**.

Criteria:
According to section 140.000, 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 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.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) 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, plus site visits.
- The high-risk category includes those required for moderate, plus fingerprint background checks.

Condition and Context:
ALA staff reviewed 40 paid providers to ensure sufficient, appropriate evidence was provided to support the determination of eligibility, including compliance with revalidation requirements. ALA review revealed deficiencies with 24 of the provider files as follows:

High-risk category:

- Sample item 34: The Agency failed to perform the additional screening requirements (site visit or finger print background check). *Questioned costs totaled $31,205.*
- Sample item 35: The Agency failed to perform the additional screening requirements (site visit or finger print background check). In addition, the Agency did not provide documentation of the provider's certification that covered the entire enrollment period. *Questioned costs totaled $13,321.*

2020 Prior Year Finding Number:	**2020-026 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 36: The provider's revalidation was due by October 30, 2019, but was not performed until December 12, 2019. In addition, the Agency did not perform the additional screening requirements (site visit or finger print background check). *Questioned costs totaled $66,177.*
- Sample item 39: The Agency failed to perform the additional screening requirements (site visit or finger print background check). *Questioned costs totaled $132,732.*
- Sample item 40: The provider's revalidation was due by March 23, 2020, but was not performed until July 29, 2020. In addition, the Agency did not perform the additional screening requirements (site visit or finger print background check). *Questioned costs totaled $620,884.*

Moderate-risk category:

- Sample item 19: The Agency failed to perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the provider's certification that covered the entire enrollment period. *Questioned costs totaled $7,399.*
- Sample item 20: The Agency failed to perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the provider's certification that covered the entire enrollment period. *Questioned costs totaled $4,405.*
- Sample item 21: The Agency failed to perform the additional screening requirement (site visit). *Questioned costs totaled $1,825.*
- Sample item 22: The Agency failed to perform the additional screening requirement (site visit). *Questioned costs totaled $9,999.*
- Sample item 28: The Agency failed to perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the provider's professional license that covered the entire enrollment period. *Questioned costs totaled $550,058.*
- Sample item 29: The Agency failed to perform the additional screening requirement (site visit). *Questioned costs totaled $3,394.*
- Sample item 31: The provider's revalidation was due by March 8, 2018, but was not performed until August 20, 2019. In addition, the Agency was unable to provide the Lexis Nexis reports associated with the provider's initial 2013 enrollment. *Questioned costs totaled $1,543.*
- Sample item 38: The provider's revalidation was due by July 15, 2019, but was never performed. In addition, the Agency did not perform the additional screening requirement (site visit). *Questioned costs totaled $590.*

Limited-risk category:

- Sample item 2: The provider's revalidation was due by April 21, 2020, but was not performed until October 19, 2020. *Questioned costs totaled $70.*
- Sample item 8: The provider's revalidation was due by September 25, 2016, but was not performed until August 17, 2019. *Questioned costs totaled $128,381.*
- Sample item 9: The provider's revalidation was due by September 25, 2016, but was not performed until July 20, 2019. *Questioned costs totaled $9,540.*
- Sample item 10: The provider's revalidation was due by September 25, 2016, but was not performed until September 5, 2019. *Questioned costs totaled $152.*

2020 Prior Year Finding Number:	**2020-026 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 12: The provider's revalidation was due by September 25, 2016, but was not performed until February 18, 2020. In addition, the provider did not have a contract on file covering the entire enrollment period. *Questioned costs totaled $167,374.*
- Sample item 13: The provider's revalidation was due by September 25, 2016, but was not performed until January 29, 2020. *Questioned costs totaled $251,559.*
- Sample item 16: The provider's revalidation was due by September 10, 2018, but was not performed until January 10, 2019. *Questioned costs totaled $27,302.*
- Sample item 24: The provider's revalidation was due by September 25, 2016, but was not performed until May 2, 2019. *Questioned costs totaled $6.*
- Sample item 25: The provider's revalidation was due by September 25, 2016, but was not performed until May 3, 2019. In addition, the Agency failed to provide the required W-9 tax form associated with the 2019 revalidation. *Questioned costs totaled $50,946.*
- Sample item 27: The provider's revalidation was due by September 25, 2016, but was not performed until January 28, 2020. *Questioned costs totaled $393,991.*
- Sample item 33: The provider's revalidation was due by September 25, 2016, but was not performed until September 25, 2019. In addition, the Agency failed to provide the required W-9 tax form associated with the 1990 enrollment and disclosures associated with the 2019 revalidation. *Questioned costs totaled $4,545.*

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$2,477,398

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to timing of the implementation of the new procedures, deficiencies continued to exist during fiscal year 2020.

Effect:
Claims were processed and paid to providers that did not meet all the required elements and, therefore, were ineligible.

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

2020 Prior Year Finding Number:	**2020-026 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:

DHS concurs with this finding. Effective May 31, 2019, DMS established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. Fifteen of the twenty-four deficient provider files relate to non-compliance with revalidation requirements pre-dating May 31, 2019. The deficiencies noted that occurred prior to May 31, 2019 will be corrected upon revalidation for the provider. The DHS Office of Payment Integrity and Internal Audit also conducts regular provider eligibility compliance reviews.

Five of the twenty-four deficient providers did not have the required proof of certification or licensure. The agency sends an automatic notification when a provider's licensure or certification on file expires. If the licensure or certification is not received within 60 days of the expiration date the provider is terminated. One provider submitted the requested certification during SFY20. The other providers have not submitted the requested proof license or certification but were not terminated due to the COVID-19 federal public health emergency.

Three of the twenty-four deficient providers revalidated after the established revalidation deadline in SFY2020. These providers submitted applications for revalidation which were not able to be processed by the revalidation deadline due to incomplete information on the application. The providers were not terminated as they submitted the missing information at the request of the agency.

One of twenty-four deficient providers failed to complete revalidation requirements in SFY2020. The provider submitted an incomplete application and did not respond to requests for additional information requested by DHS. DHS has not terminated the provider due to the suspension of terminations during the COVID-19 federal public health emergency.

Anticipated Completion Date: Complete

Contact Person:
Janet Mann
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6270
Janet.mann@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-027**
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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken. The agency updated its process for performing provider eligibility reviews in May 2019 and completed regular compliance reviews during fiscal year 2021.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-007**.

Criteria:
According to section 140.000, 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. Managed Care Network providers must also be enrolled in the Arkansas Medicaid Program. Enrollment is considered complete when a provider has 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.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) 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, plus site visits.
- The high-risk category includes those required for moderate, plus fingerprint background checks.

Condition and Context:
To determine if Managed Care Network providers met all necessary criteria to participate in the Medicaid program, ALA staff selected 40 paid provider files for review. The providers selected participated in the Dental managed care program, commonly referred to as Healthy Smiles, and the Provider-Led Arkansas Shared Savings Entity (PASSE), managed care program. ALA review revealed deficiencies with 10 of the provider files as follows:

Moderate-risk category:

- ➢ Sample item 20: The provider's revalidation was due by September 25, 2016, but was not performed until February 7, 2018. In addition, the Agency did not perform the additional screening requirement (site visit) or provide documentation of the provider's certification that covered the entire enrollment period. *Ineligible costs totaled $200.*

2020 Prior Year Finding Number:	**2020-027 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 21: The provider's revalidation was due by May 20, 2020, but was never performed. In addition, the Agency did not perform the additional screening requirement (site visit) or provide documentation of the provider's certification that covered the entire enrollment period. *Ineligible costs totaled $6.*
- Sample item 22: The Agency did not provide documentation of the provider's certification that covered the entire enrollment period. *Ineligible costs totaled $4,415.*
- Sample item 26: The Agency did not perform the additional screening requirement (site visit). *Ineligible costs totaled $70.*
- Sample item 30: The provider's revalidation was due by May 30, 2020, but was never performed. In addition, the Agency did not could not provide documentation supporting that the additional screening requirement (site visit) was performed supporting the 2015 revalidation. *Ineligible costs totaled $415,082.*
- Sample item 38: The provider's revalidation was due by September 25, 2016, but was not performed until September 13, 2019. *Ineligible costs totaled $18,172.*

Limited-risk category:

- Sample item 6: The provider's revalidation was due by September 25, 2016, but was never performed. Due to the COVID-19 pandemic, no providers have been terminated. *Ineligible costs totaled $252.*
- Sample item 7: The provider's revalidation was due by September 25, 2016, but was not performed until January 13, 2020. *Ineligible costs totaled $6,123.*
- Sample item 14: The provider's revalidation was due by September 25, 2016, but was not performed until October 7, 2019. *Ineligible costs totaled $3,798.****
- Sample item 27: The Agency did not provide documentation of the provider's professional license that covered the entire enrollment period. *Ineligible costs totaled $609.*

Dental Managed Care***** payments for the deficiencies noted above totaled $3,798. PASSE payments totaled $444,929.

NOTE: Because these providers are participating in the managed care portion of the Medicaid program, providers are reimbursed by the managed care organizations, not the Agency. The managed care organizations receive a predetermined monthly payment from the Agency in exchange for assuming the risk for the covered recipients.

These monthly payments are actuarially determined based, in part, upon historical costs data. Accordingly, the failure to remove unallowable cost data from the amounts utilized by the actuary would lead to overinflated future rates, which will be directly paid by the Agency.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

2020 Prior Year Finding Number:	**2020-027 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to timing of the implementation of the new procedures, deficiencies continued to exist during fiscal year 2020.

Effect:
Claims were processed and paid to the managed care entities for providers that did not meet all required criteria.

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:
DHS concurs with this finding. Effective May 31, 2019, DMS established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. Five of the ten deficient provider files relate to non-compliance with revalidation requirements pre-dating May 31, 2019. The deficiencies noted that occurred prior to May 31, 2019 will be corrected upon revalidation for the provider. The DHS Office of Payment Integrity and Internal Audit also conducts regular provider eligibility compliance reviews.

Two of the ten deficient providers failed to complete revalidation requirements in SFY2020. The providers submitted an incomplete application and did not respond to requests for additional information requested by DHS. DHS has not terminated the providers due to the suspension of terminations during the COVID-19 federal public health emergency.

Three of the ten deficient providers did not have the required proof of certification or licensure. The agency sends an automatic notification when a provider's licensure or certification on file expires. If the licensure or certification is not received within 60 days of the expiration date the provider is terminated. One provider submitted the requested certification during SFY20. The other providers have not submitted the requested proof license or certification but were not terminated due to the COVID-19 federal public health emergency.

Anticipated Completion Date: Complete

Contact Person:
Janet Mann
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6270
Janet.mann@dhs.arkansas.gov

2020 Prior Year Finding Number:	**2020-028**
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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Utilization Control and Program Integrity and Medicaid Fraud Control Unit**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Partially corrected. The agency received its first external quality review report from vendors in April 2021. An internal monitoring review of the finding is pending.

Repeat Finding:
A similar issue was reported in prior-year finding **2019-021**.

Criteria:
In accordance with 42 CFR § 438.350, each state that contracts with a Managed Care Organization (MCO) or Prepaid Ambulatory Health Plan (PAHP) must ensure that an annual external qualified review (EQR) is performed for each MCO or PAHP.

In addition, 42 CFR § 438.364 states that the EQR results be included in an annual technical report that must be finalized by April 30 of each year.

Condition and Context:
The Healthy Smiles Waiver, Arkansas's Dental managed care program, is a PAHP and became effective on January 1, 2018. Two entities participate in the dental managed care program: Delta Dental and Managed Care of North America (MCNA). An EQR is required for both entities and was due by April 30, 2020.

The Provider-Led Arkansas Shared Savings Entity (PASSE) transitioned to a full-risk MCO effective March 1, 2019. Three entities participate in the PASSE program: AR Total Care, Empower, and Summit. An EQR is required for all three entities and was due by April 30, 2020.

ALA inquiry and request for the annual reports revealed that a contract to perform the EQRs was not put into place until July 1, 2020. The first EQRs are expected to be provided by April 30, 2021.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency has experienced staff turnover and did not implement steps to procure a contract for the EQRs timely.

Effect:
The contract to perform the EQRs was not implemented timely, and the EQRs were not performed as required.

Recommendation:
ALA staff recommend the Agency develop procedures to aid in ensuring compliance with the program, including those related to external quality reviews.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with the finding. The contract start date for the vendor performing external quality reviews was July 1, 2020 and the vendor is required to submit reports to the agency by April 30, 2021.

2020 Prior Year Finding Number:	**2020-028 (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 Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-1905AR5MAP; 05-2005AR5MAP**
Federal Award Year(s):	**2019 and 2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Utilization Control and Program Integrity and Medicaid Fraud Control Unit**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: Completed

Contact Person:
Janet Mann
Director, Division of Medical Services
Department of Human Services
700 Main Street
Little Rock, AR 72201
501-320-6270
Janet.mann@dhs.arkansas.gov

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

***2019 Prior Year Finding Number*:**	**2019-006**
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):	**05-1805AR5021; 05-1905AR5021 (Children's Health Insurance Program)**
	05-1805AR5MAP; 05-1905AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken. The agency updated its process for performing provider eligibility reviews in May 2019 and completed regular compliance reviews during fiscal year 2021.

Audit Status as of June 30, 2020:
Corrective action has not been taken. See current-year finding **2020-019**.

Auditee reported status as of June 30, 2020: Corrective action was taken. The agency updated its provider eligibility internal controls in April 2020. Internal monitoring was completed in May 2020.

Repeat Finding:
A similar issue was reported in prior-year finding **2018-020**.

Criteria:
According to section 140.000, 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.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) 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, plus site visits.
- The high-risk category includes those required for moderate, plus fingerprint background checks.

***2019 Prior Year Finding Number*:**	**2019-006 (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):	**05-1805AR5021; 05-1905AR5021 (Children's Health Insurance Program)**
	05-1805AR5MAP; 05-1905AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context:
ALA staff reviewed 60 paid providers to ensure sufficient, appropriate evidence was provided to support the determination of eligibility, including compliance with revalidation requirements. ALA review revealed deficiencies with 35 of the provider files as follows:

High-risk category:

- One provider did not have a license on file covering the entire enrollment period.
- One provider did not have a contract on file covering the entire enrollment period.
- Two providers did not have an application on file covering the entire enrollment period.
- One provider did not have disclosure forms on file covering the entire enrollment period.
- Seven providers did not comply with the site visit and fingerprint background check screening requirements.
- One provider did not comply with the database checks screening requirement.
- One provider did not revalidate timely, either by the September 26, 2016, extended deadline or within the five years since the provider last enrolled.

Moderate-risk category:

- Two providers did not have certifications on file covering the entire enrollment period.
- One provider did not have an application on file covering the entire enrollment period.
- Two providers did not have disclosure forms on file covering the entire enrollment period.
- Nine providers did not comply with the site visit screening requirement.
- One provider did not comply with the database checks screening requirement.
- For two providers, a revalidation has not been performed.

Limited-risk category:

- Two providers did not have a license on file covering the entire enrollment period.
- Two providers did not have a contract on file covering the entire enrollment period.
- Three providers did not have an application on file covering the entire enrollment period.
- Five providers did not have a W-9 form on file covering the entire enrollment period.
- Two providers did not have documentation on file covering the entire enrollment period that offered proof of participation in the Medicare program.
- Seven providers did not have disclosure forms on file covering the entire enrollment period.
- For one provider, there was no documentation provided proving eligibility.
- Seven providers did not comply with the database checks screening requirement.

***2019 Prior Year Finding Number*:**	**2019-006 (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):	**05-1805AR5021; 05-1905AR5021 (Children's Health Insurance Program)**
	05-1805AR5MAP; 05-1905AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

- Eleven providers did not revalidate timely, either by the September 26, 2016, extended deadline or within the five years since they last enrolled.
- For five providers, a revalidation had not been performed.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$8,864,004 (Medicaid)
$1,046,663 (CHIP)

***2019 Prior Year Finding Number*:**	**2019-007**
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):	**05-1805AR5021; 05-1905AR5021 (Children's Health Insurance Program)**
	05-1805AR5MAP; 05-1905AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken. The agency updated its process for performing provider eligibility reviews in May 2019 and completed regular compliance reviews during fiscal year 2021.

Audit Status as of June 30, 2020:
Corrective action has not been taken. See current-year finding **2020-020**.

Auditee reported status as of June 30, 2020: Corrective action was taken. The agency updated its provider eligibility internal controls in April 2020. Internal monitoring was completed in May 2020.

Repeat Finding:
Not applicable

Criteria:
According to section 140.000, 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. Managed Care Network providers must also be enrolled in the Arkansas Medicaid Program. 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.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) 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, plus site visits.
- The high-risk category includes those required for moderate, plus fingerprint background checks.

***2019 Prior Year Finding Number*:**	**2019-007 (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):	**05-1805AR5021; 05-1905AR5021 (Children's Health Insurance Program)**
	05-1805AR5MAP; 05-1905AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context:
To determine if Managed Care Network providers met all necessary criteria to participate in the Medicaid program, ALA staff selected 60 paid provider files for review. The providers selected participated in the dental managed care program, commonly referred to as Healthy Smiles, and the Provider-Led Arkansas Shares Savings Entity, or PASSE, managed care program. ALA review revealed deficiencies with 40 of the provider files as follows:

High-risk category:

- Three providers did not comply with the site visit and fingerprint background check screening requirements.
- Two providers did not have certifications on file covering the entire enrollment period.
- For one provider, a revalidation had not been performed.

Moderate-risk category:

- Four providers did not comply with the site visit screening requirement.

Limited-risk category:

- Eight providers did not have a license on file covering the entire enrollment period.
- Four providers did not have certifications on file covering the entire enrollment period.
- Two providers did not have a contract on file covering the entire enrollment period.
- Five providers did not have an application on file covering the entire enrollment period.
- Five providers did not have a W-9 form on file covering the entire enrollment period.
- Thirteen providers did not have disclosure forms on file covering the entire enrollment period.
- Eleven providers did not comply with the database checks screening requirement.
- Fifteen providers did not revalidate timely, either by the September 26, 2016, extended deadline or within the five years since they last enrolled.
- For fourteen providers, a revalidation had not been performed.

The following payments were made by the managed care entities to the providers identified above with deficiencies:

Dental managed care:
$1,366,460 (Medicaid)
$ 396,257 (CHIP)

PASSE
$494,713 (Medicaid)
$ 16,948 (CHIP)

***2019 Prior Year Finding Number*:**	**2019-007 (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):	**05-1805AR5021; 05-1905AR5021 (Children's Health Insurance Program)**
	05-1805AR5MAP; 05-1905AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):
(NOTE: Because these providers are participating in the managed care portion of the Medicaid program, providers are reimbursed by the managed care organizations, not the Agency. The managed care organizations receive a predetermined monthly payment from the Agency in exchange for assuming the risk for the covered recipients.

These monthly payments are actuarially determined based, in part, upon historical costs data. Accordingly, the failure to remove unallowable cost data from the amounts utilized by the actuary would lead to overinflated future rates, which will be directly paid by the Agency.)

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

***2019 Prior Year Finding Number*:**	**2019-011**
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):	**05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (ARChoices Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken. The agency developed a workflow management strategy to ensure timely completion of PCSP's for ARChoices beneficiaries in July 2020. Internal monitoring for this finding is pending.

Audit Status as of June 30, 2020:
Although repayment was processed, similar deficiencies are reported in current-year finding **2020-021**.

Auditee reported status as of June 30, 2020: Partially corrected. The agency completed its 704 mapping process in March 2020 which served to improve the evaluation process. The agency is on track to implement Quickbase system to manage the evaluation process by July 2020.

Repeat Finding:
A similar issue was reported in prior-year finding **2018-013**.

Criteria:
Prior to January 1, 2019, the ARChoices waiver was governed by Section 212.300 of the ARChoices provider manual. It stated that each beneficiary must have an individualized Person-Centered Service Plan (PCSP) and that attendant care hours are based on the Resource Utilization Group (RUG) score produced from the ARPath assessment. Services must be provided according to the beneficiary's PCSP, with reimbursement limited to the amount and frequency authorized in the PCSP.

On January 1, 2019, the Arkansas Independent Assessment (ARIA) tool was used to determine the ARChoices level of care and aided in developing the beneficiary PCSP. Attendant care hours are determined utilizing the Task and Hour Standards (THS), which is the written methodology used by Arkansas Department of Human Services (DHS) Registered Nurses (RNs) as the basis for calculating the number of attendant care hours that are reasonably and medically necessary. In addition, an Individual Service Budget (ISB) sets the maximum dollar amount for all waiver services received by an individual. Services must be provided according to the beneficiary's PCSP, with reimbursement limited to the amount and frequency authorized on the PCSP.

Condition and Context:
ALA staff selected 60 beneficiaries for review to determine if attendant care services were provided in accordance with the beneficiary's PCSP and did not exceed the frequency or the maximum amount allowed. Our review revealed the following:

- 44 beneficiaries had at least one claim for a date of service that was not covered by a valid agreement. *Questioned costs totaled $279,209*.
- Attendant care services for 4 beneficiaries exceeded the amount authorized in an agreement. *Questioned costs totaled $279.*

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$279,488

***2019 Prior Year Finding Number*:**	**2019-012**
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):	**05-1905AR5MAP**
Federal Award Year(s):	**2019**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Corrective action was taken. The agency updated its independent assessment process in January 2020. The agency completed internal monitoring in June 2021.

Audit Status as of June 30, 2020:
Although repayment was processed, similar deficiencies are reported in current-year finding **2020-022**.

Auditee reported status as of June 30, 2020: Partially corrected. The agency updated its independent assessment process to ensure completion within a 12-month timeframe in January 2020. A system edit was developed in March 2020 to prevent future unallowable claims. The recoupment of improperly paid claims is pending.

Repeat Finding:
Not applicable

Criteria:
The Provider-Led Arkansas Shared Savings Entity (PASSE) program transitioned to a full-risk Managed Care Organization (MCO) model on March 1, 2019. The program covers services for behavioral health (BH) recipients and developmentally disabled (DD) recipients. To receive services through PASSE, an individual must have an independent assessment performed that designates him or her at the appropriate level of need to participate in the program.

The 1915(c) Home and Community-Based waiver, applicable to the DD population, requires that an independent assessment be performed at least every three years. Section 1915(i) of the Social Security Act, which is applicable to the BH population and provides states with the option to offer home and community-based services through the state's plan, requires that than an independent assessment be performed at least every 12 months. 42 CFR §441.720(b) states that for reassessments, the independent assessment of need must be conducted at least every 12 months and as needed when the individual's support needs or circumstances change significantly, in order to revise the service plan.

Condition and Context:
ALA selected 60 PASSE recipients (56 BH recipients and 4 DD recipients) to determine if the following attributes were met:

- There was an open eligibility segment for the recipient during the dates of service covered.
- There was a valid independent assessment on file for the dates of service covered.
- The appropriate amount was paid based upon the actuarially determined rates.

Our review revealed PASSE payments, totaling $58,894, for 23 BH recipients were made for dates of services outside the date range covered by the recipients' independent assessment.

In addition, an unallowable fee-for-service claim, totaling $145, was discovered. Fee-for-service claims should not be paid for individuals who are covered under PASSE. (There are a few exceptions including, but not limited to, certain school-based services that are provided by school employees.)

***2019 Prior Year Finding Number*:**	**2019-012 (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):	**05-1905AR5MAP**
Federal Award Year(s):	**2019**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
The discovery of an unallowable fee-for-service claim prompted ALA to retrieve all fee-for-service claims for all individuals with PASSE payments during state fiscal year 2019 to determine if additional unallowable fee-for-service claims had been paid. After filtering and removing the claims that could be allowable (as previously mentioned), the remaining fee-for-service claims totaled $2,575,426. These claims will require a review by the Agency to determine if the fee-for-service claim or PASSE payment should be recouped.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$58,894

***2019 Prior Year Finding Number*:**	**2019-014**
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:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Allowable Costs and Cost Principles**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Partially corrected. The agency updated its procedures for processing overpayments in February 2021 and will attach funding codes to overpayments that can be identified as Medicaid/CHIP in June 2021. An internal monitoring review of the finding is pending.

Audit Status as of June 30, 2020:
Corrective action has not been taken. See current-year finding **2020-014**.

Auditee reported status as of June 30, 2020: Corrective action was taken. The agency developed documented controls for processing OMIG and MFCU overpayments.

Repeat Finding:
Not applicable

Criteria:
In accordance with 45 CFR § 75.302(b)(7), a non-federal entity must establish written procedures to implement and 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.

In addition, 45 CFR § 75.303 states that 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 award. These controls should be in compliance with Green Book or COSO guidance.
- Evaluate and monitor its compliance with the award.
- Take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings.

42 CFR § 433, Subpart F, establishes requirements for identifying overpayments to Medicaid providers and for refunding the federal portion of identified overpayments to the federal awarding agency. The provisions apply to overpayments discovered by a state, by a provider and made known to the state, or through federal review.

Under Section 6506 of the Affordable Care Act (42 USC 1396b(d)(2)), states have up to one year from the date of discovery of an overpayment for Medicaid services to recover, or attempt to recover, such overpayment before making an adjustment to refund the federal share of the overpayment. Except in the case of overpayments resulting from fraud, the adjustment to refund the federal share must be made no later than the deadline for filing the quarterly CMS-64 report for the quarter in which the one-year period ends, regardless of whether the state recovers the overpayment.

The date of discovery for fraudulent overpayments is the date of the final written notice of the state's overpayment determination. When the state is unable to recover an overpayment from a provider within one year from the date of discovery because a final determination of the amount has not been made under an administrative or judicial process, no adjustment shall be made to the quarterly expenditure report until 30 days after the date on which a final judgment is made (including final determination on an appeal).

Condition and Context:
The Agency failed to establish and document internal control procedures over the escheated warrants and overpayments compliance requirement. As a result, ALA met with DHS reporting staff and accounts receivable staff,

***2019 Prior Year Finding Number*:**	**2019-014 (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:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Allowable Costs and Cost Principles**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
as well as Navigant staff, to gain an understanding of controls that may be in place but not documented. ALA was unable to identify any controls that were in place to ensure compliance with federal regulations.

Overpayments may be identified by DHS, the Office of Medicaid Inspector General (OMIG), or the Medicaid Fraud Control Unit (MFCU) of the Office of the Attorney General. DHS is responsible for completion of the required quarterly expenditure reports for the Medicaid program (CMS-64) and, therefore, for obtaining information needed to properly report overpayments on these reports.

Overpayments identified by OMIG: OMIG notifies DHS of identified overpayments (a) when the provider repays the identified amount or fails to respond to the finding letter or (b) after all possible appeals have been exhausted. For cases under appeal, OMIG does not notify DHS of the initial "discovery date"; therefore, some uncollected overpayments may not be reported by the required deadline.

Additionally, OMIG utilizes a "claim log" to monitor identified overpayments and collections related to the overpayments. ALA reviewed the fiscal year 2018 claim log to determine whether uncollected balances were collected or reported in fiscal year 2019 and reviewed the fiscal year 2019 claim log to determine whether payments collected by OMIG were included on the proper CMS-64 report. ALA was unable to determine if outstanding balances on the 2018 claim log were reported on the state fiscal year 2019 CMS-64 reports and was unable to trace six payments totaling $5,713 (federal portion $4,033) to internal reports used to calculate total overpayments for the quarterly CMS-64 reports for state fiscal year 2019.

Overpayments identified by MFCU: Discussions with both MFCU and DHS staff revealed MFCU does not report identified overpayments to DHS until a payment is received. As a result, uncollected overpayments resulting from fraud are not included on the quarterly CMS-64 reports as required.

Additionally, payments forwarded to DHS directly from MFCU are generally not included on internal reports used to calculate total overpayments for the quarterly CMS-64 reports. As a result, these payments may not be reported as collected overpayments, as required.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

***2019 Prior Year Finding Number*:**	**2019-016**
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):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2014, 2015, 2016, 2017, 2018, and 2019**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Partially corrected. The agency conducted staff training focusing on the deficiencies noted in the findings in May 2021. An internal monitoring review of the finding is pending.

Audit Status as of June 30, 2020:
Although repayment was processed, similar deficiencies are reported in current-year finding **2020-023**.

Auditee reported status as of June 30, 2020: Partially corrected; A new business process has been developed to ensure timely completion of medical eligibility determination. The agency is in the process of updating this process to account for long-term care facility transfers.

Repeat Finding:
A similar issue was reported in prior-year finding **2018-014**.

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; 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 23 traditional Medicaid recipient files in the ANSWER system and 37 Modified Adjusted Gross Income (MAGI) Medicaid recipient files in the Curam 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 588 claims totaling $39,892, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 58 claims. *Questioned costs totaled $3,142*.

  The annual reevaluation was also not completed timely. The 2019 reevaluation, due in January 2019, was not completed until February 26, 2019. (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child) (Non-MAGI/ANSWER)
- One client file, with 49 claims totaling $903, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 25 claims. *Questioned costs totaled $456*.

  The annual reevaluation was also not completed timely. The 2019 reevaluation, due in December 2018, was not completed until February 5, 2019. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file, with 112 claims totaling $7,073, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 3 claims. *Questioned costs totaled $727*. (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child) (Non-MAGI/ANSWER)

***2019 Prior Year Finding Number*:**	**2019-016 (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):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2014, 2015, 2016, 2017, 2018, and 2019**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- One client file, with 52 claims totaling $655, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 4 claims. *Questioned costs totaled $28*. (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child) (Non-MAGI/ANSWER)
- One client file, with 173 claims totaling $10,784, did not contain a DCO-704 signed by a registered nurse verifying medical necessity and did not contain documentation supporting the income and resources criteria, affecting 73 claims. *Questioned costs totaled $3,347.*

  The annual reevaluation was also not completed timely. The 2019 reevaluation, due in December 2018, was not completed until February 1, 2019. (AR Choices) (Non-MAGI/ANSWER)
- One client file, with 22 claims totaling $2,818, did not contain a DCO-704 signed by a registered nurse verifying medical necessity and did not contain documentation supporting the income and resources criteria, affecting 22 claims. *Questioned costs totaled $1,997.*

  In addition,103 claims paid in 2018 were also affected. *Questioned costs totaled $3,323.*

  The annual reevaluation was also not completed timely. The 2018 reevaluation, due in August 2017, was not completed. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file, with 113 claims totaling $7,827, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 26 claims. *Questioned costs totaled $1,305*. (AR Choices) (Non-MAGI/ANSWER)
- One client file, with 15 claims totaling $24,715, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, affecting 10 claims. *Questioned costs totaled $10,347.*

  The annual reevaluation was also not completed timely. The 2019 reevaluation, due in January 2019, was not completed until March 29, 2019. (Assisted Living/ Living Choices) (Non-MAGI/ANSWER)
- One client file, with 143 claims totaling $50,790, did not contain documentation proving resource eligibility, affecting 18 claims. *Questioned costs totaled $8,053.*

  The annual reevaluation was also not completed timely. The 2019 reevaluation, due in April 2019, was not completed until November 1, 2019, after the recipient's file was selected for review. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file, with 29 claims totaling $5,633, did not contain a DCO-704 signed by a registered nurse verifying medical necessity, documentation supporting the resources or income criteria, disability verification, institutional status, or proof of assignment of medical rights by the recipient to DHS, affecting all 29 claims. *Questioned costs totaled $3,972*.

  In addition, 137 claims paid in 2018, 2017, 2016, 2015, and 2014 were also affected. *Questioned costs totaled $325, $76, $193, $362, and $71, respectively*.

  The annual reevaluations were 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, 2016, 2017, 2018, or 2019. (Aid to the Disabled) (Non-MAGI/ANSWER)
- One client file, with 13 claims totaling $3,539, did not contain documentation proving income eligibility, affecting all 13 claims. *Questioned costs totaled $2,496.* (Adult Expansion) (MAGI/CURAM)
- One client file, with 10 claims totaling $116, did not contain documentation proving the recipient had assigned medical rights to DHS, affecting all 10 claims. *Questioned costs totaled $82.* (ARKids A) (MAGI/CURAM)

***2019 Prior Year Finding Number*:**	**2019-016 (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):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2014, 2015, 2016, 2017, 2018, and 2019**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Additional deficiencies related to eligible recipients with late *re-determinations*. Although no questioned costs are associated with these recipients, the total amount of claims paid (state and federal) as of fieldwork date of December 2, 2019, 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 December 2018 but was not completed until February 20, 2019. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled $13,178 in state fiscal year 2019. (Aid to the Aged) (Non-MAGI/ANSWER)
- One client file did not have a timely reevaluation, as it was due in February 2019 but was not completed until March 6, 2019. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled $5,262 in state fiscal year 2019. (Aid to the Disabled) (Non-MAGI/ANSWER)
- One client file did not have a timely reevaluation, as it was due in July 2018 but was not completed until August 12, 2018. The claims paid for dates of services between when the reevaluation was due and the day before it was performed totaled $434 in state fiscal year 2019. (Adult Expansion) (MAGI/CURAM)

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
State Fiscal Year 2019 - $35,952
State Fiscal Year 2018 - $3,648
State Fiscal Year 2017 - $76
State Fiscal Year 2016 - $193
State Fiscal Year 2015 - $362
State Fiscal Year 2014 - $71

***2019 Prior Year Finding Number*:**	**2019-017**
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):	**05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Material Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Partially corrected. The agency has improved its ability to provide greater specificity in tracking "other non-federal funds" through the purchase of a new general ledger system that is to be implemented by 9/1/21. Internal monitoring for this finding is pending.

Audit Status as of June 30, 2020:
Corrective action has not been taken. See current-year finding **2020-017**.

Auditee reported status as of June 30, 2020: Partially corrected; The agency developed a process for identifying other non-federal funds with greater specificity and is developing a long-term plan for improvement of reconciliation process.

Repeat Finding:
A similar issue was reported in prior-year finding **2018-015**.

Criteria:
In accordance with 45 CFR § 95.507(4), the Agency's established Cost Allocation Plan is required to contain sufficient information in such detail to permit the Director - Division of Cost Allocation, after consulting with the Operating Divisions, to make an informed judgment on the correctness and fairness of the State's procedures for identifying, measuring, and allocating all costs to each of the programs operated by the State agency.

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 (MAP).

In addition, 45 CFR § 75.303 states that a non-federal entity must "**take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings**."

Condition and Context:
To verify that state general revenues and other non-federal funding sources used to "match" the federal grant award monies were from an appropriate source of funding, ALA selected 25 daily draw dates and traced the daily draw amount recorded in AASIS to the Agency's supporting draw packet. The following issues were noted:

- The Agency did not maintain documentation identifying the original source of revenues identified as *other non-federal*.
- The Agency utilizes an outside accounting system, Lotus 1-2-3, to maintain and track *State General Revenue* and *other non-federal* fund balances available. Agency staff manually key information into this system daily. However, there are no reviews or other controls in place to ensure the accuracy of the funding category balances.
- Accounting records maintained in the Lotus 1-2-3 system include one-sided adjustments to *State General Revenue* and *other non-federal* funds, causing the ending balances of both funding categories to be inaccurate.

Additionally, to confirm the Agency was properly monitoring its state match, we requested the reconciliations the Agency indicated it used to track, compare, and verify state match requirements.

***2019 Prior Year Finding Number*:**	**2019-017 (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):	**05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):
Although reconciliations were provided for the first three quarters of 2019, they contained numerous errors, and the Agency failed to provide the reconciliation for the fourth quarter ending June 30, 2019. ALA attempted to perform alternative procedures; however, because of the issues noted above, we were unable to verify that the Agency met the match requirements.

(NOTE: The Agency's reported state match for all active Medicaid grants was $1,677,981,874.)

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

***2019 Prior Year Finding Number*:**	**2019-018**
State/Educational Agency(s):	**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:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-1805AR5MAP; 05-1905AR5MAP; 05-1805AR5ADM, 05-1905AR5ADM**
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Partially corrected. The agency corrected errors to formulas used to allocated and expenditures on the CMS-64. An internal monitoring review of the finding is pending.

Audit Status as of June 30, 2020:
Corrective action has not been taken. See current-year finding **2020-024**.

Auditee reported status as of June 30, 2020: Partially corrected; The agency has developed a process to reconcile the CMS-64 to payouts and cost allocation. The agency is in the process of developing a process to reconcile the CMS-64 to AASIS.

Repeat Finding:
A similar finding was reported in the year finding **2018-009**.

Criteria:
42 CFR 430.30(c) requires submission of a quarterly statement of expenditures report (CMS-64) for the Medical Assistance Program (MAP) no later than 30 days after the end of each quarter. To ensure compliance, the Agency maintains policies and procedures for the preparation of the CMS-64 report. One procedure specifically states 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 requested the quarterly reconciliations between expenditures recorded in its financial management system and expenditures reported to the federal awarding agency. The Agency provided reconciliations for portions of the CMS-64 reports to "payout" reports but did not complete reconciliations for the report as a whole. Payout reports are created by DMS staff and represent the 13 weekly funding requests for each quarter. The Agency utilizes an Excel workbook to combine the claims data included in each week's funding request to create the payout reports. However, the reconciliations provided did not include reconciliations to the Agency's financial management systems (AASIS and Allocap).

ALA staff also performed testing of expenditures reported on the CMS-64 for the quarters ended December 31, 2018, and March 31, 2019, to confirm accuracy and completeness with the expenditures recorded in the Agency's financial management system. ALA review revealed the following errors:

From the December 31, 2018, report:

- Twenty-three line items totaling $1,322,346,159 and representing 86% of MAP expenditures were selected. An error was identified in one line item, resulting in an **overstatement** of the federal portion of expenditures totaling $477,042.
- Nine line items totaling $91,932,560 and representing 94% of administrative expenditures were selected. Errors were identified in four line items, resulting in an **overstatement** of the federal portion of expenditures totaling $29,870.
-

***2019 Prior Year Finding Number*:**	**2019-018 (Continued)**
State/Educational Agency(s):	**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:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-1805AR5MAP; 05-1905AR5MAP; 05-1805AR5ADM, 05-1905AR5ADM**
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

From the March 31, 2019, report:

- Twenty-one line items totaling $1,499,993,497 and representing 85% of MAP expenditures were selected. Two errors were identified, resulting in an **understatement** of the federal portion of expenditures totaling $939.

Eight line items totaling $72,862,882 and representing 92% of administrative expenditures were selected. Errors were identified in four line items, resulting in an **overstatement** of the federal portion of expenditures totaling $119,695.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

***2019 Prior Year Finding Number*:**	**2019-019**
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):	**05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2015, 2016, 2017, 2018, and 2019**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Claims Paid Subsequent to Recipient Death**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially corrected. The agency completion of Medicaid rollout for ARIES was completed in April 2021. The process for activating review and reconciliation for PCCM payments will be completed in July 2021. An internal monitoring review of the finding is pending.

Audit Status as of June 30, 2020:
Although repayment was processed, similar deficiencies are reported in current-year finding **2020-025**.

Auditee reported status as of June 30, 2020: Partially corrected; The agency has corrected deficiencies in its eligibility systems and MMIS to prevent payment of claims after DOD. An internal monitoring review is pending.

Repeat Finding:
A similar issue was reported in prior-year finding **2018-021**.

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, 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 list of deceased individuals, which ALA used to identify individuals who had claims or capitation payments paid or adjusted in state fiscal year 2019 with dates of service after their date of death. The resulting population was split into those related to claims payments and those related to capitation payments.

ALA staff review of 60 recipients with claims paid for dates of service subsequent to the date of death revealed the following:

- Nine recipients had claims paid for dates of service after their date of death. One recipient's claims, totaling $576, were for dates of service seven months after the date of death. These claims had not been recouped as of fieldwork date October 14, 2019. *Questioned costs totaled $689 and $8 for state fiscal years 2019 and 2018, respectively*.
- For nine recipients, the Medicaid Management Information System (MMIS) did not have a date of death recorded or the date of death was not correct as of fieldwork date November 22, 2019.

ALA staff review of 60 recipients with capitation payments for dates of service subsequent to the date of death revealed the following:

- Fifty-seven recipients had capitation payments paid for dates of service after their date of death. These claims had not been recouped as of fieldwork date October 14, 2019. *Questioned costs totaled $722, $435, $183, $141, and $37 for state fiscal years 2019, 2018, 2017, 2016 and 2015, respectively.*
- For nine recipients, MMIS did not have a date of death recorded, or the date of death was not correct as of fieldwork date November 22, 2019.

***2019 Prior Year Finding Number*:**	**2019-019 (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):	**05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2015, 2016, 2017, 2018, and 2019**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Claims Paid Subsequent to Recipient Death**
Type of Finding:	**Noncompliance and Significant Deficiency**

Condition and Context (Continued):

- For 10 recipients, capitation payments were paid more than six months past the date of death and ranged from 7 to 54 months.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
State Fiscal Year 2015 - $37
State Fiscal Year 2016 - $141
State Fiscal Year 2017 - $183
State Fiscal Year 2018 - $443
State Fiscal Year 2019 - $1,411

***2019 Prior Year Finding Number*:**	**2019-021**
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):	**05-1805AR5MAP; 05-1905AR5MAP**
Federal Award Year(s):	**2018 and 2019**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Utilization Control and Program Integrity and Medicaid Fraud Control Unit**
Type of Finding:	**Noncompliance and Material Weakness**

Auditee reported status as of June 30, 2021: Partially corrected. The agency's receipt of the first EQR report from vendors was completed in April 2021. An internal monitoring review of the finding is pending.

Audit Status as of June 30, 2020:
Corrective action has not been taken. See current-year finding **2020-028**.

Auditee reported status as of June 30, 2020: Partially corrected; The agency began the process to secure a vendor to perform reviews and anticipates a contract start date of July 1, 2020. Note: The EQRO contract started in July 2020.

Repeat Finding:
Not applicable

Criteria:
In accordance with 42 CFR § 438.350, each state that contracts with a Managed Care Organization (MCO) or Prepaid Ambulatory Health Plan (PAHP) must ensure that an annual external quality review (EQR) is performed for each MCO or PAHP.

In addition, 42 CFR § 438.364 states that the EQR results must be included in an annual technical report that must be finalized by April 30 of each year.

Condition and Context:
The Healthy Smiles Waiver, Arkansas's dental managed care program, is a PAHP and became effective on January 1, 2018. Two entities participate in the dental managed care program: Delta Dental and MCNA Dental. An EQR is required for both entities and was due by April 30, 2019.

ALA inquiry and request for the annual report revealed that as of October 28, 2019, the Agency had yet to retain a vendor to perform the EQR and was still working on the RFP (request for proposal) to select the vendor.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

***2018 Prior Year Finding Number*:**	**2018-021**
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):	**05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1805AR5MAP**
Federal Award Year(s):	**2015, 2016, 2017, and 2018**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Claims Paid Subsequent to Recipient Death**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially corrected. The agency completion of Medicaid rollout for ARIES was competed in April 2021. The process for activating review and reconciliation for PCCM payments will be completed in July 2021. The internal monitoring review is pending.

Audit Status as of June 30, 2020:
Partial repayment made. Similar deficiencies are reported in current-year finding **2020-025**.

Auditee reported status as of June 30, 2020: Partially corrected: DHS has completed its review of date of death discrepancies between eligibility systems and MMIS and has updated each system to reflect the reported date of death. Additionally, all reconciliation processes that include automatic recoupment of claims are now active. All claims paid subsequent to date of death have been recouped and will be reported on the CMS-64 to be submitted on 10/31/2020.

Audit Status as of June 30, 2019:
Corrective action has not been taken. See current-year finding **2019-019**.

Auditee reported status as of June 30, 2019: Partially corrected; DHS has updated its internal reconciliation process to automatically recoup pharmacy and legacy system processed claims that were paid subsequent to recipient date of death. Also, the agency has updated. its MMIS to populate the date of death received from its eligibility system in a date of death data field as opposed to an eligibility data field. Further, the agency is in the process of reviewing date of death data in its eligibility systems and MMIS for the purpose of identifying any additional updates that need to be made in both systems to prevent the payment of claims after a recipient's date of death.

Repeat Finding:
A similar issue was reported in prior-year finding **2017-022**.

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 list of deceased individuals, which ALA used to identify individuals who had claims or capitation payments paid or adjusted in state fiscal year 2018 with dates of service after their date of death. The resulting population was split into those related to claims payments and those related to capitation payments.

ALA staff review of 60 recipients with claims paid for dates of service subsequent to the date of death revealed the following:

- Twenty-one recipients had claims paid for dates of service after their date of death. These claims had not been recouped as of fieldwork date October 26, 2018. *Questioned costs totaled $1,408*.

***2018 Prior Year Finding Number*:**	**2018-021 (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):	**05-1505AR5MAP; 05-1605AR5MAP; 05-1705AR5MAP; 05-1805AR5MAP**
Federal Award Year(s):	**2015, 2016, 2017, and 2018**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Claims Paid Subsequent to Recipient Death**
Type of Finding:	**Noncompliance and Significant Deficiency**

Condition and Context (Continued):

- For twenty-two recipients, the Medicaid Management Information System (MMIS) did not have a date of death recorded, or the date of death was not correct as of fieldwork date December 6, 2018.
- Forty-three recipients had capitation payments paid for dates of service after their date of death. These claims had not been recouped as of fieldwork date November 15, 2018. *Questioned costs totaled $1,328, $2, $106, and $38 for state fiscal years 2018, 2017, 2016, and 2015, respectively.*

ALA staff review of 60 recipients with capitation payments for dates of service subsequent to the date of death revealed the following:

- Forty-three recipients had capitation payments paid for dates of service after their date of death. These claims had not been recouped as of fieldwork date November 15, 2018. *Questioned costs totaled $1,328, $2, $106, and $38 for state fiscal years 2018, 2017, 2016, and 2015, respectively.*
- For 16 recipients, MMIS did not have a date of death recorded, or the date of death was not correct as of fieldwork date December 6, 2018.
- For seven recipients, capitation payments were paid more than six months past the date of death and ranged from 7 to 27 months.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
State Fiscal Year 2015 – $ 38
State Fiscal Year 2016 – $ 106
State Fiscal Year 2017 – $ 2
State Fiscal Year 2018 – $2,736
(Known questioned costs greater than $25,000 are required to be reported. The auditor must also report known questioned costs when likely questioned costs are greater than $2

2020 Prior Year Finding Number:	**2020-005**
State/Educational Agency(s):	**Henderson State University**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.268 – Federal Direct Student Loans (Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**P268K201081**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially corrected. Henderson State University's Student Accounts director took corrective actions in FY2021 and trained the staff in the allowable amount ($200) of financial aid funds that can be applied to prior-year charges for tuition and fees, room, or board or other charges incurred at the institution authorized by the account holder. The legacy computer system (POISE) experienced a glitch causing this particular error. Henderson State University's merger with Arkansas State University System in FY2021 created an opportunity to convert from POISE to Banner for all fiscal functions. The conversion of the student accounts module has begun and will be finalized in the Spring of 2022.

Repeat Finding:
Not applicable

Criteria:
According to 34 CFR § 668.164(c)(3)(i), an institution can disburse funds for prior-year charges for a total of not more than $200 for tuition and fees, room, or board and, if the institution obtains the student's or parent's authorization under 34 CFR § 668.165(b), other educationally related charges incurred by the student at the institution.

Condition and Context:
From a sample of 7 students selected for testing, ALA staff noted 1 instance in which excess loan funds were utilized to pay for prior-year charges of $3,915, in excess of the $200 amount allowed.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The University did not have proper training procedures in place that allowed staff to be aware the aid was not being applied in accordance with federal regulations.

Effect:
The University's procedures for disbursement of credit balances related to FSA funds were not in compliance with Department of Education guidelines.

Recommendation:
ALA staff recommend the University establish and implement procedures to ensure excess loan funds are paid in accordance with federal regulations and to ensure applicable training of personnel and oversight regarding the disbursement of Title IV, HEA program funds.

Views of Responsible Officials and Planned Corrective Action:
The University concurs with the finding. Student Accounts staff will be trained in the allowable amount of financial aid funds that can be applied to prior-year charges for tuition and fees, room, or board or other charges incurred at the institution authorized by the account holder.

Anticipated Completion Date: March 31, 2021

2020 Prior Year Finding Number:	**2020-005**
State/Educational Agency(s):	**Henderson State University**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.268 – Federal Direct Student Loans (Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**P268K201081**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Significant Deficiency**

Contact Person:

Rita Fleming
Vice Chancellor of Finance and Administration
Henderson State University
1100 Henderson Street
Arkadelphia, AR 71999
870-230-5061
fleminr@hsu.edu

2020 Prior Year Finding Number:	**2020-006**
State/Educational Agency(s):	**Southern Arkansas University**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Loan Program** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**P063P191087** **(Federal Pell Grant Program)** **P268K201087** **(Federal Direct Loan Program)**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Corrective action was taken.

Repeat Finding:
Not applicable

Criteria:
According to 34 CFR § 668.165(b)(1) and b(1)(ii), if an institution obtains written authorization from a student or parent, as applicable, the institution may hold on behalf of the student or parent any Title IV, HEA program funds that would otherwise be paid directly to the student or parent as a credit balance under 34 CFR § 668.164(h). Furthermore, 34 CFR § 668.165 (b)(5) and (b)(5)iii) state that if an institution holds excess funds under paragraph (b)(1)(ii), the institution must, notwithstanding any authorization by the institution under this paragraph, pay any remaining balance on loan funds by the end of the loan period.

According to 34 CFR § 668.164(c)(3)(i), an institution can disburse funds for prior-year charges for a total of not more than $200 for tuition and fees, room, or board and, if the institution obtains the student's or parent's authorization under 34 CFR § 668.165(b), other educationally related charges incurred by the student at the institution.

Condition and Context:
From a sample of 7 students selected for testing, ALA staff noted 1 instance in which a student's FSA credit balance of $3,574, comprised of Pell ($853) and Loan Funds ($2,721), was held without documentation of authorization from the student. Additionally, the remaining balance of $2,721 derived from FSA loan funds was not paid at the end of the loan period and was instead used to pay charges incurred after the end of the loan period.

From a sample of 7 students selected for testing, ALA noted 1 instance in which excess loan funds were utilized to pay for prior-year charges of $1,124, in excess of the $200 amount allowed.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The University did not have proper training procedures in place that allowed staff to be aware the aid was not being applied in accordance with federal regulations.

Effect:
The University's procedures for disbursement of credit balances related to FSA funds were not in compliance with Department of Education guidelines.

2020 Prior Year Finding Number:	**2020-006 (Continued)**
State/Educational Agency(s):	**Southern Arkansas University**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Loan Program** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**P063P191087** **(Federal Pell Grant Program)** **P268K201087** **(Federal Direct Loan Program)**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Significant Deficiency**

Recommendation:
ALA staff recommend the University establish and implement procedures to ensure excess loan funds are paid in accordance with federal regulations and to ensure applicable training of personnel and oversight regarding the disbursement of Title IV, HEA program funds.

Views of Responsible Officials and Planned Corrective Action:
The University plans to implement procedures to help identify federal financial awards made subsequent to adding additional student charges. Due to this timing issue, the administrative software is not able to detect and create the required refund. Software and/or procedural changes will be addressed to resolve the matter. In addition, a reminder will be extended to the appropriate Business Office staff to adhere to the $200 allowable amount.

Anticipated Completion Date: June 30, 2021

Contact Person:
Shawana Reed
VP for Finance
Southern Arkansas University
100 E University MSC 9403
Magnolia, AR 71753
870-235-5008
srreed@saumag.edu

2020 Prior Year Finding Number:	**2020-007**
State/Educational Agency(s):	**Southern Arkansas University**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.007 – Federal Supplemental Educational Opportunity Grants** **84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Student Loans** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**P007A190194** **(Federal Supplemental Educational Opportunity Grants)** **P063P191087** **(Federal Pell Grant Program)** **P268K201087** **(Federal Direct Student Loans)**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Corrective action was taken.

Repeat Finding:
Not applicable

Criteria:
34 CFR § 668.32(f) states that a student is eligible to receive Title IV, HEA program assistance if the student maintains satisfactory academic progress (SAP) in his or her course of study according to the institution's published standards for SAP that meet the requirements of 34 CFR § 668.34. Specifically, 34 CFR § 668.34(d)(3) states that a student on financial probation for a payment period may not receive Title IV, HEA program funds for the subsequent payment period unless the student makes SAP or the institution determines that the student met the requirements specified by the institution in the academic plan for the student. Furthermore, 34 CFR § 668.34(a) states, "An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the title IV, HEA programs."

Condition and Context:
While the University has a process to receive and consider SAP appeals, its internal controls were not sufficient to ensure compliance with SAP requirements. The University's SAP policy states that an appeals committee reviews appeals of SAP determinations. However, the SAP policy does not provide specific information on the methodology the University uses to evaluate appeals. In a sample of 9 students, ALA noted 2 students for which the University maintained evidence the students had filed appeals but did not document its rationale for approving those students' SAP appeals. Furthermore, the 2 students were placed on probation status and did not make SAP at the end of the probation term but continued to receive Title IV, HEA program funds in the subsequent payment periods. Specifically:

- One of the students did not meet the 2.0 cumulative GPA requirement at the end of the probation term but continued to receive aid in the Spring 2020 semester. The appeal did not document a multi-term academic plan.
- One of the students did not meet the quantitative pace of completion, the maximum timeframe element, or the 2.0 cumulative GPA requirement at the end of the probation term but continued to receive aid in the Fall 2019, Spring 2020, and Summer I 2020 semesters. The appeal did not document a multi-term academic plan.

Statistically Valid Sample:
Not a statistically valid sample

2020 Prior Year Finding Number:	**2020-007 (Continued)**
State/Educational Agency(s):	**Southern Arkansas University**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.007 – Federal Supplemental Educational Opportunity Grants** **84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Student Loans** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**P007A190194** **(Federal Supplemental Educational Opportunity Grants)** **P063P191087** **(Federal Pell Grant Program)** **P268K201087** **(Federal Direct Student Loans)**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Significant Deficiency**

Questioned Costs:
Known - $7,357 in Pell, $6,500 in FSEOG, $16,052 in Direct Loans
Projected - $7,335,235

Cause:
The University's method for evaluating SAP did not always follow its policies and procedures, and the University's SAP appeals policies and procedures were inadequate.

Effect:
In the absence of established controls to ensure compliance with established SAP policies and procedures and federal regulations, two ineligible students received Title IV, HEA program funds.

Recommendation:
ALA staff recommend the University establish and implement a process to consider and approve or deny appeals that students make after the University determines they are not eligible for federal financial assistance because they do not comply with its SAP policy. This process should include documenting and retaining the rationale for approving appeals. Additionally, ALA staff recommend the University enhance controls to ensure adherence to its SAP policies and procedures and compliance with federal regulations. The University should consult the U.S. Department of Education for resolution regarding this matter.

Views of Responsible Officials and Planned Corrective Action:
The University will update the satisfactory academic progress (SAP) policy, provide additional written explanation of the process and increase the academic plan documentation during the SAP appeal process.

Anticipated Completion Date: August 10, 2021

Contact Person:
Marcela Brunson
Financial Aid Director
Southern Arkansas University
100 E University MSC 9403
Magnolia, AR 71753
870-235-4023
mdbrunson@saumag.edu

2020 Prior Year Finding Number:	**2020-008**
State/Educational Agency(s):	**Southern Arkansas University**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Student Loans** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**P063P191087** **(Federal Pell Grant Program)** **P268K201087** **(Federal Direct Student Loans)**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially Corrected – In Progress. Additional staff has been added to ensure accuracy and reporting of disbursements.

Repeat Finding:
Not applicable

Criteria:
In accordance with 34 CFR § 668.164(a), Title IV funds are disbursed on the date that the institution (a) credits those funds to the student's account in the institution's general ledger or any sub-ledger of the general ledger or (b) pays those funds to the student directly. Title IV funds are disbursed even if the institution uses its own funds in advance of receiving program funds from the Secretary of Education. Additionally, in accordance with CFR § 690.83, universities are required to submit student disbursement data via the Common Origination and Disbursement System (COD) within the required timeframe established by the Secretary, which is 15 days from the date of disbursement.

Condition and Context:
For 4 of 9 students tested, PELL disbursement dates recorded in the student ledgers differed from the disbursement dates reported to the COD system. Variances between the disbursed dates in the students' accounts and the dates reported in COD ranged from 5 to 86 days. For 6 of 7 students tested, Federal Direct Student Loan disbursement dates recorded in the student ledgers differed from the disbursement dates reported to the COD system. Variances between the disbursed dates in the students' accounts and the dates reported in COD ranged from 1 to 70 days.

Additionally, for 9 of 9 students tested, Pell disbursements were not reported to COD within 15 days after the disbursement; 4 disbursements were reported from 26 to 176 days late; and 5 disbursements had not been reported as of report date. Upon further review and inquiry of management, ALA staff determined the University had not reported $787,280 in Pell disbursements to COD as of December 9, 2020; therefore, funds were not available to be drawn down.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The University did not implement policies and procedures to ensure data related to disbursements of Title IV, HEA program funds were reported in a timely and accurate manner. Additionally, internal controls were not sufficiently designed to identify inaccuracies or disbursements not reported.

2020 Prior Year Finding Number:	**2020-008 (Continued)**
State/Educational Agency(s):	**Southern Arkansas University**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Student Loans** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**P063P191087** **(Federal Pell Grant Program)** **P268K201087** **(Federal Direct Student Loans)**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Effect:

Failure to properly report information to COD increases the risk of material non-compliance with federal Student Financial Aid program requirements and may result in rejection of all or part of the reported disbursement. Additionally, late reporting of payment data delays federal reimbursements as federal funds cannot be drawn down until the University has completed the reporting of payment data to the Department of Education.

Recommendation:
The University should perform procedures to correct and reconcile the COD system and students' actual disbursements. Additionally, the University should implement a control process in which the information provided to COD and to the National Student Loan Data System (NSLDS) is complete and accurate and should also ensure that monthly reconciliations are performed between the COD system and the University's internal records.

Views of Responsible Officials and Planned Corrective Action:
The University will perform reconciliations between COD and internal records (i.e. student account ledgers and student financial aid records) to ensure accuracy and timely reporting, within 15 days of disbursement. The University plans to implement procedures to identify and correct variances in disbursement dates between student ledger information and COD reporting regarding disbursement of funds. Additional staff has been added to complete reporting and create internal controls in order to monitor and respond to discrepancies.

Anticipated Completion Date: August 10, 2021

Contact Person:

Marcela Brunson
Financial Aid Director
Southern Arkansas University
100 E University MSC 9403
Magnolia, AR 71753
870-235-4023
mdbrunson@saumag.edu

2020 Prior Year Finding Number:	**2020-009**
State/Educational Agency(s):	**Southern Arkansas University**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.425F – Higher Education Emergency Relief Fund (HEERF) Institutional Portion**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**P425F202725**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Corrective action was taken.

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.309, a non-federal entity may charge to the federal award only allowable costs incurred during the period of performance and any costs incurred before the federal awarding agency or pass-through entity made the federal award that were authorized by the federal awarding agency or pass-through entity. Institutions were allowed to incur pre-award costs consistent with 2 CFR § 200.458 and 34 CFR § 75.263 from March 13, 2020, the declaration of the national emergency due to the coronavirus, to the date of their HEERF grant award for their (a)(1) Institutional Portion, as long as those expenditures would have been allowable if incurred after the date of the HEERF grant award.

Condition and Context:
ALA staff selected 25 student and institutional costs for the HEERF program to ensure the costs charged were allowable and incurred during the period of performance. Of the 25 selected, ALA noted 6 instances in which the costs were incurred prior to March 13, 2020. In 5 of these instances, the payroll expense was dated March 20, 2020, but was for work performed prior to March 13, 2020, and in 1 instance, the wireless upgrade purchase was incurred prior to March 13, 2020. After further review and discussion with management, ALA determined all costs related to the March 20, 2020, payroll and all wireless upgrade expenditures were incurred before March 13, 2020. As a result, ALA determined a total of $250,935 in Institutional Portion costs were incurred outside the period of performance.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$250,935

Cause:
The University's internal controls were not sufficient to ensure that pre-award costs charged to the HEERF program were incurred within the allowable period.

Effect:
Expenditures charged to a federal award that were not incurred during the authorized period of performance could be subject to disallowance by the federal awarding agency.

Recommendation:
ALA staff recommend the University design and implement controls to ensure that costs are incurred within the allowable period of the federal award.

2020 Prior Year Finding Number:	**2020-009 (Continued)**
State/Educational Agency(s):	**Southern Arkansas University**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.425F – Higher Education Emergency Relief Fund (HEERF) Institutional Portion**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**P425F202725**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Period of Performance**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action:
HEERF funds were limited to the beginning of the declaration of the national emergency on March 13, 2020. Items previously reported as allowable expenditures prior to this date were removed and all quarter and annual reports were updated.

Anticipated Completion Date: February 5, 2021

Contact Person:
Shawana Reed
VP for Finance
Southern Arkansas University
100 E University MSC 9403
Magnolia, AR 71753
870-235-5008
srreed@saumag.edu

2020 Prior Year Finding Number:	**2020-010**
State/Educational Agency(s):	**Arkansas Tech University**
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** **84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Student Loans** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**Various**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021:

Views of Responsible Officials and Planned Corrective Action: (Finding 1): Partially corrected. In response to the Arkansas Legislative Audit GLBA Findings, Arkansas Tech University is reporting this finding as "Partially Corrected" A Risk Assessment, as indicated by the recommendation, was completed by Fin-Aid (Mrs. Niki Schwartz), and the Information Security Officer (Mr. Chris Moss) between June 9 and June 28 and the Director of the Office of Information Systems and Chief Information Officer (Mr. Ken Wester) also reviewed that combined document and made additional comments and suggestions. The assessment was conducted using the Educause HEISC template (which is a compilation of NIST-800-53 and CIS Top 20 Controls). An internal evaluation score of 2.97 was asserted out of a possible score of 5. We are in the process of identifying the risks levels (no criticals) and addressing those within Fin-Aid, IT, and the University.

This is marked partially completed due to the additional indicators in the finding recommendation "The GLBA risk assessment must include a clear identification of any foreseeable threats (done), a full assessment of the likelihood of such threats and the damage they can do, and the Universities mitigation efforts of potential foreseeable risks."

The risk assessment template should be performed in two stages: the functional area's initial self-assessment and the information security office. Input is provided on how they see the maturity of the items within the template for that unit, and from that review, a more comprehensive investigation may be required of the items identified as low maturity (or needing work).

After that review is complete, the review team would then enter stage 2, which is reviewing the low maturity items and their specific risks to the area under review. Afterward, they would identify any mitigation steps, processes, or controls that would raise the maturity level and lower the inherent risk of that item. Estimated completion August 31, 2021.

Repeat Finding:
Not applicable

Criteria:
The Gramm-Leach-Bliley Act (GLBA) and 16 C.F.R § 314.4 require financial institutions to develop, implement, and maintain an information security program that includes a risk assessment over employee training and management to facilitate the design and implementation of appropriate safeguards to students' financial aid information.

Condition and Context:
During the audit period, the University disbursed $53,952,672 in federal financial assistance subject to this requirement and did not conduct a risk assessment as required.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Not applicable

2020 Prior Year Finding Number:	**2020-010 (Continued)**
State/Educational Agency(s):	**Arkansas Tech University**
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** **84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Student Loans** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**Various**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Cause:
The University did not develop internal controls to monitor grant requirements. As a result, the required risk assessment was not performed to protect students' financial aid information.

Effect:
Student information was more susceptible to unauthorized disclosure, misuse, alteration, destruction, or other compromise because risks could exist for which safeguards have not been designed and implemented.

Recommendation:
ALA staff recommend the University conduct a risk assessment utilizing a standard risk assessment framework. The GLBA risk assessment must include a clear identification of any foreseeable threats, a full assessment of the likelihood of such threats and the damage they can do, and the University's efforts to mitigate potential foreseeable risks.

Views of Responsible Officials and Planned Corrective Action:
In response to the Arkansas Legislative Audit GLBA findings, Arkansas Tech University is preparing to conduct a risk assessment of Financial Aid's office. This assessment will be completed on or before June 30, 2021. The office of information security will be using NIST 800-171 as a guide to complete this assessment.

We are also investigating tools that we can use to perform network scans on specific VLANs on the network. We have partnered with Palo Alto and Critical Start SOC monitoring service. We are using their Cortex XDR platform to monitor campus networks, desktops continually, and servers. This service continuously profiles endpoints, network, and user behavior to uncover stealth attacks.

Views of Responsible Officials and Planned Corrective Action (Continued):
Formal GLBA and FERPA training will be developed and conducted with the Financial Aid and Student Accounts office. This training will be designed using information from the SANS Institute paper about the GLBA risk assessment and legal counsel input. This training will be conducted yearly, with all new employees receiving training upon on-boarding. The initial training will be developed and completed before July 1, 2021.

On January 7, Academic Affairs held a Professional Development seminar for faculty and staff. The office of information security held an information security session covering HIPAA, FERPA, PII, GDPR, and work from home best practices. The session was attended by 125 employees from across the campus.

Anticipated Completion Date: July 1, 2021

Contact Person:
Laury Fiorello
Budget Director
Arkansas Tech University
215 West O St RCB406
Russellville, AR 72801
479-964-0821
lfiorello@atu.edu

2020 Prior Year Finding Number:	**2020-004**
State/Educational Agency(s):	**University of Arkansas, Fayetteville**
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 84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans 93.264 – Nurse Faculty Loan Program (Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education; U.S. Department of Health and Human Services**
Federal Award Number(s):	**Various**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially corrected. In November 2020 UITS established a GLBA risk assessment policy as well as adopted a standard SANS Institutes risk assessment framework modified for the University environment including the addition of physical and insider threat risk evaluation criteria. While an actual risk assessment was not completed prior to calendar year end, a risk assessment of the Financial Aid Group was completed June 30, 2021, and available to the legislative audit team for review and feedback. The official 2021 GLBA Risk assessment will be completed in November 2021.

Repeat Finding:
Not applicable

Criteria:
The Gramm-Leach-Bliley Act (GLBA) and 16 C.F.R § 314.4 require financial institutions to develop, implement, and maintain an information security program that includes a risk assessment over employee training and management to facilitate the design and implementation of appropriate safeguards to students' financial aid information.

Condition and Context:
During the audit period, the University disbursed $127,201,923 in federal financial assistance subject to this requirement and did not conduct a risk assessment as required.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The University did not conduct a risk assessment, as required by 16 C.F.R § 314.4b, to identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information.

Effect:
Student financial information was more susceptible to unauthorized disclosure, misuse, alteration, destruction, or other compromise because risks could exist for which safeguards have not been designed and implemented.

Recommendation:
ALA staff recommend the University conduct a risk assessment utilizing a standard risk assessment framework. The GLBA risk assessment must include a clear identification of any foreseeable threats, a full assessment of the likelihood of such threats and potential damage, and the University's efforts to mitigate potential foreseeable risks.

Views of Responsible Officials and Planned Corrective Action:
We agree. In November 2020 UITS established a GLBA risk assessment policy as well as adopted a standard SANS Institutes risk assessment framework modified for the University environment including the addition of physical and

2020 Prior Year Finding Number:	**2020-004 (Continued)**
State/Educational Agency(s):	**University of Arkansas, Fayetteville**
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** **84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Student Loans** **93.264 – Nurse Faculty Loan Program** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education;** **U.S. Department of Health and Human Services**
Federal Award Number(s):	**Various**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action (continued):
insider threat risk evaluation criteria. While an actual risk assessment was not completed prior to calendar year end, a risk assessment of the Financial Aid Group will be completed by June 30, 2021. Once completed, it will be provided to Legislative Audit for review and feedback. The official 2021 GLBA Risk assessment will be completed in November 2021.

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

Anticipated Completion Date: A risk assessment of the Financial Aid Group will be completed by June 30, 2021. Once completed, it will be provided to Legislative Audit for review and feedback. The official 2021 GLBA Risk assessment will be completed in November 2021.

Contact Person:
Steve Krogull
Chief Information Officer, Associate Vice Chancellor
UAF Information Technology Services
1 University of Arkansas
Fayetteville, AR 72701
479-718-3314
skrogull@uark.edu

2020 Prior Year Finding Number:	**2020-011**
State/Educational Agency(s):	**Arkansas Northeastern College**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.063 – Federal Pell Grant Program (Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**Unknown**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially corrected. The College has performed a risk assessment couple with a Capability Maturity Model to meet the requirements identified in the recommendation. Additionally, the College has developed a standard set of policies and procedures to address the gaps and is in the process of implementing those across our IT environment. Finally, the Risk Assessment/Capability Maturity Model findings have been turned into a Statement of Work. The College has engaged with Cyberopz to close the identified gaps and challenges identified in the Risk Assessment. The contract with Cyberopz was formalized on July 2, 2021.

Repeat Finding:
Not applicable

Criteria:
The Gramm-Leach-Bliley Act (GLBA) and 16 C.F.R § 314.4 require financial institutions to develop, implement, and maintain an information security program that includes a risk assessment over employee training and management to facilitate the design and implementation of appropriate safeguards to students' financial aid information.

Condition and Context:
During the audit period, the College disbursed $2,321,923 in federal financial assistance subject to this requirement and did not conduct a risk assessment as required.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Not applicable

Cause:
The College did not develop internal controls to monitor grant requirements. As a result, the required risk assessment was not performed to protect students' financial aid information.

Effect:
Student information was more susceptible to unauthorized disclosure, misuse, alteration, destruction, or other compromise because risks could exist for which safeguards have not been designed and implemented.

Recommendation:
ALA staff recommend the College conduct a risk assessment utilizing a standard risk assessment framework. The GLBA risk assessment must include a clear identification of any foreseeable threats, a full assessment of the likelihood of such threats and the damage they can do, and the College's efforts to mitigate potential foreseeable risks.

2020 Prior Year Finding Number:	**2020-011**
State/Educational Agency(s):	**Arkansas Northeastern College**
Pass-Through Entity:	**Not Applicable**
CFDA Number(s) and Program Title(s):	**84.063 – Federal Pell Grant Program (Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**Unknown**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action:

The College has performed a risk assessment coupled with a Capability Maturity Model to meet the requirements identified in the recommendation. Additionally, the college has developed a standard set of policies and procedures to address the gaps and is in the process of implementing those across our IT environment.

Finally, the risk assessment/capability maturity model findings have been turned into a Statement of Work for the College to make the necessary purchases to close the identified gaps and challenges identified in the risk assessment. It is currently in the process of preparing the bid for release in the next 60 days.

Anticipated Completion Date: The Risk Assessment was completed on 2/11/2021.

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

Contact Person:
James W. McClain
Vice President Information Technology/Student Affairs
Arkansas Northeastern College
2501 S Division
Blytheville, AR 72315
870-762-3133
jmcclain@smail.anc.edu

2020 Prior Year Finding Number:	**2020-012**
State/Educational Agency(s):	**Arkansas State University Three Rivers**
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** **84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Student Loans** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**Various**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Auditee reported status as of June 30, 2021: Partially Corrected. The Associate Vice Chancellor for Information Technology has compiled a draft risk assessment that outlines risks associated with the GLBA, controls, and mitigation strategies in use at the College. The College anticipates final completion of the risk assessment document by 11/30/21.

An Information Security Awareness Training Session has been developed which contains best practices for securing sensitive information, as well as providing examples of common phishing and data harvesting tactics. This training is scheduled to take place on 8/10/21 during the College's Fall In-Service Meeting; which all employees are required to attend.

Repeat Finding:
Not applicable

Criteria:
The Gramm-Leach-Bliley Act (GLBA) and 16 C.F.R § 314.4 require financial institutions to develop, implement, and maintain an information security program that includes a risk assessment over employee training and management to facilitate the design and implementation of appropriate safeguards to students' financial aid information.

Condition and Context:
During the audit period, the University disbursed $3,738,828 in federal financial assistance subject to this requirement and did not conduct a risk assessment as required.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Not applicable

Cause:
The University did not develop internal controls to monitor grant requirements. As a result, the required risk assessment was not performed to protect students' financial aid information.

Effect:
Student information was more susceptible to unauthorized disclosure, misuse, alteration, destruction, or other compromise because risks could exist for which safeguards have not been designed and implemented.

Recommendation:
ALA staff recommend the University conduct a risk assessment utilizing a standard risk assessment framework. The GLBA risk assessment must include a clear identification of any foreseeable threats, a full assessment of the likelihood of such threats and the damage they can do, and the University's efforts to mitigate potential foreseeable risks.

2020 Prior Year Finding Number:	**2020-012 (Continued)**
State/Educational Agency(s):	**Arkansas State University Three Rivers**
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** **84.063 – Federal Pell Grant Program** **84.268 – Federal Direct Student Loans** **(Student Financial Assistance Cluster)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**Various**
Federal Award Year(s):	**2020**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action:
The College concurs with the finding, and will conduct an information security risk assessment based on GLBA guidelines. The risk assessment will be performed by the Associate Vice Chancellor for Information Technology and will help determine procedures needed to improve internal controls. Additionally, an information security training course will be implemented by the AVC for IT. Appropriate staff will attend this required training in order to become familiar with the regulations under GLBA.

Anticipated Completion Date: An Information Security course for employee training will be established and required for all College employees in 2021.

Contact Person:
James R. White
Vice Chancellor for Finance and Administration
Arkansas State University Three Rivers
One College Circle
Malvern, AR 72104
501-332-0252
jwhite@asutr.edu

Audit Status for Unresolved Prior Audit Findings

For the Year Ended June 30, 2021

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2021

In accordance with 2 CFR § 200.514(e), the auditor must follow-up on prior audit findings, perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings prepared by the auditee. If the auditor concludes that the Summary Schedule of Prior Audit Findings 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 251**.

State/Educational Agency:	Arkansas Department Commerce – Division of Workforce Services
Federal Program Name:	N/A – Financial Statement Finding
Prior Audit Finding Number:	***2020-001***
Page Number (from schedule):	154 - 155
Federal Awarding Agency:	N/A
Compliance Area Affected:	N/A
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrective action has not been taken. A similar issue is reported in current-year finding **2021-001**.

State/Educational Agency:	Arkansas Department Commerce – Division of Workforce Services
Federal Program Name:	Unemployment Insurance
Prior Audit Finding Number:	***2020-002***
Page Number (from schedule):	156 - 158
Federal Awarding Agency:	U.S. Department of Labor
Compliance Area Affected:	Allowable Costs/Cost Principles; Eligibility
Questioned Costs:	$42,499
Status of Questioned Costs:	Recoupment not required.
Status of Finding:	Partial corrective action taken. Similar deficiencies are reported in current-year finding **2021-004**.

State/Educational Agency:	Arkansas Department Commerce – Division of Workforce Services
Federal Program Name:	Unemployment Insurance
Prior Audit Finding Number:	***2020-003***
Page Number (from schedule):	159 - 160
Federal Awarding Agency:	U.S. Department of Labor
Compliance Area Affected:	Allowable Costs/Cost Principles; Eligibility
Questioned Costs:	$103,438
Status of Questioned Costs:	Recoupment not required.
Status of Finding:	Corrective action has not been taken. Similar deficiencies are reported in current-year finding **2021-006**.

State/Educational Agency:	University of Arkansas, Fayetteville
Federal Program Name:	Student Financial Assistance Cluster
Prior Audit Finding Number:	***2020-004***
Page Number (from schedule):	244 - 245
Federal Awarding Agency:	U.S. Department of Education; U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Henderson State University
Federal Program Name:	Student Financial Assistance Cluster
Prior Audit Finding Number:	***2020-005***
Page Number (from schedule):	232 - 233
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Activities Allowed or Unallowed
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Southern Arkansas University
Federal Program Name:	Student Financial Assistance Cluster
Prior Audit Finding Number:	***2020-006***
Page Number (from schedule):	234 - 235
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Activities Allowed or Unallowed
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Southern Arkansas University
Federal Program Name:	Student Financial Assistance Cluster
Prior Audit Finding Number:	***2020-007***
Page Number (from schedule):	236 - 237
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Eligibility
Questioned Costs:	$29,909
Status of Questioned Costs:	Unknown
Status of Finding:	Partial corrective action taken. The University did not provide information indicating its SAP appeals process was revised.

State/Educational Agency:	Southern Arkansas University
Federal Program Name:	Student Financial Assistance Cluster
Prior Audit Finding Number:	***2020-008***
Page Number (from schedule):	238 - 239
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Reporting
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Partial corrective action taken. The University did not provide information indicating that procedures had been implemented to ensure accurate and timely reporting or that monthly reconciliations are being performed.

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2021

State/Educational Agency:	Southern Arkansas University
Federal Program Name:	Higher Education Emergency Relief Fund (HEERF) Institutional Portion
Prior Audit Finding Number:	***2020-009***
Page Number (from schedule):	240 - 241
Federal Awarding Agency:	U.S. Department of Education;
Compliance Area Affected:	Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	$250,935
Status of Questioned Costs:	Recoupment not required.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Tech University
Federal Program Name:	Student Financial Assistance Cluster
Prior Audit Finding Number:	***2020-010***
Page Number (from schedule):	242 - 243
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Special Tests and Provisions
Questioned Costs:	Not applicable
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Northeastern College
Federal Program Name:	Student Financial Assistance Cluster
Prior Audit Finding Number:	***2020-011***
Page Number (from schedule):	246 - 247
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Special Tests and Provisions
Questioned Costs:	Not applicable
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas State University Three Rivers
Federal Program Name:	Student Financial Assistance Cluster
Prior Audit Finding Number:	***2020-012***
Page Number (from schedule):	248 - 249
Federal Awarding Agency:	U.S. Department of Education
Compliance Area Affected:	Special Tests and Provisions
Questioned Costs:	Not applicable
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Adoption Assistance
Prior Audit Finding Number:	***2020-013***
Page Number (from schedule):	161 - 162
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Eligibility
Questioned Costs:	$14,077
Status of Questioned Costs:	Outstanding
	Resolution has not been provided by the federal awarding agency regarding recoupment status.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program; Medicaid Cluster
Prior Audit Finding Number:	***2020-014***
Page Number (from schedule):	163 - 164
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Allowable Costs/Cost Principles
Questioned Costs:	$72,686 (Medicaid Cluster)
	Unknown (CHIP)
Status of Questioned Costs:	Recoupment of $72,686 was processed.
	CMS considers this finding closed as of September 2021.
Status of Finding:	Noncompliance continued for the year ended June 30, 2021. See current-year finding **2021-034**.
	Similar deficiencies were also reported in our June 30, 2019, report (**2019-014**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program; Medicaid Cluster
Prior Audit Finding Number:	***2020-015***
Page Number (from schedule):	165 - 167
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Allowable Costs/Cost Principles - Managed Care Medical Loss Ratio (PASSE and Dental)
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
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State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program; Medicaid Cluster
Prior Audit Finding Number:	***2020-016***
Page Number (from schedule):	168 - 170
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Allowable Costs/Cost Principles - Managed Care Medical Loss Ratio (PASSE and Dental)
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	CMS considers this finding closed as of September 2021. However, noncompliance continued for the year ended June 30, 2021. See current-year finding **2021-023**.

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program; Medicaid Cluster
Prior Audit Finding Number:	***2020-017***
Page Number (from schedule):	171 - 172
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:	Noncompliance continued for the year ended June 30, 2021. See current-year finding **2021-024**. CMS is awaiting a response from the Agency as of September 2021 and will continue to monitor this finding. An update was expected by December 31, 2021. Similar deficiencies were also reported in our June 30, 2019, report (**2019-017**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program
Prior Audit Finding Number:	***2020-018***
Page Number (from schedule):	173 - 176
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed - Managed Care (PASSE)
Questioned Costs:	$94,715
Status of Questioned Costs:	Repayment of $158,410 was processed.
Status of Finding:	Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2021

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program
Prior Audit Finding Number:	***2020-019***
Page Number (from schedule):	177 - 179
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions - Provider Eligibility (Fee-for-Service)
Questioned Costs:	$20,710
Status of Questioned Costs:	Outstanding
	CMS considers this finding closed as of November 2, 2021. However, CMS did not provide clarification regarding recoupment of questioned costs.
Status of Finding:	Noncompliance continued for the year ended June 30, 2021. See current-year finding **2021-029**.
	Similar deficiencies were also reported in our June 30, 2019, report (**2019-006**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program
Prior Audit Finding Number:	***2020-020***
Page Number (from schedule):	180 - 183
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions - Provider Eligibility (Managed Care Organization)
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	CMS considers this finding closed as of November 2, 2021.
	However, noncompliance continued for the year ended June 30, 2021. See current-year finding **2021-030**.
	Similar deficiencies were also reported in our June 30, 2019, report (**2019-007**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2020-021***
Page Number (from schedule):	184 - 187
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed – Home and Community-Based Services (AR Choices)
Questioned Costs:	$197,344
Status of Questioned Costs:	Repayment totaling $197,343, was processed.
Status of Finding:	CMS considers this finding closed as of September 2021.
	However, noncompliance continued for the year ended June 30, 2021. See current-year finding **2020-031**.
	Similar deficiencies were also reported in our June 30, 2019, report (**2019-011**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2020-022***
Page Number (from schedule):	188 - 191
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed – Managed Care (PASSE)
Questioned Costs:	$108,960
Status of Questioned Costs:	Repayment totaling $108,960 was processed.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2020-023***
Page Number (from schedule):	192 - 194
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Eligibility
Questioned Costs:	$48,220
Status of Questioned Costs:	Repayment totaling $48,219 was processed.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2020-024***
Page Number (from schedule):	195 - 196
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Reporting
Questioned Costs:	$495,421
Status of Questioned Costs:	Outstanding CMS will continue to monitor this finding and was expecting an update from the Agency by December 30, 2021.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2020-025***
Page Number (from schedule):	197 - 199
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Capitation Payments Paid Subsequent to Recipient Death
Questioned Costs:	$7,239
Status of Questioned Costs:	Repayment totaling $7,239 was processed.
Status of Finding:	Corrective action had not been fully implemented as of the end of fieldwork, November 16, 2021.

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2020-026***
Page Number (from schedule):	200 - 203
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Provider Eligibility (Fee-for-Service)
Questioned Costs:	$2,477,398
Status of Questioned Costs:	Outstanding
	CMS considers this finding closed as of November 2, 2021. However, CMS did not provide clarification regarding recoupment of questioned costs.
Status of Finding:	Noncompliance continued for the year ended June 30, 2021. See current-year finding **2021.032**.
	Similar deficiencies were also reported in our June 30, 2019, report (**2019-006**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2020-027***
Page Number (from schedule):	204 - 206
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	CMS considers this finding closed as of November 2, 2021.
	However, noncompliance continued for the year ended June 30, 2021. See current-year finding **2021-033**.
	Similar deficiencies were also reported in our June 30, 2019, report (**2019-007**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2020-028***
Page Number (from schedule):	207 - 208
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Utilization Control and Program Integrity and Medicaid Fraud Control Unit
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
Prior Audit Finding Number:	***2019-006***
Page Number (from schedule):	209 - 211
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Provider Eligibility (Fee-for-Service)
Questioned Costs:	CHIP - $1,046,663 Medicaid - $8,864,004
Status of Questioned Costs:	Recoupment not required
Status of Finding:	CMS considers this finding closed as of December 2020. However, noncompliance continued for the year ended June 30, 2021. See current-year findings **2021-029** (CHIP) and **2021-032** (Medicaid). Similar deficiencies were also reported in our June 30, 2020, report (**2020-019** (CHIP) and **2020-026** (Medicaid)).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program; Medicaid Cluster
Prior Audit Finding Number:	***2019-007***
Page Number (from schedule):	212 - 214
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	CMS considers this finding closed as of December 2020. However, noncompliance continued for the year ended June 30, 2021. See current-year findings **2021-030** (CHIP) and **2021-033** (Medicaid). Similar deficiencies were also reported in our June 30, 2020, report (**2020-020** (CHIP) and **2020-027** (Medicaid)).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2019-011***
Page Number (from schedule):	215
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed – Home and Community-Based Services (ARChoices Waiver)
Questioned Costs:	$279,488
Status of Questioned Costs:	Recouped
Status of Finding:	CMS considers this finding closed as of September 2021. However, noncompliance continued for the year ended June 30, 2021. See current-year finding **2021-031**. Similar deficiencies were also reported in our June 30, 2020, report (**2020-021**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2019-012***
Page Number (from schedule):	216 - 217
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed – Managed Care
Questioned Costs:	$58,894
Status of Questioned Costs:	Recouped
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2019-014***
Page Number (from schedule):	218 - 219
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Allowable Costs and Cost Principles
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	CMS considers this finding closed as of December 2020. However, noncompliance continued for the year ended June 30, 2021. See current-year finding **2021-034**. Similar deficiencies were also reported in our June 30, 2020, report (**2020-014**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2019-016***
Page Number (from schedule):	220 - 222
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Eligibility
Questioned Costs:	State Fiscal Year 2019 – $35,952 State Fiscal Year 2018 – $3,648 State Fiscal Year 2017 – $76 State Fiscal Year 2016 – $193 State Fiscal Year 2015 – $362 State Fiscal Year 2014 – $71
Status of Questioned Costs:	Recoupment of $36,750 was processed.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2019-017***
Page Number (from schedule):	223 - 224
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:	Noncompliance continued for the year ended June 30, 2021. See current-year finding **2021-024**. A similar deficiency was also reported in our June 30, 2020, report (**2020-017**). In addition, as of September 2021, CMS is awaiting support of the Agency's fully implemented new system.

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2019-018***
Page Number (from schedule):	225 - 226
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:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2019-019***
Page Number (from schedule):	227 - 228
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Claims Paid Subsequent to Recipient Death
Questioned Costs:	State Fiscal Year 2019 – $1,411 State Fiscal Year 2018 – $443 State Fiscal Year 2017 – $183 State Fiscal Year 2016 – $141 State Fiscal Year 2015 – $37
Status of Questioned Costs:	Recoupment of $1,411 was processed.
Status of Finding:	Corrective action had not been fully implemented as of the end of fieldwork, November 16, 2021. CMS is also awaiting additional support.

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State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2019-021***
Page Number (from schedule):	229
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Utilization Control and Program Integrity and Medicaid Fraud Control Unit
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2018-014***
Page Number (from schedule):	N/A
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Eligibility
Questioned Costs:	State Fiscal Year 2018 – $ 150,272 State Fiscal Year 2017 – $ 157,104 State Fiscal Year 2016 – $ 57,523 State Fiscal Year 2015 – $ 7,293 State Fiscal Year 2014 – $ 4,080 State Fiscal Year 2013 – $ 323
Status of Questioned Costs:	Repayment totaling $244,180 was processed.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medicaid Cluster
Prior Audit Finding Number:	***2018-021***
Page Number (from schedule):	230 - 231
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Claims Paid Subsequent to Recipient Death
Questioned Costs:	State Fiscal Year 2015 – $ 38 State Fiscal Year 2016 – $ 106 State Fiscal Year 2017 – $ 2 State Fiscal Year 2018 – $2,736
Status of Questioned Costs:	Repayment totaling $1,869 was processed.
Status of Finding:	Corrected