State of Arkansas

Single Audit Report

For the Year Ended June 30, 2022

State of Arkansas
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For the Year Ended June 30, 2022

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State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2022

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).

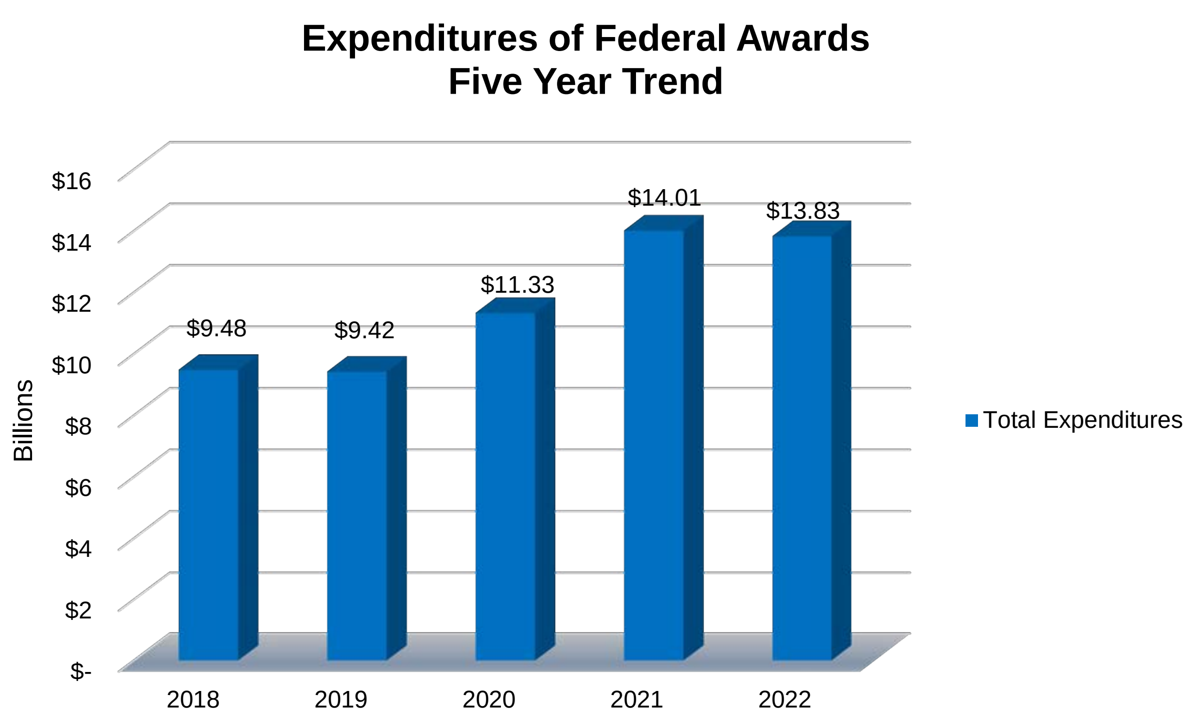
- The Schedule of Expenditures of Federal Awards (SEFA) is presented fairly, in all material respects, in relation to the State's financial statements taken as a whole.

- 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, 2022, as performed by Arkansas Legislative Audit, meets these requirements.

Expenditures of federal awards have varied over the past five years. Expenditures decreased from the prior year to $13.8 billion in fiscal year 2022. Expenditures for fiscal years 2020 through 2022 have been affected by additional funding provided due to the coronavirus pandemic (COVID-19). The chart below depicts the five-year trend of expenditures of federal awards. The 2022 Single Audit includes federal expenditures from 425 federal programs.

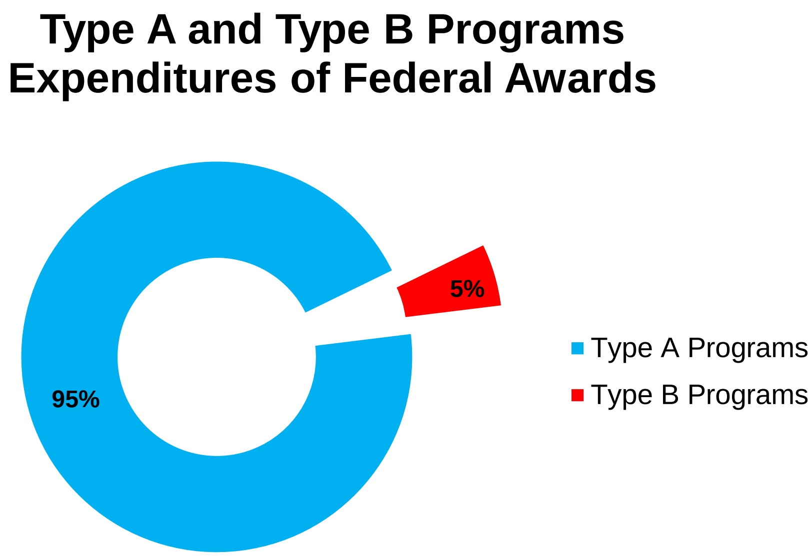


In accordance with Uniform Guidance, larger federal programs are identified and labeled as Type A. The following table outlines how the Type A programs for the State of Arkansas were identified.

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 425 federal programs represented in the June 30, 2022, State of Arkansas Single Audit, 28 were Type A programs with expenditures totaling $13,074,807.098, which is 95% of total expenditures, and 397 were Type B programs with expenditures totaling $755,298,705, which is 5% of total expenditures.



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 28 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*
- National Guard Military Operations and Maintenance (O&M) Projects
- Education Stabilization Fund – CARES Act*
- Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)*
- Children's Health Insurance Program
- Emergency Rental Assistance Program*
- Pandemic EBT Food Benefits*
- Research and Development Cluster
- Federal Family Education Loans
- Special Supplemental Nutrition Program for Women, Infants, and Children
- Child Nutrition Cluster*
- Disaster Grants – Public Assistance (Presidentially Declared Disasters)*
- CCDF Cluster*
- Provider Relief Fund*

* 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

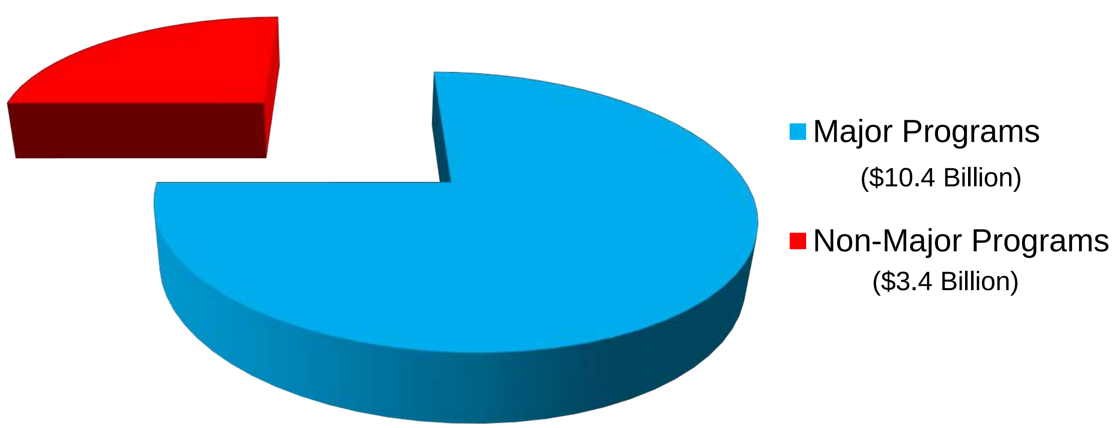
Type A Threshold		$ 30,000,000
25%	x	0.25
Threshold of Type B programs		$ 7,500,000

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. Thirteen low-risk Type A programs were identified, so the auditor is required to select at least four high-risk Type B programs. The auditor selected four 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
- Head Start
- Medical Student Education

For the year ended June 30, 2022, major program expenditures represented 75% of total expenditures of federal awards.

Fiscal Year 2022
Major vs. Non-Major Programs
$13,830,105,803



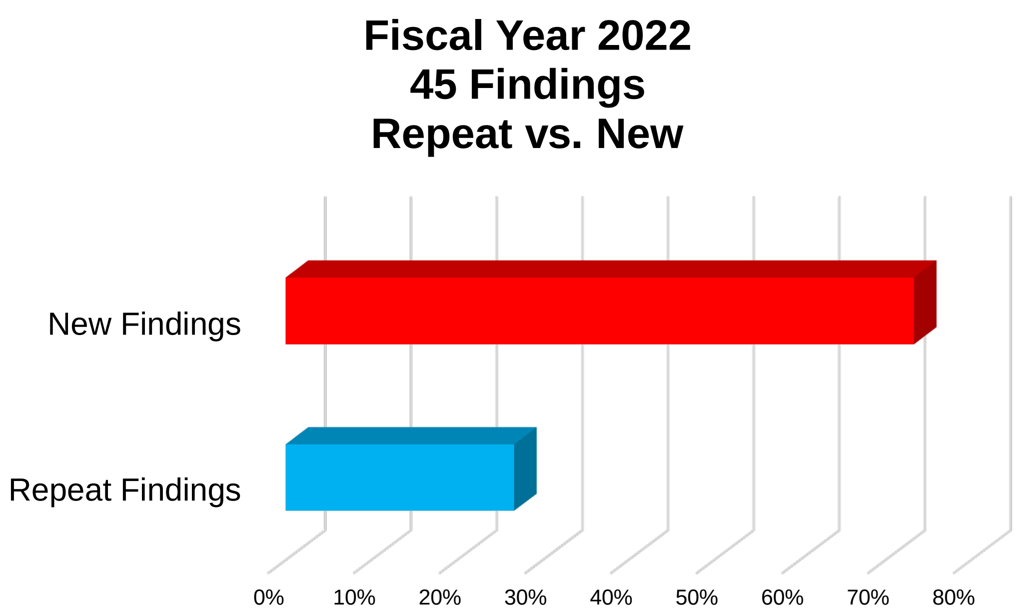
Five state entities expended the majority (90%) of federal awards, as noted below:

Arkansas Department of Human Services	**65%**
Arkansas Department of Education	**10%**
University of Arkansas System	**6%**
Arkansas Department of Transportation	**5%**
Arkansas Department of Commerce	**4%**
Other Departments	**10%**

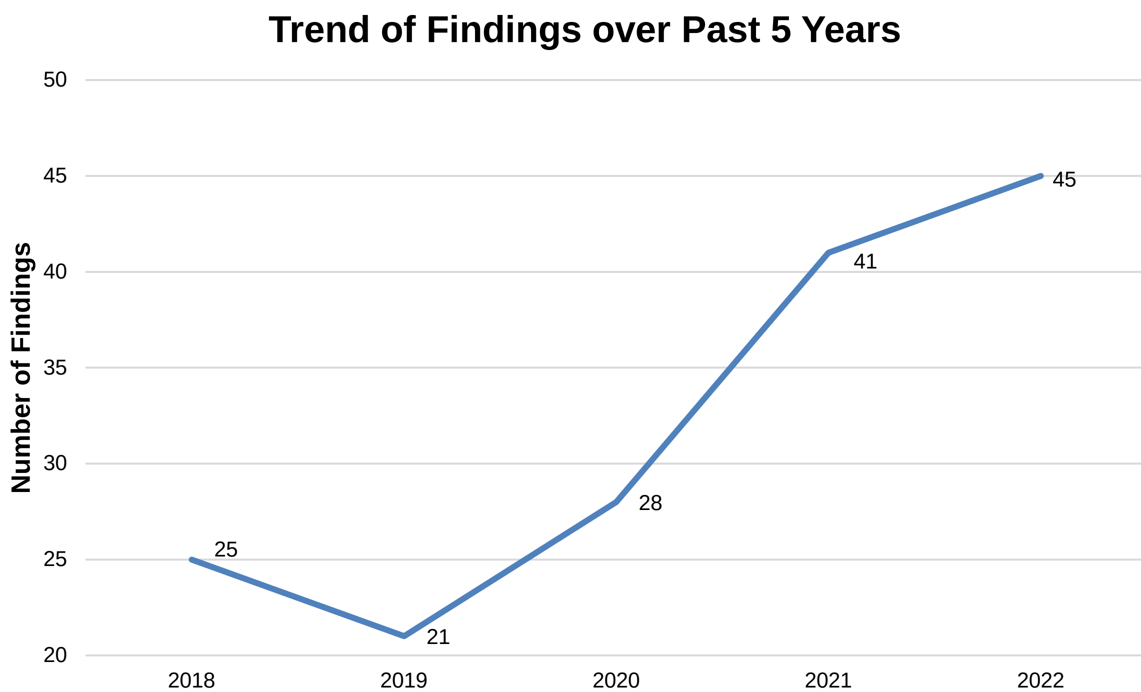
The State received federal awards from 30 different federal agencies. Most of the federal awards (91%) came from four federal agencies as follows:

US Department of Health and Human Services	**60%**
US Department of Education	**15%**
US Department of Agriculture	**10%**
US Department of Transportation	**6%**
Other Departments	**9%**

The audit resulted in **45** findings regarding noncompliance and deficiencies in internal control over compliance for **9** of the **19** major programs identified on **page 17**. As illustrated below, **12** of the **45** findings, or **27%**, 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 is located on page **15**.



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 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022
ADE	0	0	0	0	1
ESF	0	0	0	0	1
AEDC	0	0	0	2	4
CRF	0	0	0	2	0
CSLFRF	0	0	0	0	4
AEDC/Parks	0	0	0	1	0
CRF	0	0	0	1	0
ARDOT	0	0	0	1	0
F/S	0	0	0	1	0
ADH	0	0	0	0	1
CSLFRF	0	0	0	0	1
DFA	0	0	0	3	1
CRF	0	0	0	3	0
CSLFRF	0	0	0	0	1
DHS	21	21	16	17	26
CACFP	2	1	0	0	0
CHIP	2	1	3	2	4
CNC	1	0	0	0	0
FC	1	0	0	0	0
Medicaid	10	13	8	4	7
Medicaid/CHIP	5	6	4	6	6
CSLFRF	0	0	0	0	1
ERA	0	0	0	0	8
Adoption	0	0	1	0	0
CRF	0	0	0	5	0
DHS/AEDC	0	0	0	1	0
CRF	0	0	0	1	0
DWS	2	0	3	15	4
TANF	2	0	0	0	0
UI	0	0	2	8	3
LWA	0	0	0	6	1
F/S	0	0	1	1	0
SAU	0	0	4	0	0
SFA	0	0	3	0	0
HEERF	0	0	1	0	0
ANC	0	0	1	0	0
SFA	0	0	1	0	0
ASU-3 Rivers	0	0	1	0	0
SFA	0	0	1	0	0
UAF	0	0	1	0	1
SFA	0	0	1	0	0
R&D	0	0	0	0	1
Ozarka	0	0	0	0	1
HEERF	0	0	0	0	1
HSU	0	0	1	0	0
SFA	0	0	1	0	0
ATU	0	0	1	0	0
SFA	0	0	1	0	0
UAMS	2	0	0	1	6
Head Start	1	0	0	0	1
R&D	0	0	0	1	4
Head Start/R&D	1	0	0	0	0
MSE	1	0	0	0	1
Grand Total	**25**	**21**	**28**	**41**	**45**

Legend-Programs:

CACFP	Child and Adult Care Food Program
CSLFRF	Coronavirus State and Local Fiscal Recovery Fund
FC	Foster Care_Title IV-E
Medicaid	Medical Assistance Program (Medicaid Cluster)
CHIP	Children's Health Insurance Program
ERA	Emergency Rental Assistance
Adoption	Adoption Assistance Program
CNC	Child Nutrition Cluster
TANF	Temporary Assistance for Needy Families
ESF	Education Stabilization Fund
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
MSE	Medical Student Education
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
ADH	Arkansas Department of Health
ADE	Arkansas Department of Education
Ozarka	Ozarka College
UAMS	University of Arkansas for Medical Sciences
ARDOT	Arkansas Department of Transportation
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, 2021, 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, 2022.

Federal Program	Finding #	Questioned Costs	Recoupment	Other Adjustment	Recoupment Not Required	**Outstanding Balance** (as of 06/30/22)
2019						
CACFP	2019-001	$ 1,526,467		$ 350,000		$ 1,176,467
Medicaid and CHIP	2019-002	1,044	$ 594			450
Medicaid	2019-019	2,215	1,411			804
2020						
SFAC - SAU	2020-007	29,909				29,909
Adoption Assistance	2020-013	14,077				14,077
CHIP	2020-019	20,710			$ 20,710	0
Medicaid	2020-024	495,421				495,421
Medicaid	2020-026	2,477,398			2,477,398	0
2021						
Unemployment Insurance	2021-003	19,903,597			19,903,597	0
Unemployment Insurance	2021-004	2,426,179			2,426,179	0
Unemployment Insurance	2021-005	4,726,158			4,726,158	0
Unemployment Insurance	2021-006	87,424			87,424	0
Unemployment Insurance	2021-007	1,299,341			1,299,341	0
Unemployment Insurance	2021-008	293,970			293,970	0
CRF	2021-011	55,024				55,024
CRF	2021-012	8,600,000				8,600,000
CRF	2021-014	47,488	28,371			19,117
CRF	2021-016	379,123	89,594		221,527	68,002
CRF	2021-017	233,402	230,402			3,000
CRF	2021-018	1,182,579	80,424		973,980	128,175
CRF	2021-020	6,040			3,655	2,385
CRF	2021-021	59,930			50,433	9,497
Medicaid and CHIP	2021-025	1,921,295	1,921,295			0
CHIP	2021-029	11,824				11,824
Medicaid	2021-032	71,614				71,614
Medicaid	2021-034	878,035				878,035
LWA	2021-035	2,100			2,100	0
LWA	2021-036	44,100			44,100	0
LWA	2021-037	524,400			524,400	0
LWA	2021-038	114,000			114,000	0
Totals		**$ 47,434,864**	**$ 2,352,090**	**$ 350,000**	**$ 33,168,972**	**$ 11,563,802**

Legend	
CACFP	Child and Adult Care Food Program
CHIP	Children's Health Insurance Program
SFAC	Student Financial Assistance Cluster
SAU	Southern Arkansas University
CRF	Coronavirus Relief Fund
LWA	Supplemental Payments for Lost Wages

State of Arkansas Single Audit

Independent Auditor's Reports

For the Year Ended June 30, 2022

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair

Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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 Governor and Members of the Legislative Joint Auditing Committee
State of Arkansas:

We have audited, in accordance with 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 (*Government Auditing Standards*), 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, 2022, 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 25, 2023. 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.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
January 25, 2023

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 Governor and Members of the Legislative Joint Auditing Committee,
State of Arkansas:

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the State of Arkansas's compliance with the types of compliance requirements identified as subject to audit 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, 2022, except for the major federal programs listed below. The State of Arkansas's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Program/Cluster Title	Administered by
Research and Development Cluster	University of Arkansas for Medical Sciences
Provider Relief Fund	University of Arkansas for Medical Sciences
Head Start	University of Arkansas for Medical Sciences
Medical Student Education	University of Arkansas for Medical Sciences
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 $56,377,566 in federal awards and is not included in the State's Schedule of Expenditures of Federal Awards during the year ended June 30, 2022. 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.

Qualified Opinion on Unemployment Insurance; COVID 19: Emergency Rental Assistance Program; COVID 19: Coronavirus State and Local Fiscal Recovery Fund; Medicaid Cluster; Children's Health Insurance Program; and Research and Development Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance Program; COVID 19: Emergency Rental Assistance Program; COVID 19: Coronavirus State and Local Fiscal Recovery Fund; Medicaid Cluster; Children's Health Insurance Program; and Research and Development Cluster for the year ended June 30, 2022.

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, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the State's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Qualified Opinion on Unemployment Insurance; COVID 19: Emergency Rental Assistance Program; COVID 19: Coronavirus State and Local Fiscal Recovery Fund; Medicaid Cluster; Children's Health Insurance Program; and 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
2022-002	17.225	Unemployment Insurance	Allowable Costs/Cost Principles
2022-003	93.767	Unemployment Insurance	Reporting
2022-009	21.023	COVID-19: Emergency Rental Assistance Program	Reporting
2022-016	21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Fund	Procurement and Suspension and Debarment
2022-018	21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Fund	Subrecipient Monitoring
2022-024	93.767/93.778	Children's Health Insurance Program/ Medical Assistance Program (Medicaid Cluster)	Matching, Level of Effort, Earmarking
2022-028	93.767	Children's Health Insurance Program	Eligibility
2022-029	93.767	Children's Health Insurance Program	Special Tests and Provisions - Provider Eligibility (Fee-for-Service)
2022-041	Various	Research and Development Cluster	Subrecipient Monitoring

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the State's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-004 through 2022-007, 2022-010 through 2022-011, 2022-014 through 2022-015, 2022-017, 2022-019 through 2022-022, 2022-025 through 2022-027, 2022-030 through 2022-038, 2022-040, and 2022-043 through 2022-045. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance; therefore, material weaknesses or significant deficiencies may exist that were not 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 a 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 2022-001 through 2022-007, 2022-009 through 2022-010, 2022-012 through 2022-019, 2022-022 through 2022-026, 2022-0028 through 2022-038, and 2022-040 through 2022-044 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 2022-008, 2022-011, 2022-020 through 2022-021, 2022-027, 2022-039, and 2022-045 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The State's response was not subjected to the other 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon, dated January 25, 2023, which contained unmodified opinions on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
March 7, 2023, except for the
Schedule of Expenditures of Federal
Awards, dated January 25, 2023

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

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 20 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., 2022-xxx). The first set of digits represents the fiscal year audited, and the second set represents the sequential finding number. An index of the findings is located on page 19.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(s) identified not considered to be a material weakness(es)?	X	Yes		None reported
Type of auditor's report issued on compliance for major programs: *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.	10.553, 10.555, 10.559, 10.582	Child Nutrtion Cluster
2.	66.458	Clean Water State Revolving Fund Cluster
3.	66.468	Drinking Water State Revolving Fund Cluster
4.	93.575, 93.596	CCDF Cluster
5.	93.600	Head Start Cluster
6.	93.775, 93.777, 93.778	Medicaid Cluster
7.	Various	Research and Development Cluster
8.	10.542	Pandemic EBT Food Benefits
9.	10.557	WIC Special Supplemental Nutrition Program for Women, Infants and Children
10.	12.401	National Guard Military Operations and Maintenance (O&M) Projects
11.	17.225	Unemployment Insurance COVID-19: Unemployment Insurance
12.	21.023	COVID-19: Emergency Rental Assistance Program
13.	21.027	COVID-19: Cornavirus State and Local Fiscal Recovery Funds
14.	84.032	Federal Family Education Loans - Lenders
15.	84.425	COVID-19: Education Stablization Fund - CARES Act
16.	93.498	COVID-19: Provider Relief Fund
17.	93.680	Medical Student Education
18.	93.767	Children's Health Insurance Program
19.	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Section II – Financial Statement Findings

No findings reported

Section III - Federal Award Findings and Questioned Costs

Federal Program Name	Page Number(s)
Arkansas Department of Commerce – Division of Workforce Services	
Unemployment Insurance	20 - 25
COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)	103 - 104
Arkansas Department of Human Services	
COVID-19: Emergency Rental Assistance Program	26 - 39
COVID-19: Coronavirus State and Local Fiscal Recovery Fund	42 - 43
Medicaid Cluster	61 - 74; 85 - 102
Children's Health Insurance Program	61 - 84
Arkansas Department of Commerce – Arkansas Economic Development Commission	
COVID-19: Coronavirus State and Local Fiscal Recovery Fund	44 - 47; 52 - 56
Arkansas Department of Finance and Administration	
COVID-19: Coronavirus State and Local Fiscal Recovery Fund	40 - 41
Arkansas Department of Health	
COVID-19: Coronavirus State and Local Fiscal Recovery Fund	48 - 51
Arkansas Department of Education	
COVID-19: Education Stabilization Fund	57 - 58
Ozarka College	
COVID-19: Education Stabilization Fund	59 - 60
University of Arkansas, Fayetteville	
Research and Development Cluster	105 - 106
FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS	
University of Arkansas For Medical Sciences	
Research and Development Cluster	107 - 114
Medical Student Education	115 - 116
Head Start Cluster	117 - 118

Finding Number:	**2022-001**
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**
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 **2021-003**.

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 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 2022, the Division of Workforce Services (DWS) identified 1,332 claims paid for Unemployment Insurance programs totaling $6,534,456 as likely fraud, in addition to the claims identified in the previous year. This $6,534,456 is comprised of $5,101,176 in federal funds and $1,433,280 in state funds.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$6,534,456

Cause:
In response to the increase in demand for services/benefits, the State relaxed controls over identify verification and income verification for the program during fiscal year 2021. DWS continued to identify claims in fiscal year 2022 that were paid during the previous fiscal year.

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. Additionally, ALA staff recommend the Agency continue to seek recoupment of the identified overpayments, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
Due to the health concerns of the pandemic as well as unprecedented claims volume, claimants were not required to come into a local office for identity verification, the waiting week was waived for 2020, and the requirements for work search were adjusted in order to protect employees and claimants. Before the pandemic, all claimants were required to come to the local office to verify their identity. Removing these process controls resulted in several consequences as itemized below:

Finding Number:	**2022-001 (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**
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):

- By waiving the waiting week, the claimant was able to receive payment 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 would respond to validate the separation from employment.
- The information mailed to the employer and claimant were not received before payments were made due to the lack of waiting week.
- Businesses were closed at that time and did not respond to the unemployment paperwork timely to report fraudulent claims.
- Identity theft fraudsters often changed the address of the individuals for which they had filed claims in order to prevent the victims from being notified and reporting the fraud.

In 2020, the work search requirement was reinstated. In 2021, all claimants had to verify their identity in-person at the local office before the claim was opened for a regular unemployment claim. The UIdentify program was utilized for identity verification for the PUA claims filed after January 1, 2021. The waiting week was reinstated in January 2021, which lengthened the time period for employers to respond before payment was issued.

In addition, Internal Audit created the Fraud Investigation Unit and hired additional staff to focus on investigating the identity theft fraud claims. When the perpetrator is identified, a determination is issued and an overpayment is established in the perpetrator's name/SSN for collection. The NASWA Integrity Data Hub (IDH) crossmatch was implemented in July 2020 as well in an effort to identify additional fraudulent claims for investigation.

Anticipated Completion Date: July 2026, due to the current statute of limitations

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Finding Number:	**2022-002**
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**
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 Cost/Cost Principles**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 45 CFR § 95.509, the State shall promptly amend the cost allocation plan and submit the amended plan to the regional office of the Department of Health and Human Services (DHHS) when procedures in the existing cost allocation plan become outdated. Also, per 45 CFR § 95.519, if the State fails to submit an amended cost allocation plan as required by 45 CFR § 95.509, the costs improperly claimed will be disallowed.

Condition and Context:
In July 2021, the Division of Workforce Services (DWS) transitioned from using Microsoft Great Plains accounting and reporting software, which had stopped functioning, to using Microsoft Excel spreadsheets, for the purposes of identifying and allocating costs to programs. As of January 6, 2023, DWS had not received approval from DHHS for an amended cost allocation plan covering the new system. Indirect costs allocated to the grant using the unapproved cost allocation plan totaled $20,416,865.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$20,416,865

Cause:
The Agency failed to ensure that approval was obtained from DHHS before adopting an amended cost allocation plan.

Effect:
Allocating costs to grants using an unapproved cost allocation plan could result in costs being disallowed, creating a liability back to the federal grantor.

Recommendation:
ALA staff recommend the Agency work with DHHS to submit and obtain approval for the cost allocation plan in use at the Agency. In addition, ALA staff recommend the Agency strengthen controls to ensure that amended cost allocation plans are not put into use without prior approval by DHHS.

Views of Responsible Officials and Planned Corrective Action:
The revised PACAP was submitted to DHHS for the changes that took place on July 1, 2021. While the Great Plains software is no longer being used the same methodology for allocating expenses has continued to be used. DWS and DHHS have been in monthly contact regarding the revised PACAP. According to DHHS they have 12 months to review and approve the PACAP but sometimes it may take longer. However, they have advised us that according to 45 CFR 95.517 the State may claim FFP costs associated with a program if the State has submitted a plan or amendment for a state agency. The Agency has been operating in compliance with 45 CFR 95.517 which has been provided below.

Finding Number:	**2022-002 (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**
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 Cost/Cost Principles**
Type of Finding:	**Material Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action (Continued):
45 CFR § 95.517 Claims for Federal financial participation.

(a) A state must claim FFP for costs associated with a program only in accordance with its approved cost allocation plan. However, if a state has submitted a plan or plan amendment for a state agency, it may, at its option claim FFP based on the proposed plan or plan amendment, unless otherwise advised by the DCA. However, where a state has claimed costs based on a proposed plan or plan amendment the state, if necessary, shall retroactively adjust its claims in accordance with the plan or amendment as subsequently approved by the Director, DCA. The State may also continue to claim FFP under its existing approved cost allocation plan for all costs not affected by the proposed amendment.

Anticipated Completion Date: The Agency was advised verbally on 2/28/2023 that the new PACAP has been approved and is awaiting final sign off from DHHS management. The Agency is expecting the official approval letter any day that will be retroactive back to July 1, 2021.

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Finding Number:	**2022-003**
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**
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:	**Material 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 reports required by general and program-specific terms and conditions and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statues, regulations, and the terms and conditions of the federal award.

In accordance with 2 CFR § 200.510, the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements, which must include the total federal awards expended.

Training and Employment Guidance Letter (TEGL) No. 02-16, updated by TEGL No. 20-19, requires the Agency to submit quarterly ETA-9130 financial reports to report the federal share of expenditures of its administrative grants. Per the ETA-9130 instructions, expenditures should be actual cash disbursements and indirect expenses incurred.

Condition and Context:
The Agency did not have appropriate controls in place to ensure the accurate reporting of direct costs on the SEFA. The Agency erroneously reflected $1,277,222 in penalty and interest revenue as a negative expenditure when calculating SEFA expenditures.

Our review of 24 ETA-9130 reports revealed that administrative expenditures for fiscal year 2022 were based on estimates rather than actual costs. In addition, the $29,972,370 total expenditures reported for fiscal year 2022 on the ETA-9130s exceeded the $20,416,865 in total administrative expenditures reported for fiscal year 2022 on the SEFA, for a difference of $9,555,505. We could not determine which, if either, of these values is more reasonable.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Not applicable

Cause:
The deficiency in Agency controls was caused by the failure of the accounting system used in allocating indirect costs, which was also used in ETA-9130 and SEFA preparation.

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.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Finding Number:	**2022-003 (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**
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:	**Material Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:

The issue that $1,277,222 in penalty and interest revenue was reported on the SEFA as a negative expenditure was due to a coding error. The GL account used to code the transactions was correct for the penalty and interest revenue, but the WBS element used to code the revenue transactions was incorrect since it was an expenditure WBS element. Since the SEFA reporting process relies upon the WBS element to identify revenues and expenditures for the report, the amount was reported incorrectly on the SEFA as a negative expenditure.

The Agency has strengthened its controls over reporting by implementing a periodic review of AASIS GL accounts and WBS elements to determine when there is a mismatch between the codes. Once identified, the incorrect codes will be corrected by the staff so that they will flow correctly into the SEFA and ACFR reports.

Additionally, The ETA-9130 reports and the SEFA report were prepared using estimated amounts due to the failure of the accounting system used in allocating indirect costs as stated in the finding. In addition to the expected differences in the amounts of expenditures which normally occur between the reports due to them being prepared on different bases of accounting, other differences also existed such as FY 2022 year-end correcting journal entries that reclassified expenditures between federal programs, which were not posted until after the ETA-9130 reports used for the audit testing were prepared. The timing of the SEFA reporting procedures allowed the same correcting entries to be included in the final SEFA amounts, leading to a difference between the reports. Additionally, the failure of the accounting system used for cost allocations made it more difficult for staff to fully reconcile amounts between the ETA-9130 reports and the SEFA report to identify other possible errors and timing differences.

The Agency has strengthened its controls over reporting by implementing a new cloud-based cost allocation system. The cloud-based nature of this system should help prevent future system failures. The new cost allocation system will provide detailed reports of actual expenditures rather than estimated expenditures to enable the staff to prepare more accurate reports and to better reconcile between the ETA-9130 reports and the SEFA report.

Anticipated Completion Date: The Agency completed the implementation of a new cost allocation system, a new periodic review process of AASIS GL accounts and WBS elements, and provided additional training and experienced staff to reconcile the ETA-9130 reports by March 1, 2023.

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Finding Number:	**2022-004**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
Division N, Title V, Section 501 of the Consolidation Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020) (codified at 15 U.S.C. § 9058a) provides that financial "assistance shall be provided for a period not to exceed 12 months except that grantees may provide assistance for an additional 3 months only if necessary to ensure housing stability for a household subject to the availability of funds." This requirement restricts funding to a maximum of 15 months of assistance.

Condition and Context:
Using data analytics, ALA staff identified a population totaling $1,819,690 at high risk of exceeding the 15-month maximum for rental assistance. From a population of 124 households, we selected a sample of 15, with payments totaling $257,682, to determine if more than 15 months of rental assistance was provided to the individual household.

Our testing revealed the following exceptions:

- Sample Item 1: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of July 2020, October 2020 through May 2021, and July through August 2021 were paid to both tenants. Neither tenant disclosed the other tenant as a household member on their application. As a result, questioned costs for 11 months of rental assistance totaled $8,625.

  In addition, one of the tenants was paid rental assistance twice for the month of June 2021, resulting in questioned costs totaling $473.
- Sample Item 2: The month of April 2021 was paid twice on behalf of one tenant at one rental address. Questioned costs totaled $625.
- Sample Item 3: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of March through October 2021 were paid to both tenants. Only one lease agreement could be provided for one of the tenants, and a household member was not disclosed on the application or lease. Questioned costs totaled $8,580.
- Sample Item 4: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of May 2020 through June 2021 were paid to the same landlord. Neither tenant disclosed the other tenant as a household member. Questioned costs totaled $15,750.
- Sample Item 5: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of August 2020 through June 2021 were paid, resulting in questioned costs totaling $12,600. Neither tenant disclosed the other tenant as a household member.
- Sample Item 6: Sixteen months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for one month totaling $650.
- Sample Item 7: Twenty-one months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for six months totaling $3,925.

  In addition, the month of June 2021 was paid twice, resulting in questioned costs totaling $650.

Finding Number:	**2022-004 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample Item 10: Eighteen months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for three months totaling $3,600.
- Sample Item 12: Nineteen months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for four months totaling $2,865.
- Sample Item 13: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. The last two months for tenant #1 and the first two months for tenant #2 overlapped. Both payments, representing the months of November and December 2021, were paid directly to the landlord. Neither tenant disclosed the other tenant as a household member on their application. Questioned costs totaled $900.
- Sample Item 15: Rental assistance was paid for the same rental address and rental period (July and August 2021) on behalf of two different tenants. Questioned costs totaled $1,250. A 12-month lease agreement, with a "no sublet" clause, for tenant #1 became effective on April 20, 2020, and was extended through November 21, 2021. Rental assistance claimed for tenant #1 totaled $16,122.

  Tenant #1 entered into a lease agreement as landlord with another party (tenant #2) for the same rental address and rental period, at least partially, effective October 1, 2020. There is no documentation supporting that tenant #1 owned the property, and as previously stated, there was a "no sublet" clause in the signed agreement from April 20, 2020. Rental assistance claimed for tenant #2 totaled $3,750.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$60,493

Cause:
The Agency did not have sufficient controls and procedures in place regarding the review of application information to determine if rental assistance payments were being made in accordance with program criteria.

Effect:
A lack of adequate controls allowed benefits to be paid for periods exceeding the maximum 15-month period and also did not prevent payments that covered the same rental period for the same rental address.

Recommendation:
ALA staff recommend the Agency pursue the recovery of overpayments of funds, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with, in part, and disputes, in part, this finding. The applicants noted in Sample Items 4, 5, and 13 produced what appear to be valid leases from the same landlord and were determined to be eligible under program guidelines. The Agency will investigate all other identified deficiencies for potential fraud and will seek guidance from the United States Department of Treasury on recoupment of payments that were not made in accordance with program criteria.

Finding Number:	**2022-004 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: 6/30/2023

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Finding Number:	**2022-005**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
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:
The Agency identified $995,655 in fraud committed on behalf of beneficiaries of the Emergency Rental Assistance Program.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$995,655

Cause:
Increased funding opportunities and an online application process provided for the increased ability to commit fraud on behalf of beneficiaries in the Program.

Effect:
Ineligible individuals received benefits or misappropriated benefits received under the Program using fraudulent means.

Recommendation:
ALA staff recommend the Agency continue to seek the prosecution of perpetrators and recoupment of benefits fraudulently obtained on behalf of beneficiaries, whenever possible.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency will continue to investigate claims of fraud in the Emergency Rental Assistance Program and collaborate with prosecutors and local law enforcement on cases of suspected fraud.

Anticipated Completion Date: Complete

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Finding Number:	**2022-006**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 15 USC § 9058a(k), an eligible household means a "household that has a household income that is not more than 80% of the area median income for the household."

Condition and Context:
ALA reviewed a sample of 25 payments (totaling $26,777) out of 47,696 payments (totaling $99,457,430) to determine whether the payments were made to an eligible household.

Our review revealed that a payment, totaling $226, made in January 2022 was made to an ineligible applicant because the annual household income of $58,368 exceeded 80% of the area median income by $1,168. According to Treasury guidance, 80% of the annual area median income for a household of four in the area at the time of disbursement was $57,200.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$226

(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 $25,000)

Cause:
The dual review process implemented by the Agency's contractor failed to identify the applicant as ineligible.

Effect:
Lack of adequate review of submitted applications resulted in ineligible households receiving assistance.

Recommendation:
ALA staff recommend the Agency review and strengthen internal controls over eligibility determinations for federal funds and recoup any funds disbursed to ineligible households.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Division of County Operations will perform a review of controls for eligibility determinations made by Agency contractors in active programs that disburse federal funds to applicants and seek guidance from the United States Department of Treasury on recoupment.

Finding Number:	**2022-006 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: 6/30/2023

Contact Person:
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Finding Number:	**2022-007**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 15 U.S.C. § 9058a(c)(2)(C)(i)(I), "with respect to financial assistance for rent and rental arrears and utilities and home energy costs and utility and home energy costs arrears provided to an eligible household from a payment made under this [program], an eligible grantee shall make payments to a lessor or utility provider on behalf of the eligible household, except that, if the lessor or utility provider does not agree to accept such payment from the grantee after outreach to the lessor or utility provider by the grantee, the grantee may make such payments directly to the eligible household for the purpose of making payments to the lessor or utility provider." Guidance provided by the U.S. Department of Treasury states, "grantees must make reasonable efforts to obtain the cooperation of landlords and utility providers to accept payments from the ERA program. Outreach will be considered complete if…the grantee has made at least three attempts by…e-mail over a five calendar-day period to request the landlords' or utility providers' participation…."

Condition and Context:
The Agency paid approximately $24,226,688 in rental assistance directly to tenants (and issued on single-payee checks) under the program. The Agency established a process to automatically send system-generated emails to the landlords over a 10-day period based upon information provided by and attested to by the tenants in the grants management system.

Using data analysis, ALA identified 565 high-risk payments, totaling $1,212,572, that indicated the landlord email address was the same as the tenant email address. We selected 40 payments, totaling $93,967, and requested copies of the emails sent to determine whether (1) controls were in place to ensure that at least three emails were sent to landlords regarding the tenant's rental assistance application prior to payment being issued directly to the tenant and (2) the email addresses used for communication with the tenant and landlord were different.

Our review of controls to confirm that three emails had been sent to the landlord email address prior to payment revealed documentation for the emails could not be provided in seven instances.

Our review to determine compliance regarding the email address used for communicating with the landlord revealed the following:

- In 30 instances, the email addresses for the tenant and the landlord were the same. Questioned costs totaled $61,340.
- In two instances, the landlord email address and the tenant email address were reversed. This error would cause the tenant to receive the landlord-designated emails when the required reasonable effort for outreach was made. Questioned costs totaled $17,205.
- In three instances, although the landlord and tenant email addresses were different, they closely resembled each other. For instance, a landlord's email was JaneDoe@email.com, and the tenant's email was Jdoe@email.com. Questioned costs totaled $4,289.
- In one instance, a payment approved for the landlord went to the tenant. Questioned costs totaled $4,500.

Finding Number:	**2022-007 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
As a result of the control and compliance exceptions noted above with the high-risk population, ALA selected an additional 20 payments, totaling $55,220, from the remaining lower-risk population of payments, totaling $23,014,116. Our review revealed the following exceptions:

- In six instances, documentation supporting three emails being sent to the landlord could not be provided.
- In one instance, although the landlord and tenant email addresses were different, they closely resembled each other. For instance, a landlord's email was JaneDoe@email.com, and the tenant's email was Jdoe@email.com. Questioned costs totaled $761.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$88,095

Cause:
The Agency failed to implement sufficient internal controls over landlord outreach efforts to ensure compliance with Treasury-issued guidance and establish eligibility of the tenant to receive rental assistance payments directly.

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

Recommendation:
ALA staff recommend the Agency strengthen controls to ensure Treasury guidelines are followed regarding outreach to landlords. In addition, the Agency should contact the federal awarding agency to determine if recoupment is required.

Views of Responsible Officials and Planned Corrective Action:
The Agency concurs with, in part, and disputes, in part, this finding. While some cases did include matching email addresses for the landlord and tenant, this may be attributable to a landlord's refusal to participate or their lack of an email address. The cases with similar email addresses between landlord and tenant have not been confirmed to be in violation of program regulations. The Agency will review these cases to determine if program regulations were violated and seek guidance from the United States Department of Treasury on recoupment.

Anticipated Completion Date: 6/30/2023

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Finding Number:	**2022-008**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Period of Performance**
Type of Finding:	**Significant Deficiency**

Repeat Finding:
Not applicable

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

Condition and Context:
ALA staff selected 19 of 182 total transactions from the Agency's accounting system to determine whether any one of four key Emergency Rental Assistance Program staff approved the expenditure prior to payment. Of the 19 transactions selected, 3 did not have any documented approval by key staff prior to payment.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency failed to implement the aforementioned internal control in a consistent, uniform manner.

Effect:
Expenditures could be charged to the grant that are not allowed under the applicable federal requirements.

Recommendation:
ALA staff recommend the Agency ensure that all expenditures are reviewed by the appropriate program staff prior to disbursement.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Division of County Operations will perform a review of its controls for approval of expenditures for active programs that disburse federal funds to applicants.

Anticipated Completion Date: 6/30/2023

Contact Person:
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Finding Number:	**2022-009**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
To assist in complying with Division N, Title V, Section 501(g) of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020), the U.S. Department of Treasury (Treasury) required grantees to report expenditures and obligations quarterly.

Furthermore, on January 24, 2022, the Treasury issued a document entitled "Quarterly Reporting Special Tip," which specifically states that "amounts returned to Treasury, whether excess funds or voluntary reallocation, should be excluded from reporting since the funds are no longer available for obligation or expenditure."

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:
Our review of the June 30, 2022, quarterly report revealed an overstatement of expenditures totaling $31,822,809 because the Agency failed to exclude amounts returned to Treasury from the expenditure line item, in accordance with Treasury guidance.

In addition, the December 31, 2021, and March 30, 2022, reports erroneously included funds (representing bank balances) that were not obligated or expended, totaling $6,524,494 and $4,034,643, respectively. As of June 30, 2022, the bank balance included in the report totaled $3,724,092.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$35,546,901

Cause:
The Agency failed to implement sufficient internal controls to review reports for accuracy and to comply with Treasury-issued reporting guidance.

Effect:
The Treasury potentially relied on inaccurate information in determining the amount of funds subject to recapture during the period of the grant award.

Recommendation:
ALA staff recommend the Agency strengthen internal controls over the review of federal reports to ensure compliance with grantor-issued guidance and correct any erroneously reported information.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency corrected the reported information in the final 2022 program report that was submitted to the United States Department of Treasury on February 8, 2023.

Finding Number:	**2022-009 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

Anticipated Completion Date: Complete

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Finding Number:	**2022-010**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
To assist in complying with Division N, Title V, Section 501(g) of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020), the U.S. Department of Treasury (Treasury) required grantees to report monthly the total number of unique households that received program assistance of any kind during the month. Reporting guidance issued by the Treasury indicated that the number reported for any particular month should capture all previously-approved applicants receiving assistance during the month as well as new applicants approved and receiving assistance in the reporting month.

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:
ALA's review of the January, February, and March 2022 ERA1-Monthly Compliance reports indicated that the Agency understated the number of households receiving assistance on all three monthly reports as follows:

- January was understated by 1,780.
- February was understated by 1,298.
- March was understated by 1,239.

The Agency only reported a unique household receiving assistance in the first month that assistance was received. Subsequent assistance received by the household was not reported during any additional months, in conflict with Treasury guidance.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency relied on information provided by a contractor in preparing the federal reports and failed to implement sufficient internal controls to review the information and ensure it complied with Treasury-issued guidance.

Effect:
Inaccurate information was reported to the Treasury and relied on by the Treasury in meeting its obligation under federal law.

Recommendation:
ALA staff recommend the Agency strengthen internal controls over the review of federal reports to ensure compliance with grantor-issued guidance and correct any erroneously reported information.

Finding Number:	**2022-010 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency corrected the reported information in the final 2022 program report that was submitted to the United States Department of Treasury on February 8, 2023.

Anticipated Completion Date: Complete

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Finding Number:	**2022-011**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Pursuant to section 501(d) of the Consolidated Appropriations Act, 2021, Treasury was required to reallocate "excess" award funds. Treasury calculated a reallocation expenditure ratio based upon information reported by the grantees to determine whether the grantee was subject to the involuntary reallocation and recapture of excess funds.

Condition and Context:
ALA tested the April, May, and June 2022 ERA1-Monthly Compliance reports to determine whether the grantee accurately reported the amount expended for housing activity at the time of submission. The May 2022 report was understated because it did not include reissuances totaling $176,194 or subrecipient payments totaling $92,871.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$269,065

Cause:
The Agency failed to implement sufficient internal controls over reporting to ensure compliance with Treasury-issued guidance and accuracy in reported amounts.

Effect:
Inaccurate information was reported to the Treasury and relied upon by the Treasury in meeting its obligation under federal law.

Recommendation:
ALA staff recommend the Agency strengthen internal controls over the review of federal reports to ensure compliance with grantor-issued guidance and accuracy in the amounts reported, as well as to correct any erroneously reported information.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency corrected the reported information in the final 2022 program report that was submitted to the United States Department of Treasury on February 8, 2023.

Anticipated Completion Date: Complete

Contact Person:
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Finding Number:	**2022-012**
State/Educational Agency(s):	**Arkansas Department of Finance and Administration**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Material Weakness**

Repeat Finding:
Not applicable

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

Condition and Context:
Department of Finance and Administration (DFA) documented procedures state that complete proposals are sent to a contractor for compliance review prior to the proposals' submission for approval from the Arkansas American Rescue Plan Act of 2021 Steering Committee (Committee). The contract between DFA and the contractor provides that the contractor will review projects for overall compliance and adherence to Committee rules prior to review by the Committee.

ALA identified 18 proposals that were approved by the Committee and funded during the fiscal year. We selected five proposals and requested documentation of the review performed by either the contractor or DFA staff concerning the allowability of the proposals prior to submission to the Committee. Two of the funded proposals had no documentation of review for compliance by DFA or the contractor prior to submission to the Committee.

In addition, all portions of the Nursing and Hospital programs were evaluated for eligibility against Federal Emergency Management Agency (FEMA) requirements. According to the Agency and the contractor, the Center for Toxicology and Environmental Health (CTEH), FEMA requirements are considered more stringent than requirements of CSLFRF. Therefore, if FEMA requirements were met, the programs would also be considered compliant for CSLFRF.

A nursing program's fixed property expense was evaluated as unlikely to be eligible for FEMA funding but was still funded. No documentation was provided supporting CSLFRF allowability.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency failed to follow its documented internal control procedures or document the justification for diverging from those documented procedures.

Effect:
Unallowable expenses could be paid by the Agency if proposals are not properly evaluated for CLSFRF restrictions prior to funding.

Recommendation:
ALA staff recommend the Agency follow its documented procedures concerning CLSFRF proposals to ensure the proper evaluation for compliance with CLSFRF requirements is made prior to funding the proposals.

Finding Number:	**2022-012 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Finance and Administration**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
The Agency acknowledges that we failed to follow our own policies and procedures regarding the review of proposals. We will review and subsequently report accordingly.

Anticipated Completion Date: September 30, 2023

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Finding Number:	**2022-013**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Material Weakness**

Repeat Finding:
Not applicable

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

Condition and Context:
The Agency implemented a process whereby all weekly payment batches for the nursing and hospital programs were approved by management prior to submission to the providers.

Of 17 nursing program batches and 7 hospital program batches, ALA staff reviewed 4 from the nursing program and 2 from the hospital program to ensure management approval was documented. Our review revealed that the Agency was unable to provide documentation of management approval for one hospital program batch payment.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency failed to maintain adequate documentation of management's prior approval of disbursements of federal funds.

Effect:
Unallowable expenses could be paid by the Agency if management fails to provide its required prior approval for federal fund disbursements.

Recommendation:
ALA staff recommend the Agency implement sufficient internal controls over disbursements to ensure proper payments of federal funds and maintain adequate documentation of the function of those internal controls.

Views of Responsible Officials and Planned Corrective Action:
The Agency concurs with this finding and has developed controls for approval of future program fund disbursements.

Anticipated Completion Date: Complete

Finding Number:	**2022-013 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Material Weakness**

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

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Finding Number:	**2022-014**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.434(a), costs of contributions and donations are unallowable expenses. In addition, 2 CFR § 400.421(e)(4) states that costs of advertising and public relations designed solely to promote the non-federal entity are unallowable.

Additionally, state-promulgated rules governing the Arkansas Rural Connect (ARC) Program provide that allowable expenses do not include operating expenses not related to the project build.

Finally, 2 CFR § 200.303 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.
- 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:
ALA staff selected 10 payments to internet service providers (ISP) under the ARC Program to determine if sufficient, appropriate documentation was maintained to support that reimbursements were made for allowable project expenses. Our review revealed the following:

Project 1:

- Employee payroll taxes and other payroll withholdings were paid twice, totaling $108,794. (All costs were incurred in fiscal year 2022, but $51,239 was paid in fiscal year 2023.)
- A blue ribbon sponsorship to a local watermelon festival was reimbursed, totaling $3,000.

Project 2:

- Nine claims, totaling $6,735, were reimbursed for personal/business type items. Examples of the items include vehicle maintenance, electrical work, and vehicle registration fees.
- Five claims, totaling $2,936, did not contain enough supporting documentation for a determination to be made regarding allowability.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$121,465

Finding Number:	**2022-014 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Material Weakness**

Cause:
Agency controls were not sufficient, and staff were not adequately trained to ensure only allowable expenditures were processed for reimbursement for the projects. In addition, Agency staff failed to adequately review costs regarding payroll, which caused the duplication of those costs.

Effect:
Reimbursements were approved for expenditures that were not of direct benefit to the project or program or were duplicated. The federal awarding agency may require recoupment.

Recommendation:
ALA staff recommend the Agency establish and immediately implement internal controls and provide training to staff to ensure compliance.

Views of Responsible Officials and Planned Corrective Action:
The Arkansas State Broadband Office ("ASBO") intends to immediately update its policies and procedures to explicitly indicate that any expense not directly related to the build of an awarded project is an unallowable expense. The ASBO will directly communicate this policy via several mediums, to include official written notification, email, telephone conversation, and online webinar, to the following stakeholders:

- All previously awarded ARC grant participants with at least one ongoing project
- All ASBO staff
- All staff within the Department of Commerce that interact, in any manner, with the ARC grant program
- All future ARC grant award winners prior to the execution of the grant agreement
- All ARC grant program administrative subcontractors

The ASBO will implement policy to require its staff, as well as its financial reconciliation subcontractor, to specifically review all submitted expenses for any unallowable expenses.

The ASBO will develop specific training materials and provide targeted, required training to all ASBO staff and ASBO's administrative subcontractors.

Anticipated Completion Date: 06/01/2023

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Finding Number:	**2022-015**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Period of Performance**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 31 CFR § 35.5, a recipient may only use funds to cover costs incurred during the period beginning March 3, 2021, and ending December 31, 2024.

Condition and Context:
During our review of payments made to internet service providers (ISPs) under the Arkansas Rural Connect (ARC) Program, we discovered expenses incurred prior to March 3, 2021, for one ISP. The unallowable expenses, totaling $82,226, were incurred from June 6, 2020 through February 3, 2021.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$82,226

Cause:
Proper review and familiarity with the requirement for period of performance were lacking.

Effect:
Unallowable expenses were paid and may require recoupment.

Recommendation:
ALA staff recommend the Agency provide appropriate training to personnel involved in reviewing expenses to ensure they understand the requirements for period of performance for the ARC Program. In addition, the Agency should contact the federal awarding agency to determine if recoupment is required.

Views of Responsible Officials and Planned Corrective Action:
The ASBO intends to immediately update its policies and procedures to explicitly indicate official timelines and periods of performance for expenses related to each applicable federal funding source. The ASBO will directly communicate this policy via several mediums, to include official written notification, email, telephone conversation, and online webinar, to the following stakeholders:

- All previously awarded ARC grant participants with at least one ongoing project
- All ASBO staff
- All staff within the Department of Commerce that interact, in any manner, with the ARC grant program
- All future ARC grant award winners prior to the execution of the grant agreement
- All ARC grant program administrative subcontractors

Finding Number:	**2022-015 (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):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Period of Performance**
Type of Finding:	**Noncompliance and Material Weakness**

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

The ASBO will implement policy to require its staff, as well as its financial reconciliation subcontractor, to specifically review the dates of all submitted expenses to ensure compliance with established timelines and periods of performance specific to the federal funding source.

The ASBO will develop specific training materials and provide targeted, required training to all ASBO staff and ASBO's administrative subcontractors.

The ASBO will also contact the federal awarding agency to determine if recoupment is required.

Anticipated Completion Date: 06/01/2023

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Finding Number:	**2022-016**
State/Educational Agency(s):	**Arkansas Department of Health**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.302(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, 2 CFR § 200.303(a) requires a non-federal entity to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the 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.

Finally, 2 CFR § 200.317 states that when procuring property and services under a federal award, the State must follow the same policies and procedures it uses for procurements from its non-federal funds. The State will comply with 2 CFR §§ 200.321, 200.322, and 200.323 regarding contracting with small and minority businesses, domestic preferences for procurements, and procurement of recovered materials, respectively. In addition, every purchase order or other contract must include the clauses required by 2 CFR § 200.327, which include the following:

1) Contracts for more than the simplified acquisition threshold must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms and provide for such sanctions and penalties as appropriate.
2) Contracts in excess of $10,000 must address termination for cause and for convenience by the non-federal entity.
3) Include the equal opportunity clause.
4) Include a provision for compliance with the Davis-Bacon Act.
5) All contracts awarded in excess of $100,000 that involve the employment of mechanics or laborers must include a provision to compute the wages on the basis of a standard work week of 40 hours.
6) Include the Rights to Inventions.
7) Include the Clean Air Act.
8) Adhere to debarment and suspension rules.
9) Contractors that apply or bid for an award exceeding $100,000 must file the required certification regarding the Byrd Anti-Lobbying Amendment.

Condition and Context:
The Agency failed to establish documented control procedures for the suspension and debarment compliance requirement.

The Agency contracted with hospitals to provide staffed beds for COVID-19 patients. Discussion with Agency staff disclosed that a memorandum of agreement (MOA) and purchase order (PO) were provided to hospital administrators.

ALA reviewed 10 of the 15 contracts issued by the Agency to determine if the required contractual terms were included. Our review revealed that all 10 contracts did not include all required disclosures, specifically #1, #2, #7, and #9 from the above listing. In addition, the contracts did not contain a clause regarding domestic preferences.

Finding Number:	**2022-016 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Health**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Material Noncompliance and Material Weakness**

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
Although the Agency had documented control procedures for the procurement piece of the compliance requirement area, it failed to document control procedures for the suspension and debarment compliance requirement area. Additionally, the Agency failed to ensure the contractual agreements met federal requirements.

Effect:
The Agency could potentially enter into agreements that violate federal or state regulations.

Recommendation:
ALA staff recommend the Agency establish and implement controls to ensure suspension and debarment requirements are met. Additionally, ALA staff recommend the Agency review federal regulations regarding contract requirements to ensure all applicable contract provisions are included in future contract documents.

Views of Responsible Officials and Planned Corrective Action:
During a peak time of the Coronavirus pandemic, the Arkansas Department of Health entered into memorandums of agreement (MOA) and purchase orders with hospitals to increase hospital bed capacity for COVID-19 patients throughout the state. We acknowledge that although the Department was in compliance with checking the suspension and debarment areas, we did not document our efforts appropriately and our existing policy does not include sufficient internal controls concerning this area.

Additionally, the Department acknowledges that it was not aware of all required disclosures listed within 2 CFR § 200.327 concerning the clauses that are required in every purchase order or other contract regarding contracting with small and minority businesses, domestic preference procurements, and procurements of recovered materials.

The following corrective action plan is being submitted for consideration and approval:

Finding Number:	**2022-016 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Health**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

	Corrective Action	**Important Dates**	**Method of Monitoring**
1	The Arkansas Department of Health Procurement Support Branch will revise the current policy and procedures manual for contracts and subgrants to include the mandatory inclusion of the 9 clauses required by 2 CFR § 200.327 to be in all Agency contracts and subgrants. Please see the listing of the 9 required clauses below: 1) Contracts for more than the simplified acquisition threshold must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms and provide for such sanctions and penalties as appropriate. 2) Contracts in excess of $10,000 must address termination for cause and for convenience by the non-federal entity. 3) Include the equal opportunity clause. Include a provision for compliance with the Davis-Bacon Act. 4) All contracts awarded in excess of $100,000 that involve the employment of mechanics or laborers must include a provision to compute the wages on the basis of a standard work week of 40 hours. 5) Include the Rights to Inventions. 6) Include the Clean Air Act. 7) Adhere to debarment and suspension rules. 8) Contractors that apply or bid for an award exceeding $100,000 must file the required certification regarding the Byrd Anti-Lobbying Amendment.	June 2023 – Policy and Procedures will be updated and distributed to all ADH employees. July 1, 2023 – All contracts and subgrants will require the new clauses within each official document.	Each month, the ADH Procurement Branch Chief will submit a report to the Chief Financial Officer within the first 2 weeks of each month certifying the number of contracts and subgrants developed during the month and that the 9 clauses required by 2 CFR § 200.327 have been attached to each agreement and the that agreements have been monitored for compliance.

Finding Number:	**2022-016 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Health**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

	Corrective Action	Important Dates	Method of Monitoring
2	Upon being contacted by Arkansas Legislative Audit in January 2023 concerning a potential finding regarding the Arkansas Department of Health not verifying that all COVID-19 MOA recipients were not on the suspension and debarment listings, the Agency checked and confirmed that all vendors were not on the lists. Furthermore, to avoid future findings in this area, the Arkansas Department of Health Procurement Support Branch will add the requirement for all Agency buyers who develop contracts and subgrants for the Agency to begin taking screen shots when they have reviewed the suspension and debarment listings. They will print the screen shots a verification that they have check the listings and will include them within the hard files in the Procurement office.	March 2023 – Buyers within the ADH Procurement Support Branch will begin taking screen shots when they have reviewed the suspension and debarment listings for all contractors and subgrants.	Effective December 2023, a random sampling of ADH contracts and subgrants will be reviewed by the ADH Office of Finance to secure that screen shots of the suspension and debarment listings are on file for all agreements within the sampling. The findings of the sampling report will be submitted to the ADH Chief Financial Officer in January 2024. This monitoring effort will occur annually in December

Anticipated Completion Date: July 1, 2023 and March 31, 2023

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Finding Number:	**2022-017**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.302(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, 2 CFR § 200.303(a) 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 award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Finally, 2 CFR § 200.214 holds entities subject to 2 CFR Part 180, which restricts awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

Condition and Context:
The Agency failed to establish documented control procedures for this compliance requirement area.

The Agency is responsible for ensuring that entities receiving awards are registered in the System for Award Management (SAM) database and have not been suspended or debarred. Registration must occur prior to the issuance of a contract or grant agreement. ALA staff reviewed 10 contracts and grant agreements to determine if the Agency was in compliance with the requirement. Our review revealed the following:

- Two entities, with agreements dated September 20, 2021, failed to register on SAM until January 26, 2022, and February 28, 2022, respectively.
- The SAM registration could not be verified for two entities with agreements dated July 9, 2021, and September 20, 2021. Their status is unknown.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The Agency failed to establish documented control procedures and did not have adequately trained staff to ensure compliance.

Effect:
Failure to develop, document, and implement procedures for internal control over compliance increases risk for issuance of contracts and grant agreements to excluded or ineligible entities.

Recommendation:
ALA staff recommend the Agency promptly develop, document, and establish policies to ensure contracts and grant agreements are only issued to eligible entities.

Finding Number:	**2022-017 (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):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:

The ASBO intends to immediately update its policies and procedures to explicitly indicate that, in accordance with Uniform Guidance, it must be confirmed that a potential ARC grant program awardee has registered in the SAM system prior to the execution of the official grant agreement.

The ASBO will implement policy to require its staff, as well as any subcontractor tasked with the responsibility to confirm SAM registration, to confirm SAM registration prior to the execution of a grant agreement.

The ASBO will develop specific training materials and provide targeted, required training to all ASBO staff and ASBO's administrative subcontractors.

The ASBO will also notify all potential ARC grant program awardees of this requirement prior to the execution of the grant agreement.

Anticipated Completion Date: 06/01/2023

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Finding Number:	**2022-018**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.332(a)(1), all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward:

i. Subrecipient name (which must match the name associated with its unique entity identifier).
ii. Subrecipient's unique entity identifier.
iii. Federal Award Identification Number (FAIN).
iv. Federal award date.
v. Subaward Period of Performance start and end date.
vi. Subaward budget period start and end date.
vii. Amount of federal funds obligated by this action by the pass-through entity to the subrecipient.
viii. Total amount of federal funds obligated to the subrecipient by the pass-through entity including the current financial obligation.
ix. Total amount of the federal award committed to the subrecipient by the pass-through entity.
x. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA).
xi. Name of federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity.
xii. Assistance listings number (ALN) and title; the pass-through entity must identify the dollar amount made available under each Federal award and the ALN at time of disbursement.
xiii. Identification of whether the award is Research & Development.
xiv. Indirect cost rate for the federal award.

In addition, 2 CFR § 200.332(a)(4) requires an approved federally recognized indirect cost rate between the subrecipient and the federal awarding agency.

Finally, 2 CFR § 200.332(b) states that pass-through entities must evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Under the Arkansas Rural Connect (ARC) Program, the Arkansas Economic Development Commission (Agency) issued grant agreements to internet service providers (ISPs) to provide new or improved broadband infrastructure to unserved or underserved rural communities. The Agency issued grant agreements based on the locality of services performed. For example, if an ISP provided services to two areas, then two separate grant agreements were issued.

Finding Number:	**2022-018 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context:
ALA staff reviewed 10 executed grant agreements, totaling $34,218,458, to determine if they met the Uniform Guidance criteria. The following deficiencies were noted:

- The 10 grant agreements did not include all required terms, specifically from the criteria noted above, ii, iii, iv, ix, xi, xii, xiii, and xiv.
- Discussion with management indicated that the ISPs were evaluated during the application process, but the results were not documented. Without proper documentation, ALA staff were unable to determine if the ISPs were assessed for risk as required by Uniform Guidance.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency did not ensure staff were trained and knowledgeable regarding Uniform Guidance requirements for subrecipients.

Effect:
Without a proper grant agreement, subrecipients may be unaware that their award is subject to federal compliance requirements. The Agency could award federal funds to a high-risk entity and fail to adjust the methods of monitoring accordingly.

Recommendation:
ALA staff recommend the Agency provide training to appropriate staff to ensure adherence to Uniform Guidance regarding subrecipient monitoring.

Views of Responsible Officials and Planned Corrective Action:
The ASBO intends to immediately update its policies and procedures to explicitly indicate that, in accordance with Uniform Guidance, 1) all required identifications and conditions are incorporated into the official grant agreement prior to the execution of said agreement; and 2) all applicant evaluations, including but not limited to technical feasibility and financial evaluation, be documented, recorded, and saved.

The ASBO will implement policy to require its staff, as well as any subcontractor tasked with the responsibility, to be aware of such requirements.

The ASBO will develop specific training materials and provide targeted, required training to all ASBO staff and ASBO's administrative subcontractors.

Anticipated Completion Date: 06/01/2023

Finding Number:	**2022-018 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Commerce – Arkansas Economic Development Commission**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

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Finding Number:	**2022-019**
State/Educational Agency(s):	**Arkansas Department of Education**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**84.425 – COVID 19: Education Stabilization Fund – CARES Act**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**S425C200051; S425C210051; S425D200039; S425D210039; S425U210039; S425W210004**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.303(a), 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 grant award.

In addition, 2 CFR § 200.332(f) states that all pass-through entities must verify that every subrecipient with federal expenditures totaling $750,000 or more receive a Single Audit as required by Uniform Guidance.

Finally, 2 CFR § 200.332(d)(1) and (2) state that the pass-through entity is responsible for reviewing subrecipient financial reports and audits and ensuring that the subrecipient has taken appropriate action on any deficiencies identified.

Condition and Context:
Historically, the Agency's internal auditor maintained an audit log that was used to record the receipt of annual audit reports from local educational agencies (LEAs), select nonprofit organizations, and private institutions of higher education and document whether corrective action was taken on any reported deficiencies, as applicable.

During fiscal year 2022, the Agency's internal auditor resigned. Because the Agency has been unable to fill the position, it transferred the audit log responsibility to another staff member, who resigned during fiscal year 2023. As a result, the audit log has not been consistently maintained; therefore, the Agency is not in compliance with the terms of the grant award.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
Agency management did not ensure the audit log was maintained after the resignation of two staff members.

Effect:
Failure to monitor subrecipients could result in undetected noncompliance with program requirements.

Recommendation:
ALA staff recommend the Agency provide necessary training to multiple staff members to ensure full compliance with subrecipient monitoring requirements.

Finding Number:	**2022-019 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Education**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**84.425 – COVID 19: Education Stabilization Fund – CARES Act**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**S425C200051; S425C210051; S425D200039; S425D210039; S425U210039; S425W210004**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
The Arkansas Department of Education (ADE) has reviewed the finding related to the 84.425 – Education Stabilization Fund, which will be included in the Statewide Single Audit. Management has designated two individuals within the Fiscal Services and Support unit to maintain the audit log and document the procedure to ensure compliance. The ADE Fiscal Services and Support unit will implement the audit log process for all local educational agencies (LEAs), and the Grants Coordinator will be responsible for select nonprofit organizations and private institutions of higher education. The Fiscal Services and Support unit will document the process to ensure continuity in the event of staffing changes. All documentation will be maintained on ADE's shared network drive to ensure that all documentation is readily available to the Finance division.

Anticipated Completion Date: 07/01/2023

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Finding Number:	**2022-020**
State/Educational Agency(s):	**Ozarka College**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**84.425F – HEERF Institutional Aid Portion (Higher Education Emergency Relief Fund)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**84.425F (P425F201221 – 20B)**
Federal Award Year(s):	**2022**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.414 and Appendix III to Part 200, indirect costs must be distributed to applicable federal awards on the basis of modified total direct costs (MTDC) at the current negotiated rate. The MTDC consists of program expenditures exclusive of capital items and other costs specifically identified as unallowable.

Condition and Context:
The College incorrectly calculated indirect costs for the Institutional Portion of the HEERF program. The College utilized the federal award allocation received for the fiscal year ending June 30, 2022, rather than the MTDC as the indirect cost base.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$180,513.

Cause:
Lack of internal controls and management oversight regarding indirect costs contributed to the claiming of excessive costs.

Effect:
The College claimed excessive indirect costs of $180,513.

Recommendation:
ALA staff recommend the Agency enhance controls to ensure adherence to relevant federal guidance. The College should consult with the U.S. Department of Education for resolution regarding this matter.

Views of Responsible Officials and Planned Corrective Action:
Ozarka College wants to be in compliance with all regulations. We have reached out to our Program Specialist at the Department of Education and have provided the documentation that was requested. We are currently waiting for the Department of Education to complete a review of the information and provide guidance on how to proceed. We will work diligently with the Department to resolve the issue and follow the directions given.

Anticipated Completion Date: Immediately upon the receipt of instructions from the Department of Education.

Finding Number:	**2022-020 (Continued)**
State/Educational Agency(s):	**Ozarka College**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**84.425F – HEERF Institutional Aid Portion (Higher Education Emergency Relief Fund)**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**84.425F (P425F201221 – 20B)**
Federal Award Year(s):	**2022**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

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Finding Number:	**2022-021**
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):	**05-2105AR5021; 05-2205AR5021; 05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Section 2105(c)(10) of the Social Security Act allows states to elect to offer a premium assistance subsidy for qualified employer-sponsored insurance coverage to all targeted low-income children eligible for the Children's Health Insurance Program (CHIP). To be allowable, the Health Insurance Premium Payment (HIPP) assistance must be included coverage defined in the CHIP State Plan.

Condition and Context:
The Arkansas CHIP State Plan does not include coverage for HIPP; therefore, premium assistance payments are unallowable for CHIP recipients. ALA discovered premium assistance payments, totaling $152,884, made on behalf of CHIP recipients.

Additionally, the unallowable premium assistance payments were paid using Medicaid grant funds and were incorrectly reported as Medicaid expenditures.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$152,884

Cause:
The Agency failed to adhere to its CHIP State Plan and did not receive approval from the federal awarding agency to offer premium assistance payments.

Effect:
Unallowable HIPP assistance was paid on behalf of CHIP recipients using Medicaid grant funds.

Recommendation:
ALA staff recommend the Agency request a State Plan Amendment to allow premium assistance subsidies for CHIP recipients and implement adequate controls to ensure expenditures are made in accordance with the approved State Plan and are paid from the appropriate grant award.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency contracts with a vendor to perform eligibility determinations for the HIPP program. The Agency provided the vendor with a list that identified all HIPP eligible aid categories. The list incorrectly included CHIP aid categories. The Agency will direct the vendor to exclude CHIP aid categories from the list of aid categories eligible for HIPP. The Agency will ensure CHIP clients are disenrolled from the HIPP program and will develop and implement internal controls to ensure that the vendor enrolls only beneficiaries in HIPP eligible aid categories.

Finding Number:	**2022-021 (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):	**05-2105AR5021; 05-2205AR5021; 05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

Anticipated Completion Date: 5/31/2023

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Finding Number:	**2022-022**
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:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)** **05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

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

In addition, 42 CFR § 435.1009 states that federal financial participation (FFP) is not available for payments made on behalf of individuals who are inmates in public institutions, including eligible juveniles. To be considered an inmate of a public institution, a person must be living in an institution that is the responsibility of a governmental unit or over which a governmental unit exercises administrative control.

Finally, under section 1001 of the Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act (SUPPORT Act), states are 1) prohibited from terminating the Medicaid eligibility of an "eligible juvenile" who becomes an inmate of a public institution, 2) required to process applications submitted by incarcerated youth, and 3) required to re-determine the Medicaid eligibility of eligible juveniles before their release from a public institution.

An eligible juvenile is defined as a "juvenile who is an inmate of a public institution and who (A) was determined eligible for medical assistance under the State plan immediately before becoming an inmate of such a public institution; or (B) is determined eligible for such medical assistance while an inmate of a public institution."

In compliance with this requirement, Medical Services Manual section D-380 states that coverage for children entering the custody of the Division of Youth Services (DYS) will be placed in suspension status for up to 12 months from the initial approval or most recent renewal. When a child with suspended Medicaid eligibility receives eligible medical treatment off the grounds of the juvenile detention facility (inpatient services) or is released from custody, the child's Medicaid case will be reinstated for a fixed eligibility period from the date of hospitalization to the date of hospital discharge. Once the child returns to the DYS state run facility, the Medicaid case is re-suspended.

Condition and Context:
ALA staff selected 60 files for incarcerated juveniles to determine whether the State is properly suspending a juvenile's benefit coverage when the juvenile is held in a public institution and then properly reinstating coverage when the juvenile is placed in non-public institutions or released from DYS custody. ALA's review also included ensuring that benefit payments were not made for dates of service that fell within the juvenile's incarceration period.

Our review revealed the following deficiencies:

- The Agency failed to suspend Medicaid benefits for 21 juveniles in DYS custody. ALA also identified Medicaid payments, totaling $137,811, made for dates of service within the incarceration period for 18 of these individuals. The federal portion of these payments totaled $105,030.

Finding Number:	**2022-022 (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:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)** **05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Although the Agency appropriately suspended Medicaid and CHIP benefits for 7 juveniles, Medicaid and CHIP payments, totaling $22,278 and $44, respectively, were made for dates of service within the incarceration period for these juveniles. The federal portion of the Medicaid and CHIP payments totaled $17,308 and $37, respectively.
- The Agency improperly reinstated Medicaid benefits for 2 juveniles prior to the placement of the juvenile in a private institution. Medicaid payments, totaling $5,625, were made for dates of service within the incarceration period for these individuals. The federal portion of these payments totaled $4,378.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$126,716 – Medical Assistance Program
$37 – Children's Health Insurance Program

Cause:
The Agency failed to properly monitor Medicaid and CHIP eligibility for juveniles in DYS custody. Suspensions of benefits were not always entered timely, were entered with incorrect effective dates, or were not entered into the system when an eligible juvenile was incarcerated.

Effect:
The Agency improperly received and used federal funds for payments made on behalf of incarcerated juveniles.

Recommendation:
ALA staff recommend the Agency design and implement internal controls over compliance to ensure that Medicaid and CHIP benefits are properly suspended when eligible juveniles are incarcerated and properly reinstated by designated DYS staff based on guidance set forth in the Medical Services Policy Manual and in compliance with federal regulations.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. In October 2021, the Division of Youth Services (DYS) began using a new Juvenile Justice Information System (JJIS) which provide more accurate and timely information on adjudications than the previous system. These improvements will allow DYS to timely process Medicaid suspensions and reinstatements. In addition to the improved JJIS, DYS has implemented numerous controls to monitor the incarceration status of juveniles and suspension and reinstatement of Medicaid benefits.

Anticipated Completion Date: Complete

Finding Number:	**2022-022 (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:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)** **05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

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

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Finding Number:	**2022-023**
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):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)** **05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Weakness**

Repeat Finding:
Not applicable

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

Condition and Context:
The Public Assistance Reporting Information System, or PARIS, is a data-matching service that identifies recipients of public assistance who receive duplicate benefits in two or more states, in order to help detect improper payments. This system is administered by the Office of the Administration for Children and Families (ACF) within the federal Department of Health and Human Services.

ALA selected two quarters from state fiscal year 2022 for review to ensure that the Agency participated in the interstate PARIS match and to determine that adequate supporting documentation was available to demonstrate that the Agency adequately reviewed identified matches and determined whether those recipients were currently residing in the State and, therefore, properly received benefits under the Arkansas Medicaid or CHIP programs.

Our review confirmed that the Agency participated in the PARIS match for the two quarters (August 2021 and February 2022) selected for testing.

ALA then selected a sample of 20 recipient cases (10 recipient cases from each selected quarterly report) that were flagged as receiving benefits in Arkansas and another state to determine if those cases were reviewed. Our testing revealed that 6 of the 20 cases were not reviewed in the Arkansas Integrated Eligibility System (ARIES) eligibility system.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
Agency system controls built into ARIES did not identify that a recipient's PARIS match case should have been reviewed if the phone number for a recipient was blank. The recipient's residency issue between Arkansas and another state should have qualified the case for benefit review. According to the Division of County Operations (DCO), the PARIS matching system logic within ARIES will need to be adjusted to ensure these types of cases are identified in the future.

Finding Number:	**2022-023 (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):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Weakness**

Effect:
Failure to review the PARIS interstate matches could result in the Agency not identifying individuals who are no longer residents of the State and, as a result, are ineligible to receive benefits under the Arkansas Medicaid or CHIP programs. Improper payments could be made on behalf of ineligible recipients.

Recommendation:
ALA staff recommend the Agency develop system controls in ARIES to ensure that all PARIS interstate matches are reviewed timely to aid in confirming that benefits are only made on behalf of eligible recipients.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency has updated the PARIS matching logic in ARIES to identify these types of cases.

Anticipated Completion Date: Complete

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Finding Number:	**2022-024**
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):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)** **05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2021 and 2022**
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 **2021-024** and **2020-017**.

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 Medical Assistance Program (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 resulted 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:	**2022-024 (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):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)** **05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2021 and 2022**
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 concurs with this finding. In calendar year 2022, DHS implemented a new General Ledger platform to track and reconcile expenditures and revenues. The General Ledger - Revenue Side was implemented on April 1, 2022. The full General Ledger application was operational with all journal entries back to January 1, 2022 on June 30, 2022. This application will allow the Agency to monitor state general revenues and other non-federal revenues used to "match" the federal grant award monies to determine the State match requirements were met for the Medical Assistance Program (MAP) and the Children's Health Insurance Program (CHIP); however, the volume of daily transactions and the daily exception file has resulted in the need to build out the Funds Management Dashboard to identify State and Other transactions by internal order. The Agency's vendor is currently working on a LOE to provide a timeline and estimated costs to proceed. The Agency's expectation is to have the system fully operational on July 1, 2023.

Anticipated Completion Date: 7/1/2023

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Finding Number:	**2022-025**
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 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Financial Audits (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-027**.

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 annually submit audited financial reports that are conducted in accordance with generally accepted accounting principles and generally accepted auditing standards specific to the Medicaid contract.

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 MCOs that participated in the Provider-Led Arkansas Shared Savings Entity (PASSE) managed care program and two dental managed care entities participated in the Dental Managed Care program for calendar year 2021. These entities would have been required to submit audited financial reports.

The results of our testing revealed that although audited financial reports were provided by all of the PASSE and dental managed care entities, two of the three PASSE entity's reports and both dental managed care entities' reports 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 three PASSE and 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.

Finding Number:	**2022-025 (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 – 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):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Financial Audits (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

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.

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

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency has amended the Dental Managed Care (DMC) contract to require DMC entities to perform and provide financial audit reports that have been audited in accordance with generally accepted accounting standards. The contract amendments are pending CMS approval. The Agency will also develop and implement internal controls to ensure that PASSE MCO's and dental managed care entities annually submit audited financial reports conducted in accordance with generally accepted accounting principles and generally accepted accounting standards that are specific to the Medicaid contract. The Agency will continue to provide the external quality review organization and its contracted actuary with the audited financial reports for both PASSE MCO's and dental managed care entities and will ensure the reports contain all required financial data. DMS Finance and the Assistant Director for Plan Partnership will review the report to ensure compliance.

Anticipated Completion Date: 6/30/2023

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Finding Number:	**2022-026**
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; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020, 2021 and 2022**
Compliance Requirement(s) Affected:	**Allowable Costs and 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 **2021-023**.

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, 42 CFR § 438.8(e)(4) states that the treatment of expenditures related to fraud prevention activities in the numerator of the MLR must be consistent with private market regulations noted at 45 CFR § 158.150. Based on current regulations, these expenditures are not allowed to be included in the private market MLR.

Finally, in accordance with 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.

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:

Dental Managed Care:

- The calendar year 2021 MLR calculation for one of the two Dental Managed Care entities included expenditures related to fraud prevention activities, which is unallowable; these expenditures totaled $132,300. The total questioned costs related to the federal portion of these expenditures was $91,584 and $11,940 for Medicaid and CHIP, respectively.
- 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, 2019, and 2020 should have been provided.

Finding Number:	**2022-026 (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; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020, 2021 and 2022**
Compliance Requirement(s) Affected:	**Allowable Costs and Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
PASSE:

- The calendar year 2021 MLR calculation for one of the three PASSE entities included expenditures related to fraud prevention activities totaling $32,152, which is unallowable. There are no questioned costs related to these expenditures as the PASSE program does not require remittance to the State based on MLR results.
- 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, audited financial reports from calendar years 2019 and 2020 should have been provided.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$91,584 (Medicaid)
$11,940 (CHIP)

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 the required audited financial reports are provided and that MLR calculations comply with federal regulations.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. Internal monitoring procedures will be developed to ensure that only allowable expenditures are included in dental managed care and PASSE MLR calculations. The Agency previously provided financial reporting templates to the actuary that determines capitation rates for managed care entities. Audited financial statements will be provided to the actuary going forward.

Finding Number:	**2022-026 (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; 05-2205AR5021 (Children's Health Insurance Program)** **05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2020, 2021 and 2022**
Compliance Requirement(s) Affected:	**Allowable Costs and 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 (Continued):

Anticipated Completion Date: 6/30/2023

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Finding Number:	**2022-027**
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**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2205AR5021**
Federal Award Year(s):	**2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Noncompliance and Significant Deficiency**

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 (IA) performed that designates him or her 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. Appendix K flexibilities were granted by which an additional 12-month extension was allowed for the IAs effective beginning March 12, 2020.

§ 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. Section 1135 flexibilities were granted by which an additional 12-month extension was allowed for the IAs effective beginning March 17, 2020.

Condition and Context:
ALA selected 40 PASSE recipients (all BH 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.
- No disallowed fee-for-service claims paid for a recipient already covered by PASSE

Our review revealed an exception affecting payments for one BH recipient as detailed below:

➢ Sample item 36: The IA expired on May 3, 2022, and no other IA was completed prior to June 30, 2022. Payments for this recipient continued for dates of service from May 4, 2022 through June 30, 2022. Questioned costs totaled $2,054.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$2,054

(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 $25,000.)

Cause:
The Agency did not adequately monitor the completion of IAs to ensure they were completed timely.

Finding Number:	**2022-027 (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**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2205AR5021**
Federal Award Year(s):	**2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Noncompliance and Significant Deficiency**

Effect:
Gaps were revealed in the performance of the required IAs. As a result, payments were made outside the approved/updated dates of service.

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 disputes this finding. As noted by Legislative Audit, in accordance with the Families First Coronavirus Response Act (FFCRA), states must provide continuous coverage, through the end of the month in which the public health emergency period ends, to all Medicaid beneficiaries enrolled on or after March 18, 2020, regardless of any changes in circumstances or redeterminations at scheduled renewals that otherwise would result in termination. In this instance, DHS and its contractors responsible for scheduling and conducting assessments followed all established assessment procedures. But for the public health emergency, the Agency would have discontinued services until an assessment was completed.

Anticipated Completion Date: Complete

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Additional Comments from the Auditor:
The Families First Coronavirus Response Act (FFCRA) is applicable to all Medicaid and Medicaid expansion recipients. The deficiency above relates to payments coded to an ARKids B recipient. ARKids B recipients are not considered Medicaid or Medicaid expansion recipients.

Finding Number:	**2022-028**
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**
Federal Awarding Agency:	**U.S. Department of Health of Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

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

The Agency is responsible for determining Children's Health Insurance Program (CHIP) recipients meet the eligibility criteria as specified in its approved State Plan. Eligibility requirements for CHIP are outlined in the Arkansas Medical Services Manual. The Manual contains specific CHIP policies and procedures and is in addition to the approved State Plan.

The State's ARKids First program includes three separate recipient aid categories under which children receive benefits. Placement in these categories is determined based on monthly household income and a Federal Poverty Level (FPL) percentage.

1. ARKids A (Medicaid) is funded through the Medical Assistance Program grant and provides coverage as follows:
   - Children under the age of 6 with household income up to 142% of the FPL.
   - Children aged 6 - 18 with household income up to 100% of the FPL.
2. ARKids A (MCHIP) is funded through the CHIP grant in accordance with the Affordable Care Act and provides coverage to children aged 6 - 18 with household income over 100% of the FPL up to 142% of the FPL.
3. ARKids B is funded through the CHIP grant and provides coverage to children up to the age of 19 with household incomes from 142% of the FPL up to 211% of the FPL. Once determined eligible, recipients remain eligible for a 12-month period, regardless of changes in household income.

Condition and Context:
The State received approval for a CHIP Public Health Emergency (PHE) state plan amendment that became effective on March 18, 2020, and, in accordance with CMS guidance, allowed CHIP cases to be extended through the end of the PHE even if the recipient was determined ineligible at the time of redetermination. The amendment also allowed certain eligibility requirements to be waived through the duration of the PHE and included the following:

- Waived requirements related to timely processing of applications and renewals.
- Delayed processing of renewals and extended deadlines for families to respond to renewal requests.
- Delayed action on closure for certain changes in circumstances for CHIP beneficiaries. However, the following circumstances for closure will be allowed during the PHE:
  - ❖ Recipient ceases to be a resident of the state.
  - ❖ Voluntary closure.
  - ❖ Eligibility was due to fraud, abuse or perjury, or death.
- Waived co-payments for COVID-19 testing and treatment for the duration of the PHE.

Finding Number:	**2022-028 (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**
Federal Awarding Agency:	**U.S. Department of Health of Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):
On January 6, 2021, the Agency received updated guidance from CMS that specifically stated if information is received and processed regarding an enrollee and the State determines the enrollee ineligible for ARKIDS B, the State is required to process the termination and transfer the individual to Medicaid or the Exchange. The guidance further stated that the PHE amendment does not grant the State authority to extend eligibility periods for those determined ineligible for coverage under ARKids B.

ALA staff selected 60 CHIP recipients for review to determine that eligibility criteria were met. Our review revealed that five recipients, with claims totaling $6,398, were no longer eligible for ARKids B as follows:

- Sample Item 10: For one ARKids B recipient, a March 2021 redetermination indicated that the maximum household income had been exceeded, and coverage should have been terminated effective April 1, 2021. Claims were paid for service dates subsequent to April 1, 2021 through June 30, 2022, totaling $1,023, with the federal portion totaling $863.
- Sample Item 17: For one ARKids B recipient, a July 2021 redetermination indicated that the maximum household income had been exceeded, and coverage should have been terminated effective August 1, 2021. Claims were paid for service dates subsequent to August 1, 2021 through June 30, 2022, totaling $510, with the federal portion totaling $431.
- Sample Item 21: For one ARKids B recipient, multiple eligibility determinations were made during the year ended June 30, 2022, and are summarized below:
  - ❖ In April 2021, the eligibility system processed the recipient's annual renewal and properly determined the individual eligible for the ARKids B category. This recipient should have remained in this category for 12 months, according to program criteria.
  - ❖ In November 2021, the Agency received documentation supporting a change in household income reported in July 2021. As noted in bullet #1, the recipient was eligible for ARKids B until March 31, 2022. However, a program eligibility specialist improperly determined the recipient eligible for ARKids A and closed the recipient's ARKids B case.
  - ❖ In March 2022, the system performed an automatic renewal. As no significant changes in eligibility requirements were identified, including income, the system again determined the recipient to be eligible under the ARKids B recipient aid category. However, further review indicated that the recipient's household income was below 100% FPL, and the recipient should have been placed in the ARKids A (Medicaid) category.

  Claims incorrectly paid from CHIP, instead of Medicaid, totaled $106, with the federal portion totaling $89.
- Sample Item 53: For one ARKids B recipient, a September 2021 redetermination indicated that the maximum household income had been exceeded and coverage should have been terminated effective October 1, 2021. Claims paid for service dates subsequent to October 1, 2021 through June 30, 2022, totaled $4,354, with the federal portion totaling $3,678.
- Sample Item 54: For one ARKids A (M-CHIP) recipient, a March 2021 redetermination indicated that household income fell below 100% FPL, and as a result, the recipient was no longer eligible for ARKids A (M-CHIP) and should have been placed in ARKids A (Medicaid). Claims incorrectly paid from the CHIP grant for dates of service subsequent to the redetermination through June 30, 2022, totaled $1,588, with the federal portion totaling $1,337.

Finding Number:	**2022-028 (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**
Federal Awarding Agency:	**U.S. Department of Health of Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Statistically Valid Sample:
Not a statically valid sample

Questioned Costs:
$6,398

(Known questioned costs greater than $25,000 for a type of compliance requirement are required to be reported. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned [likely questioned costs], not just the questioned costs specifically identified. The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program.)

Cause:
Errors in the Arkansas Integrated Eligibility System (ARIES) system resulted in improper eligibility determinations. Additionally, discussion with Agency personnel indicated that top-level Agency management chose to continue allowing the ARKIDS B eligibility segments to remain open, even though information was provided that should have resulted in an ineligible determination. This is in direct conflict with CMS guidance issued on January 6, 2021, clarifying that ARKids B cases MUST be closed once deemed ineligible.

Effect:
Expenditures were not accurately reported to the federal awarding agency, were not paid from the appropriate grant award, and were not funded at the appropriate federal rate.

Recommendation:
ALA staff recommend the Agency design and implement internal controls over compliance to ensure that recipients are placed in the appropriate ARKids First category.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency will review the incorrect eligibility determinations and identify and implement any needed updates to the automatic renewal process.

Anticipated Completion Date: 6/30/2023

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Finding Number:	**2022-029**
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):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-029**.

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:
From a population of 5,941 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 four of the provider files as follows:

Limited-risk category:

- ➢ Sample item 4: The Agency failed to provide documentation of the provider's W-9 form that covered the entire enrollment period. Questioned costs totaled $3,685.
- ➢ Sample item 17: The Agency failed to provide documentation of the provider's professional license and certification that covered the entire enrollment period. Questioned costs totaled $16,789.

Finding Number:	**2022-029 (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):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
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 34: The Agency failed to provide documentation of the provider's certification that covered the entire enrollment period. Questioned costs totaled $67,590.
- Sample item 40: The Agency failed to provide documentation of the provider's certification that covered the entire enrollment period. Questioned costs totaled $63.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$88,127

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 2022.

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.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with, in part, and disputes, in part, this finding. The Agency has obtained all licensure and certification documentation covering the audit period. DMS is in the process of automating inclusion of current provider licensure and certification documentation into the MMIS. DMS disputes the questioned costs as CMS has approved Arkansas' request to temporarily cease revalidation, including screening, of Medicaid providers.

Anticipated Completion Date: 8/15/2023

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Additional Comments from the Auditor:
Deficiencies are determined based on support provided by the Agency and reviewed by auditors during an iterative process performed during fieldwork. The deficiencies above are not specific to timely revalidation requirements, which are further described above, but to lack of documentation primarily related to licensure and certification.

Finding Number:	**2022-030**
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):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
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 finding **2021-030**.

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 40 provider files from a population of 2,708 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 five of the provider files as follows:

Moderate-risk category:

- ➢ Sample item 15: The Agency did not provide documentation of the provider's licensure covering the entire enrollment period. Ineligible costs totaled $10,711 (PASSE).
- ➢ Sample item 17: 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 $501 (PASSE).
- ➢ Sample item 23: The Agency did not provide documentation of the provider's certification that covered the entire enrollment period. Ineligible costs totaled $207,286 (PASSE).

Finding Number:	**2022-030 (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):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
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 19: The Agency did not provide documentation of the required W-9 form that covered the entire enrollment period. Ineligible costs totaled $404 (PASSE).
- Sample item 30: The Agency did not provide any of the required documentation (contract, application, W-9 form, disclosure forms, or the background check) that covered the entire enrollment period. Ineligible costs totaled $55,092 (Dental).

Total ineligible costs identified above totaled $55,092 for Dental Managed Care and $218,902 for PASSE.

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 Center 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

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 2022.

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.

Finding Number:	**2022-030 (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):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency has obtained all licensure and certification documentation covering the audit period. DMS is in the process of automating inclusion of current provider licensure and certification documentation and enrollment documentation into the MMIS.

Anticipated Completion Date: 8/15/2023

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Finding Number:	**2022-031**
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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Benefit Payments (ARWorks/ARHOME)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
During the year ended June 30, 2022, the Arkansas Department of Human Services (DHS) participated in the Arkansas Works, Section 1115(a) demonstration waiver program (now referred to as Arkansas Health and Opportunity for Me [ARHOME]). This program enables the State to provide premium assistance to adults who are eligible for Medicaid under the new adult group in the purchase of coverage from qualified health plans (QHPs) offered on the Arkansas Exchange.

Eligibility requirements dictate that individuals in the Adult Expansion category (newly eligible) be between the ages of 19 and 64. The State also pays actuarially determined estimated monthly Advanced Cost Sharing Reduction (ACSR) payments to cover co-insurance and deductibles. Effective January 1, 2022, recipients' incomes determine the FPL bracket placement, which determines the estimated ACSR payment. These estimated payments are reconciled after the end of the plan year based upon actual utilization data for the covered recipients for the plan year from the QHPs.

Section 1115 demonstration waiver programs must be budget neutral, which means that expenditures must not be more than federal spending without the demonstration. Budget neutrality costs for these programs include premiums, cost sharing reduction payments, and any additional wrap-around costs. Wrap-around costs are costs that are required to be provided, such as non-emergency transportation and Early Periodic Screening, Diagnostic and Treatment (EPSDT) services for those individuals under the age of 21, but not covered under the QHPs.

Additionally, terms included in the Dental managed care program, Healthy Smiles, specifically exclude participation of adults made newly eligible under the Patient Protection and Affordable Care Act.

Condition and Context:
ALA staff reviewed data for 40 beneficiaries to determine if the proper premium and ACRS payments were made on behalf of the beneficiary and to ensure that no disallowed fee-for-service payments were paid for a recipient already covered by a QHP. Our review revealed the following deficiencies regarding seven beneficiaries:

- For two beneficiaries, the FPL percentage was not calculated correctly. As a result, the ACSR payments for the months of April, May, and June 2022 were not in accordance with the Agency's planned methodology. New FPL thresholds were effective April 1, 2022, and implemented in the Arkansas Integrated Eligibility System (ARIES) but not applied to these cases because of the case status in ARIES. There are no associated questioned costs with these cases.
- Dental managed care payments were made for five recipients, all newly eligible under the Patient Protection and Affordable Care Act, which is in conflict with the Healthy Smiles Waiver that specifically excludes participation of those individuals. <u>Questioned costs totaled $590.</u>

Our review was expanded because of the error noted above regarding dental managed care payments made on behalf of newly eligible individuals. As a result, $4,083,072 in additional questioned costs were identified for over 49,000 recipients. In addition, we identified 25 recipients within the expanded review that were under the age of 19 and would not be eligible for any payments under the Adult Expansion category. Further review of these cases revealed the following:

Finding Number:	**2022-031 (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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Benefit Payments (ARWorks/ARHOME)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- The Agency asserted that the root cause of the deficiency for 13 of the 25 items was data integrity issues (incorrect dates of birth) in the system. Utilizing information available in the Medicaid Management Information System (MMIS) claims payment system and the ARIES eligibility system, ALA was able to verify this assertion for 4 of the 13 recipients.
- The root cause of the deficiency for the remaining 12 items was not identified by the Agency and could not be determined based upon our review of the MMIS and ARIES systems.
- For 7 of the 25 recipients, more than one eligibility segment was open at a point in time.
- The Agency was unable to identify in which eligibility system (CURAM or ARIES) the error originated. All eligibility cases were transferred into ARIES by June 30, 2021. ALA reviewed information in MMIS and ARIES in an attempt to determine the origination but found different scenarios as follows:
  1) There were cases in which it appeared the error originated in CURAM and continued upon transfer to ARIES.
  2) There were cases in which it appeared the error originated in CURAM but did not continue upon transfer to ARIES.
  3) There were cases in which the error originated in ARIES.

An absolute conclusion regarding the cause could not be determined, and further review is warranted by the Agency.

Finally, it was determined that although the Agency asserted that the dental managed care payments were provided to serve the purpose of the required EPSDT wrap-around services for those under age 21, they were not included in the budget neutrality calculations for the program. Further review by the Agency is required to determine the amount that should have been included in the budget neutrality calculations.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$4,083,662

Cause:
The Agency did not adequately develop or implement procedures to ensure that the correct ARWorks/ARHOME ACSR payment amounts were consistently paid or that there were no inappropriate fee-for-service payments made while recipients were enrolled in a QHP. In addition, support could not be provided to ensure that all eligible expenses were included in the required budget neutrality calculations and that Adult Expansion aid eligibility segments were only opened for recipients between the ages of 19 and 64.

Effect:
Incorrect ACSR payments were made. Improper dental managed care payments were also made, resulting in questioned costs totaling $4,083,662. Required budget neutrality calculations were inaccurate as all wrap-around expenses were not included. Adult Expansion eligibility segments were opened in error for recipients under the age of 19.

Finding Number:	**2022-031 (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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Benefit Payments (ARWorks/ARHOME)**
Type of Finding:	**Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency strengthen controls to ensure that ARWorks/ARHOME ACSR payments are made properly, that there are no disallowed fee-for-service payments for a recipient already covered by a QHP, that the budget neutrality calculations are complete and include all relevant wrap-around expenses, and that there are no Adult Expansion eligibility segments open for individuals under the age of 19.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. DMS will amend the Healthy Smiles waiver to reflect that ARHOME clients who are 19 or 20 will receive dental benefits through dental managed care. All other ARHOME clients will continue to be excluded from the Healthy Smiles waiver. Additionally, the Agency will implement systems changes to ensure that clients who are not 19- or 20-years old cannot enroll in dental managed care plans and that clients under 19 cannot be accepted from the ARIES system as an ARHOME enrollee.

Anticipated Completion Date: 6/30/2023

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Finding Number:	**2022-032**
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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
The Arkansas Independent Assessment (ARIA) tool was utilized by the Arkansas Department of Human Services (DHS) contractor, OPTUM, to collect information to identify recipients' physical dependency needs and to determine those who require services provided through the Personal Care state plan program. Independent assessments must occur at least annually, with the exception of recipients who are enrolled in the ARChoices Home and Community-Based (HCB) waiver program. Effective December 31, 2020, once initially performed, independent assessments must occur as needed for ARChoices recipients.

Once recipients are deemed eligible, Personal Care hours are determined utilizing the Task and Hour Standards (THS), which is the written methodology used by the DHS Registered Nurses (RNs) or their contractors as the basis for calculating the number of Personal Care hours that are reasonably and medically necessary. Prior authorization letters or completed ARChoices Person-Centered Service Plans (PCSP) are then sent to the providers to serve as notification that the Personal Care services are authorized.

A Personal Care Individualized Service Plan (Individualized Service Plan), signed by a supervisor or RN, must be prepared and maintained by the provider. The Individualized Service Plan must be in accordance with the number of Personal Care hours authorized on the THS, and services received must be in accordance with the Individualized Service Plan. Individualized Service Plans are effective for up to one year from the date of the last ARIA. Effective April 1, 2021, the annual review and renewal of the Individualized Service Plan was suspended through December 31, 2022.

Condition and Context:
ALA staff reviewed data for 40 beneficiaries to determine if an ARIA, a THS document, a Prior Authorization or ARChoices PCSP, and an Individualized Service Plan were in effect for all dates of service for which claims were paid and to ensure that services were provided in accordance with the beneficiary's THS and Individualized Service Plan and did not exceed the maximum amount allowed. Our review revealed the following deficiencies regarding 14 beneficiaries:

- <u>Sample item 5:</u> Claims totaling $2,540 were paid without an ARIA in place for dates of service beginning December 1, 2021 through February 5, 2022.
- <u>Sample item 7:</u> Claims totaling $1,147 were paid without an ARIA in place for dates of service beginning September 17, 2021 through November 17, 2021.
- <u>Sample item 8:</u> Claims totaling $1,915 were paid without an ARIA in place for dates of service beginning December 2, 2021 through January 25, 2022.
- <u>Sample item 10:</u> Claims totaling $148 were paid without an ARIA in place for dates of service beginning June 25, 2021 through July 3, 2021.
- <u>Sample item 11:</u> Claims totaling $763 were paid without an ARIA in place for dates of service beginning December 1, 2021 through December 21, 2021.
- <u>Sample item 16:</u> Claims totaling $3,021 were paid without a THS document in place for dates of service beginning June 14, 2021 through September 6, 2021. (ARChoices Recipient)

Finding Number:	**2022-032 (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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 19: Claims totaling $11,551 were paid without an Individualized Service Plan in place for dates of service beginning June 14, 2021 through June 16, 2022. (ARChoices Recipient)
- Sample item 20: Claims totaling $792 were paid without an Individualized Service Plan in place for dates of service beginning November 16, 2020 through December 31, 2020.
- Sample item 21: Claims totaling $12,872 were paid without an Individualized Service Plan in place for dates of service beginning September 3, 2021 through June 17, 2022. (ARChoices Recipient)
- Sample item 24: Claims totaling $14,572 were paid without an ARIA in place for dates of service beginning June 14, 2021 through June 17, 2022. (ARChoices Recipient)
- Sample item 28: Claims totaling $7,280 were paid without an Individualized Service Plan in place for dates of service beginning June 17, 2021 through June 17, 2022. (ARChoices Recipient)
- Sample item 32: Claims totaling $1,582 were paid without an Individualized Service Plan in place for dates of service beginning February 1, 2022 through May 27, 2022.
- Sample item 33: Claims totaling $2,616 were paid without an Individualized Service Plan in place for dates of service beginning June 14, 2021 through August 12, 2021. (ARChoices Recipient)
- Sample item 35: Claims totaling $2,744 were paid without an Individualized Service Plan in place for dates of service beginning June 7, 2021 through August 11, 2021.

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 enrolled 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 Arkansas Independent Assessment (ARIA), Task and Hours Standards (THS), or Personal Care Individualized Service Plan.

Cause:
Providers submit requests to OPTUM, the contractor responsible for completing ARIAs, through another DHS contractor, Kepro, for all non-ARChoices recipients, while DHS RNs within the Office of Long Term Care submit requests for all ARChoices recipients. According to the Agency, delays in submitting the referrals to OPTUM along with scheduling conflicts experienced by OPTUM when contacting recipients for the assessments contributed to deficiencies related to missing ARIAs.

The Agency asserts that the deficiency related to the missing THS was an isolated incident in which a DHS RN, who is no longer employed with the Agency, failed to create a THS for the recipient tested.

Providers create and maintain Individualized Service Plans. Although the Agency could obtain them for additional oversight and review, current policy and practice do not require providers to submit the Individualized Service Plans to the Agency or the contractor.

Finding Number:	**2022-032 (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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care)**
Type of Finding:	**Noncompliance and Material Weakness**

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 an ARIA, a THS, and a valid and current Individualized Service Plan support all amounts paid.

Views of Responsible Officials and Planned Corrective Action:
DHS disputes this finding. As noted by Legislative Audit, in accordance with the Families First Coronavirus Response Act (FFCRA), states must provide continuous coverage, through the end of the month in which the public health emergency period ends, to all Medicaid beneficiaries enrolled on or after March 18, 2020, regardless of any changes in circumstances or redeterminations at scheduled renewals that otherwise would result in termination. Five sample items noted that claims were paid without an ARIA in place. In all five instances, DHS and its contractors responsible for scheduling and conducting assessment followed all established assessment procedures. But for the public health emergency, the Agency would have discontinued services until an assessment was completed. Legislative Audit also notes the Agency could not provide either a THS document or Individualized Service Plan for clients receiving personal care services through the ARChoices Program. While providers are required to create and maintain THS documents and Individualized Service Plans for each client, these documents are not required to be submitted as part of a prior authorization request. In order for clients to receive personal care services through the ARChoices Program, they must have an authorized Person-Centered Service Plan (PCSP). All clients reviewed as a part of Legislative Audit's sample had active PCSP's for the dates of service reviewed.

Anticipated Completion Date: Complete

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Additional Comments from the Auditor:
ALA is unable to identify what, specifically, the Agency disputes. Items are noted as deficient without associated questioned costs due to the Families First Coronavirus Response Act (FFCRA) requirements. As noted above, the review was performed to determine if there was an ARIA, a THS document, a Prior Authorization or ARChoices PCSP, and an Individualized Service Plan in effect. Only those items that were deficient are included in the Condition and Context portion of the finding.

Finding Number:	**2022-033**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medicaid Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-025**.

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 ending December 31, 2021, and March 31, 2022, 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, 2021, CMS-64 report, 20 line items totaling $1,617,677,418 and representing 88.48% of MAP expenditures were selected. ALA identified an uncorrected error regarding the line item for "Medicaid Health Insurance Payments: Coinsurance and Deductibles," resulting in an understatement of the federal portion of expenditures totaling $26,144,906.

  According to the Agency, this was a special payout on December 31, 2021, that was not picked up by the DMS General Operations staff in week #27. As a result, it was not included on the quarterly payout by the category of service used to prepare the reporting workbooks.
- From the March 31, 2022, CMS-64 report, 21 line items totaling $1,724,737,110 and representing 84.33% of MAP expenditures were selected. ALA identified uncorrected errors affecting four line items, resulting in a net understatement of the federal portion of expenditures totaling $10,654,640. The line items affected were 1) Drug Rebate Offset – National Agreement, 2) Medicaid Health Insurance Payments: Managed Care Organizations, 3) Prepaid Ambulatory Health Plan, and 4) Non-Emergency Medical Transportation – Regular Payments.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$36,799,546

Cause:
The Agency failed to adequately review line item calculations for accuracy prior to submitting quarterly CMS-64 reports.

Effect:
Expenditure amounts reported on the quarterly statement of expenditures report (CMS-64) were understated for the Medical Assistance Program; therefore, the Agency claimed less federal funding for the expenditures than was allowable.

Finding Number:	**2022-033 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medicaid Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency perform a thorough review of report calculations for accuracy prior to submitting the quarterly CMS-64 reports; review and verify the accuracy of the supporting documentation for all manual adjustments; and correct identified errors by entering prior-period adjustments on subsequent reports.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. DMS has developed and implemented an additional reconciliation process for the Quarterly NET Payout Report and has corrected a formula that is used to calculate program expenditures. The understatement of federal expenditures will be corrected through prior period adjustments on the CMS-64.

Anticipated Completion Date: 4/30/2023

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Finding Number:	**2022-034**
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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
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 finding **2021-032**.

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:
From a population of 11,145, 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 three of the provider files as follows:

Moderate-risk category:

- Sample item 29: The Agency did not perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the provider's licensure that covered the entire engagement period. Questioned costs totaled $5,061.

Finding Number:	**2022-034 (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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Noncompliance and Material Weakness**

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

- Sample item 6: The Agency failed to provide documentation of the provider's W-9 form that covered the entire enrollment period. Questioned costs totaled $30,276.
- Sample item 38: The Agency did not provide documentation of the provider's certification that covered the entire enrollment period. Questioned costs totaled $58,282.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$93,619

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 2022.

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, 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. The deficiency noted for the provider referenced in sample item 29 relates to non-compliance with site visit requirements pre-dating May 31, 2019. The provider was scheduled for a site visit after the implementation of the aforementioned procedures, but it was not conducted due to the suspension of site visits during the public health emergency, pursuant to an approved 1135 blanket waiver.

The Agency has obtained all enrollment and certification documentation covering the audit period for the other deficiencies. DMS is in the process of automating inclusion of current provider licensure and certification documentation into the MMIS.

Finding Number:	**2022-034 (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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
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 (Continued):

Anticipated Completion Date: 8/15/2023

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Additional Comments from the Auditor:

Deficiencies are determined based on support provided by the Agency and reviewed by auditors during an iterative process performed during fieldwork.

Finding Number:	**2022-035**
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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
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 finding **2021-033**.

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 provider files from a population of 5,902 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 three of the provider files as follows:

High-risk category:

- Sample item 23: The Agency did not provide documentation of the provider's accreditation that covered the entire engagement period. Ineligible costs totaled $111.

Finding Number:	**2022-035 (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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

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

- Sample item 22: The provider's revalidation was due by July 29, 2019, but was never performed. In addition, the Agency did not provide documentation of the provider's accreditation that covered the entire engagement period. Finally, the Agency did not perform the additional screening requirement (site visit). Ineligible costs totaled $8.

Limited-risk category:

- Sample item 8: The provider's revalidation was due by September 25, 2016, but was never performed. In addition, the Agency did not provide documentation of the provider's signed disclosure forms or the standard background check performed by the Agency. Ineligible costs totaled $797.

All ineligible costs identified above were PASSE payments totaling $916.

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 Center 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

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 2022.

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.

Finding Number:	**2022-035 (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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with, in part, and disputes, in part, this finding. The Agency has obtained all accreditation documentation for each provider covering the audit period. DMS is in the process of automating inclusion of current provider licensure and certification documentation into the MMIS.

The Agency disputes the two deficiencies in which it was noted that provider revalidation was not performed. 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

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Additional Comments from the Auditor:
Deficiencies are determined based on support provided by the Agency and reviewed by auditors during an iterative process performed during fieldwork.

Finding Number:	**2022-036**
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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Medicaid Fraud Control Unit**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-034**.

Criteria:
42 CFR § 433, Subpart F, establishes requirements for identifying overpayments to Medicaid providers and 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, 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:

- Two payments representing restitution for a criminal conviction or settlement agreement, totaling $1,431, were not reported on the CMS-64 report. The federal share that should have been reported for MFCU related overpayments was $1,113.
- Unpaid restitution and fines balances from previous fiscal years, totaling $308,602, were not included on the CMS-64. The federal share that should have been reported was $240,154.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$241,267

Cause:
Due to significant employee turnover, Agency accounts receivable staff did not have a complete understanding of the Medicaid reporting requirements regarding MFCU identified overpayments. As a result, supporting documents compiled for the MFCU overpayments were not properly prepared. In addition, records related to unpaid balances were not properly maintained for the Agency to adequately monitor past due balances and verify required report dates.

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

Finding Number:	**2022-036 (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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Medicaid Fraud Control Unit**
Type of Finding:	**Noncompliance and Material Weakness**

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

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The two restitution and fine payments were not reported due to a transition in the process for tracking overpayments. Both payments will be reported on the CMS-64 report. DMS is developing a process to track all unpaid restitution and fine balances associated with overpayments for which one year has lapsed since the date of discovery. All balances will be reported on the CMS-64 report.

Anticipated Completion Date: 4/30/2023

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Finding Number:	**2022-037**
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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Medicaid National Correct Coding Initiative (NCCI)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
Effective October 1, 2010, states were required to incorporate National Correct Coding Initiatives (NCCI) methodologies, which promote correct coding, prevent coding errors, prevent code manipulation, reduce improper payments, and reduce the paid claims improper payment rate, into the Medicaid program, pursuant to the requirements of Section 6507 of the Affordable Care Act (section 1903(r) of the Act). The NCCI Medicaid Policy Manual and the NCCI Medicaid Technical Guidance Manual contain requirements for the implementation of the NCCI methodologies.

Section 2.0 of the NCCI Technical Guidance Manual requires states to implement and use in paying all applicable Medicaid claims the new quarterly Medicaid NCCI edit files on the first day of every calendar quarter corresponding to the effective date of the files. If the new quarterly Medicaid NCCI edit files are not implemented by the first day of the second month of the new calendar quarter, then the state must reprocess the claims with the new quarterly edits once implemented from the first day of the quarter until the day the edits were implemented.

Condition and Context:
ALA staff reviewed two quarters (July 1, 2021 – September 30, 2021 and January 1, 2022 – March 31, 2022) to ensure that NCCI edits were implemented in the Medicaid Enterprise System (MES) timely, no later than the first day of the calendar quarter for which the edits were applicable.

The review revealed that for the quarter beginning January 1, 2022, the NCCI edits were not implemented in the MES system until February 24, 2022. In addition, as of the fieldwork date of November 8, 2022, the claims for that quarter had not been reprocessed as required. Although the final amount of improper payments (claims) will not be known until the claims have been reprocessed, the Agency and its contractor estimated that $65,984 would likely be identified as improper payments.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
A process with multiple steps, and involving multiple entities, must occur so that the NCCI edits are implemented timely, no later than the first day of the calendar quarter. For this particular quarter, the Agency asserted that the final version of the NCCI edit files were not available until December 15, 2021, when CMS published them. Once published, the files were not provided to the Agency's MES contractor from the Office of Medicaid Inspector General until December 27, 2021. The Agency was not provided with the request for approval of the edits by its MES contractor until January 7, 2022, and although the Agency submitted its approval to the MES contractor on January 21, 2022, the edits were not implemented until February 24, 2022.

Finding Number:	**2022-037 (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):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Medicaid National Correct Coding Initiative (NCCI)**
Type of Finding:	**Noncompliance and Material Weakness**

Effect:
The NCCI edits were not implemented timely, which resulted in an estimated $65,984 of improper claims payments.

Recommendation:
ALA staff recommend the Agency strengthen controls to ensure the quarterly NCCI edits are implemented timely, no later than the first day of the calendar quarter.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency has developed a process in collaboration with its MMIS vendor to ensure timely updates of NCCI edits. For the quarter beginning on January 1, 2022, the Agency reprocessed claims with the new quarterly edits on December 1, 2022.

Anticipated Completion Date: Complete

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Finding Number:	**2022-038**
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:
A similar issue was reported in prior-year finding **2021-037**.

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 2022, the Division of Workforce Services (DWS) identified 285 claims paid for Lost Wages Assistance (LWA) totaling $235,800 as likely fraud. These claims are in addition to the claims identified in the previous fiscal year.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$235,800

Cause:
In response to the increase in demand for services/benefits, the State relaxed controls over identify verification and income verification for the program during fiscal year 2021. DWS continued to identify claims in fiscal year 2022 that were paid during the previous fiscal year.

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 amounts and to eligible claimants. Additionally, ALA staff recommend the Agency continue to seek recoupment of the identified overpayments, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
ADWS has received $41,000 from a third-party debit card provider, identified as LWA funds and returned to the state. The Financial Management team is in the process of sending those funds back to FEMA. ADWS has not been able to identify any of the bad actors involved in the LWA related identity theft overpayments, but as those bad actors are uncovered overpayments will be created and funds collected will be forwarded to FEMA. To strengthen controls over benefit payments, ID Verification on all unemployment claims filed was restarted in January 2021.

Finding Number:	**2022-038 (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: The updated anticipated completion date is July 31, 2024, due to statute of limitations on collections for CARES Act programs.

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Finding Number:	**2022-039**
State/Educational Agency(s):	**University of Arkansas, Fayetteville**
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):	**Various**
Federal Award Year(s):	**July 1, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Internal Control – Preparation of the Schedule of Expenditures of Federal Awards**
Type of Finding:	**Significant Deficiency**

Repeat Finding:
Not applicable

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

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

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

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

Condition and Context:
The Department of Finance and Administration (DFA) is responsible for preparation of the SEFA. To ensure timely and accurate reporting of the Statewide Single Audit, each state/educational agency is required to prepare and submit a Federal Award Data Collection Workbook (workbook) to DFA in accordance with a schedule established by DFA. Upon receipt of the workbooks, DFA reviews the information to ensure accuracy and completeness. The workbooks are then forwarded to ALA for audit purposes, which includes planning the audit, determining major programs, performing required compliance procedures for major programs, and determining if the SEFA is presented fairly.

The University reported 288 federal awards that were not properly classified on the SEFA. Specifically, 286 awards totaling $32,920,644 were not properly classified in the Research and Development Cluster, and 2 awards totaling $420,395 were inaccurately reported in the Research and Development Cluster. These errors were identified during audit fieldwork and subsequently corrected by the University.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The University did not have adequate internal controls in place to ensure accurate classification of federal expenditures.

Effect:
Expenditures totaling $33,341,039 were not accurately classified within the Research and Development Cluster on the SEFA.

Finding Number:	**2022-039 (Continued)**
State/Educational Agency(s):	**University of Arkansas, Fayetteville**
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):	**Various**
Federal Award Year(s):	**July 1, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Internal Control – Preparation of the Schedule of Expenditures of Federal Awards**
Type of Finding:	**Significant Deficiency**

Recommendation:
ALA staff recommend the University implement internal control procedures over the compilation and submission of federal award information.

Views of Responsible Officials and Planned Corrective Action:
The University acknowledges and agrees with the finding. In July 2020, the University replaced its legacy core administrative system for Finance, Procurement, Human Capital Management, and Payroll with Workday. Post-implementation the University continues to work closely with the Workday Support Services team to assess and improve how data is extracted, aggregated, analyzed, and reported. The Workday Support Services team is currently organizing and leading a Systemwide working group focused on SEFA reporting improvements which will impact and benefit all University of Arkansas System institutions. Through analysis of the exceptions identified in the audit, significant SEFA reporting enhancements will be developed and implemented to ensure grants are properly labeled as R&D awards and grouped as one program in the SEFA.

Anticipated Completion Date: June 30, 2023

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FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS

Finding Number:	**2022-040**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Various**
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, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Cash Management**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-041**.

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 (OMB) 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. We also verified the cash draw was supported by a detail of expenditures that reconciled. For the Research and Development Cluster, we noted 7 expenditures that totaled $4,061 of our sample of 40 expenditures that totaled $95,703 were not paid prior to the reimbursement request.

Additionally, we noted 7 draws of our sample of 25 where the draw was over drawn. The total overdraw was $20,298 of the total cash draws tested of $601,919. Additionally, we noted 3 draws were not supported by a detail of expenditures that reconciled. The variance difference was $466.

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

Questioned Costs:
$463 related to interest on the over draw.

$466 related to unreconciled variances between the cash draw and the expenditure detail.

$929 total questioned costs.

Questioned costs related to the instances where the expenditure was not paid prior to the reimbursement request are not determinable.

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-040 (Continued)**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Various**
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, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Cash Management**
Type of Finding:	**Noncompliance and Material Weakness**

Cause:
UAMS did not maintain adequate support for cash draws causing unreconciled variances in the draw request detail. Additionally, cash draws were not appropriately reviewed to ensure that the expenditures were paid prior to the reimbursement requests.

Effect:
Failure to properly complete cash draws may prevent UAMS from being in compliance with the requirements set forth by the Uniform Guidance.

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. Additionally, we recommend that management keep records of what expenditures make up each draw.

*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 instances where expenditures were not paid prior to the reimbursement request was noted in the prior year audit and was corrected as soon as the finding was communicated to management. The exceptions identified in the current year audit were prior to the control process changes made by management to ensure all expenses are paid before reimbursement is requested. There were no exceptions noted after the date of the change from the prior year audit. During the fiscal year, the grants accounting office experienced a significant turnover in staff and leadership in addition to implementing a new financial system. With the new director and staff in place and completing the implementation of the financial system, we believe adequate controls have been established and are working properly to ensure compliance with cash management regulations.

Anticipated Completion Date: February 2023

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FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-041**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Various**
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, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

Criteria:
The requirements for subrecipient monitoring are contained in Sections 200.330, .331, and .501(h) 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), 31 USC 7502(f)(2) Single Audit Act Amendments of 1996), Federal awarding agency regulations, and the terms and conditions of the award.

When a pass-through entity (PTE) transfers awards to a subrecipient, the PTE must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

Condition and Context:
During our testwork over the Research and Development Cluster, we discovered that UAMS did not appropriately monitor subrecipient activities. UAMS is obligated to monitor the activities of subrecipients, including tracking subrecipient audits, requests, and other correspondence related to follow-up of corrective action items. UAMS did not complete these procedures.

Statistically Valid Sample:
Not applicable

Questioned Costs:
Questioned costs are not determinable. Amounts passed through to subrecipients in FY22 totaled $11,860,890.

Cause:
UAMS did not have the personnel capacity during FY22 to effectively monitor subawards.

Effect:
Failure to properly monitor subrecipients may prevent UAMS from being in compliance with the requirements set forth by the Uniform Guidance.

Recommendation:
We recommend that UAMS ensures the subrecipient monitoring compliance requirements are performed.

*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. Due to staffing shortages and the implementation of a new financial system, we were unable to perform certain procedures related to subrecipient monitoring during the fiscal year. Management is hiring a new staff member who will be dedicated to ensure all activities related to subrecipient monitoring are in compliance with federal and program regulations.

Anticipated Completion Date: May 2023

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-041 (Continued)**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Various**
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, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

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FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-042**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Various**
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, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Other – lack of management review procedures**
Type of Finding:	**Material Weakness**

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

Criteria:
Per Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (the Uniform Guidance), management must maintain several review procedures to ensure the grant program is operating as expected and all control and compliance procedures are being followed.

Condition and Context:
The engagement team evaluated numerous internal control deficiencies that were identified during our audit procedures. These deficiencies arose due to a lack of management review of the compliance and control requirements for the program. This material weakness represents an overarching deficiency at UAMS of lacking management review procedures.

Statistically Valid Sample:
Not applicable

Questioned Costs:
None

Cause:
During FY22, UAMS was working on the transition of enterprise systems away from SAP to Workday. This caused numerous constraints on the UAMS team and caused some controls, such as management review, to be overlooked. The UAMS team lacked the capacity to appropriately review all aspects of their processes.

Effect:
Failure to properly perform management review of compliance requirements may prevent UAMS from being in compliance with the requirements set forth by the Uniform Guidance.

Recommendation:
We recommend that management perform more detailed review of all compliance requirements to ensure proper controls are in place and operating effectively and to help ensure compliance with program compliance requirements.

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

Views of Responsible Officials and Planned Corrective Action:
During the fiscal year, the grants accounting office experienced a significant turnover in staff and leadership in addition to implementing a new financial system. With the new director and staff in place and completing the implementation of the financial system, we believe adequate controls have been established and are working properly to ensure compliance with federal and program regulations.

Anticipated Completion Date: May 2023

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-042 (Continued)**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Various**
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, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Other – lack of management review procedures**
Type of Finding:	**Material Weakness**

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

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FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-043**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Various**
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, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed;** **Allowable Costs/Cost Principles**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

Criteria:
Per Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), costs must be adequately documented.

Condition and Context:
We selected a sample of 40 expenditures totaling $121,033 to test activities allowed or unallowed and allowable costs/cost principles of the total population of $11,464,188. We noted 2 samples totaling $512 where adequate documentation to support the expenditure was not maintained, and therefore were considered unallowable.

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

Questioned Costs:
$512

Cause:
UAMS did not maintain adequate support for each expenditure.

Effect:
Failure to properly maintain adequate support for each expenditure may prevent UAMS from being in compliance with the requirements set forth by the Uniform Guidance.

Recommendation:
We recommend that management design and implement internal controls that will ensure that all required support to adequately support expenditures is maintained.

*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 two exceptions noted were both unusual circumstances. With the additional staff and implementation of the new financial system, we believe established controls will ensure all expenditures are adequately supported and supporting documents are maintained.

Anticipated Completion Date: May 2023

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-043 (Continued)**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Various**
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, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

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FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-044**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.680 – Medical Student Education**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**Unknown***
Federal Award Year(s):	**July 1, 2021 to June 30, 2022**
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 (OMB) 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 Medical Student Education Program, 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. We also verified the cash draw was supported by a detail of expenditures that reconciled. For the Medical Student Education Program, we noted 3 expenditures totaling $105,643 of our sample of 40 expenditures totaling $556,930 were not paid prior to the reimbursement request.
Additionally, we noted 2 draws of our sample of 13 where the draw was over drawn. The total overdraw was $69,800 of the total cash draws tested of $3,945,157. Additionally, we noted 9 draws were not supported by a detail of expenditures that reconciled. The variance difference was $48,745.

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

Questioned Costs:
$246 related to interest on the over draw

$48,745 related to unreconciled variances between the cash draw and the expenditure detail

$48,991 total questioned costs

Questioned costs related to the instances where the expenditure was not paid prior to the reimbursement request are not determinable.

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-044 (Continued)**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.680 – Medical Student Education**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**Unknown***
Federal Award Year(s):	**July 1, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Cash Management**
Type of Finding:	**Material Noncompliance and Material Weakness**

Cause:
UAMS did not maintain adequate support for cash draws causing unreconciled variances in the draw request detail. Additionally, cash draws were not appropriately reviewed to ensure that the expenditures were paid prior to the reimbursement requests.

Effect:
Failure to properly complete cash draws may prevent UAMS from being in compliance with the requirements set forth by the Uniform Guidance.

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. Additionally, we recommend that management keep records of what expenditures make up each draw.

*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 instances where expenditures were not paid prior to the reimbursement request was noted in the prior year audit and was corrected as soon as the finding was communicated to management. The exceptions identified in the current year audit were prior to the control process changes made by management to ensure all expenses are paid before reimbursement is requested. There were no exceptions noted after the date of the change from the prior year audit. During the fiscal year, the grants accounting office experienced a significant turnover in staff and leadership in addition to implementing a new financial system. With the new director and staff in place and completing the implementation of the financial system, we believe adequate controls have been established and are working properly to ensure compliance with cash management regulations.

Anticipated Completion Date: February 2023

Contact Person:

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FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-045**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Not applicable**
AL Number(s) and Program Title(s):	**93.600 – Head Start Cluster**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**Unknown***
Federal Award Year(s):	**July 1, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Material Noncompliance and Significant Deficiency**

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

Criteria:
The requirements for reporting are contained in Section 200.328 which states unless otherwise approved by OMB, the Federal awarding agency must solicit only the OMB-approved governmentwide data elements for collection of financial information (at time of publication) the Federal Financial Report or such future, OMB-approved, governmentwide data elements available from the OMB-designated standards lead. This information must be collected with the frequency required by the terms and conditions of the Federal award.

Condition and Context:
During our test work over the Head Start program, we identified the annual Federal Financial Report (FFR) is due 90 days after the budget end period. The budget end period for project id #G2-54027 was October 31, 2021. However, the annual FFR was not submitted until January 17, 2023.

Additionally, the annual Real Property Status Report (Form SF-429) for all Head Start grants is due the same time the annual FFR is submitted. The budget period end dates are October 31, 2021, resulting in a due date of January 30, 2022 for the SF-429 report. However, the report was not submitted by UAMS until January 30, 2023.

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

Questioned Costs:
None

Cause:
There were multiple accounts at UAMS that required reconciliation, resulting in an untimely process and a delayed submission of the Annual FFR. UAMS failed to submit the Real Property Status Report until requested by KPMG.

Effect:
Failure to properly submit timely reporting submissions may prevent UAMS from being in compliance with the requirements set forth by the Uniform Guidance.

Recommendation:
We recommend that management design and implement internal controls that will ensure that all required reports are submitted timely.

*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 Head Start program has a dedicated financial manager position responsible for the daily operations and oversee the activities of the various grants. The position was vacant for a significant part of fiscal year 2022. Once the position was filled, the grants accounting team worked with the new financial manager to reconcile the various grants under the Head Start program.

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

Finding Number:	**2022-045 (Continued)**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
Pass-Through Entity:	**Not applicable**
AL Number(s) and Program Title(s):	**93.600 – Head Start Cluster**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**Unknown***
Federal Award Year(s):	**July 1, 2021 to June 30, 2022**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Material Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action (Continued):
The reconciliation process took longer than anticipated causing the late submission of the FFR. The program financial manager was not aware that the SF-429 report was due until it was requested by the auditors. Management plans to hire an additional grants accounting staff member who will be dedicated to monitoring the head start program for compliance with federal and program regulations and ensure reports are completed and filed timely.

Anticipated Completion Date: June 30, 2023

Contact Person:

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Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
SNAP Cluster					
US Department of Agriculture					
Supplemental Nutrition Assistance Program	10.551			$ 549,866,896	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			43,399,524	$ 523,064
COVID-19: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			841,020	
US Department of Agriculture Total				**594,107,440**	**523,064**
SNAP Cluster Total				**594,107,440**	**523,064**
Child Nutrition Cluster					
US Department of Agriculture					
School Breakfast Program	10.553			85,172,715	85,125,510
National School Lunch Program	10.555			272,574,916	249,943,543
Summer Food Service Program for Children	10.559			3,384,227	
Fresh Fruit and Vegetable Program	10.582			2,637,894	2,622,567
US Department of Agriculture Total				**363,769,752**	**337,691,620**
Child Nutrition Cluster Total				**363,769,752**	**337,691,620**
Food Distribution Cluster					
US Department of Agriculture					
Commodity Supplemental Food Program	10.565			3,688,810	577,457
COVID-19: Commodity Supplemental Food Program	10.565			25,800	25,800
Emergency Food Assistance Program (Administrative Costs)	10.568			1,416,516	602,886
COVID-19: Emergency Food Assistance Program (Administrative Costs)	10.568			549,961	446,739
Emergency Food Assistance Program (Food Commodities)	10.569			13,871,649	
COVID-19: Emergency Food Assistance Program (Food Commodities)	10.569			5,671,214	
US Department of Agriculture Total				**25,223,950**	**1,652,882**
Food Distribution Cluster Total				**25,223,950**	**1,652,882**
Forest Service Schools and Roads Cluster					
US Department of Agriculture					
Schools and Roads - Grants to States	10.665			6,531,611	6,531,611
US Department of Agriculture Total				**6,531,611**	**6,531,611**
Forest Service Schools and Roads Cluster Total				**6,531,611**	**6,531,611**
Economic Development Cluster					
US Department of Commerce					
Economic Adjustment Assistance	11.307			1,939,742	
COVID-19: Economic Adjustment Assistance	11.307			348,627	
US Department of Commerce Total				**2,288,369**	
Economic Development Cluster Total				**2,288,369**	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Fish and Wildlife Cluster					
US Department of the Interior					
Sport Fish Restoration	15.605			$ 6,524,331	
Wildlife Restoration and Basic Hunter Education	15.611			12,135,776	$ 968,971
Enhanced Hunter Education and Safety	15.626			83,399	
US Department of the Interior Total				**18,743,506**	**968,971**
Fish and Wildlife Cluster Total				**18,743,506**	**968,971**
Employment Service Cluster					
US Department of Labor					
Employment Service/Wagner-Peyser Funded Activities	17.207			6,960,647	
Jobs for Veterans State Grants	17.801			1,567,552	
US Department of Labor Total				**8,528,199**	
Employment Service Cluster Total				**8,528,199**	
WIOA Cluster					
US Department of Labor					
WIOA Adult Program	17.258			5,089,344	4,687,293
WIOA Youth Activities	17.259			5,856,834	5,109,447
WIOA Dislocated Worker Formula Grants	17.278			5,242,256	2,903,001
US Department of Labor Total				**16,188,434**	**12,699,741**
WIOA Cluster Total				**16,188,434**	**12,699,741**
Highway Planning and Construction Cluster					
US Department of Transportation					
Highway Planning and Construction	20.205			655,619,369	19,131,965
COVID-19: Highway Planning and Construction	20.205			70,029,343	
Recreational Trails Program	20.219			958,094	719,009
Federal Lands Access Program	20.224			300,209	300,209
US Department of Transportation Total				**726,907,015**	**20,151,183**
Highway Planning and Construction Cluster Total				**726,907,015**	**20,151,183**
FMCSA Cluster					
US Department of Transportation					
Motor Carrier Safety Assistance	20.218			4,591,699	
US Department of Transportation Total				**4,591,699**	
FMCSA Cluster Total				**4,591,699**	
Federal Transit Cluster					
US Department of Transportation					
Federal Transit Formula Grants	20.507			946,970	
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526			(88,168)	
US Department of Transportation Total				**858,802**	
Federal Transit Cluster Total				**858,802**	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Transit Services Programs Cluster					
US Department of Transportation					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			$ 130,156	$ 40,301
US Department of Transportation Total				**130,156**	**40,301**
Transit Services Programs Cluster Total				**130,156**	**40,301**
Highway Safety Cluster					
US Department of Transportation					
State and Community Highway Safety	20.600			3,410,611	887,299
National Priority Safety Programs	20.616			3,734,970	1,077,637
US Department of Transportation Total				**7,145,581**	**1,964,936**
Highway Safety Cluster Total				**7,145,581**	**1,964,936**
Clean Water State Revolving Fund (CWSRF) Cluster					
Environmental Protection Agency					
Capitalization Grants for Clean Water State Revolving Funds	66.458			12,437,326	12,018,511
Environmental Protection Agency Total				**12,437,326**	**12,018,511**
Clean Water State Revolving Fund (CWSRF) Cluster Total				**12,437,326**	**12,018,511**
Drinking Water State Revolving Fund (DWSRF) Cluster					
Environmental Protection Agency					
Capitalization Grants for Drinking Water State Revolving Fund	66.468			14,336,541	10,647,269
Environmental Protection Agency Total				**14,336,541**	**10,647,269**
Drinking Water State Revolving Fund (DWSRF) Cluster				**14,336,541**	**10,647,269**
Special Education Cluster (IDEA)					
US Department of Education					
Special Education Grants to States	84.027			119,406,815	115,788,820
COVID-19: Special Education Grants to States	84.027			8,181,746	8,181,746
Special Education Preschool Grants	84.173			5,426,993	5,424,888
COVID-19: Special Education Preschool Grants	84.173			2,140,698	2,140,698
US Department of Education Total				**135,156,252**	**131,536,152**
Special Education Cluster (IDEA) Total				**135,156,252**	**131,536,152**
TRIO Cluster					
US Department of Education					
TRIO Student Support Services	84.042			7,924,564	
TRIO Talent Search	84.044			4,435,107	
TRIO Upward Bound	84.047			7,000,732	
TRIO Educational Opportunity Centers	84.066			2,173,501	
TRIO McNair Post-Baccalaureate Achievement	84.217			542,283	
US Department of Education Total				**22,076,187**	
TRIO Cluster Total				**22,076,187**	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
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			$ 3,506,654	$ 3,095,925
COVID-19: Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044			2,782,012	2,782,012
Special Programs for the Aging Title III, Part C Nutrition Services	93.045			7,497,283	7,371,685
COVID-19: Special Programs for the Aging Title III, Part C Nutrition Services	93.045			3,938,313	3,938,313
Nutrition Services Incentive Program	93.053			2,263,438	2,263,438
US Department of Health and Human Services Total				**19,987,700**	**19,451,373**
Aging Cluster Total				**19,987,700**	**19,451,373**
Health Center Program Cluster					
US Department of Health and Human Services					
COVID-19: Health Center Program (Community Health Centers, Migrant Health Centers, Healthcare for the Homeless, and Public Housing Primary Care)	93.224			35,236	
US Department of Health and Human Services Total				**35,236**	
Health Center Program Cluster Total				**35,236**	
CCDF Cluster					
US Department of Health and Human Services					
Child Care and Development Block Grant	93.575			435,713	
COVID-19: Child Care and Development Block Grant	93.575			259,280,261	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			87,236,730	1,440,699
US Department of Health and Human Services Total				**346,952,704**	**1,440,699**
CCDF Cluster Total				**346,952,704**	**1,440,699**
Head Start Cluster					
US Department of Health and Human Services					
Head Start	93.600			12,102,569	3,172,002
COVID-19: Head Start	93.600			765,145	251,575
US Department of Health and Human Services Total				**12,867,714**	**3,423,577**
Head Start Cluster Total				**12,867,714**	**3,423,577**
Medicaid Cluster					
US Department of Health and Human Services					
State Medicaid Fraud Control Units	93.775			2,302,263	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777			5,274,333	
Medical Assistance Program	93.778			6,968,897,205	
US Department of Health and Human Services Total				**6,976,473,801**	
Medicaid Cluster Total				**6,976,473,801**	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Foster Grandparent/Senior Companion Cluster					
Corporation for National and Community Service					
Foster Grandparent Program	94.011			$ 7,364	
Corporation for National and Community Service Total				**7,364**	
Foster Grandparent/Senior Companion Cluster Total				**7,364**	
Disability Insurance/SSI Cluster					
Social Security Administration					
Social Security Disability Insurance	96.001			1,004,018	
Social Security Administration Total				**1,004,018**	
Disability Insurance/SSI Cluster Total				**1,004,018**	
Research and Development Cluster					
US Department of Agriculture					
Miscellaneous US Department of Agriculture Programs	10.RD	20-JV-11111137-046		39,048	
Pass-through from Aero-graphics	10.RD	20133/GS-000F-269GA		61,619	
Agricultural Research Basic and Applied Research	10.001			2,766,310	$ 448,283
Pass-through from Agricultural Research Service (USDA ARS)	10.001		59-6070-1-009	35,867	
Pass-through from Arkansas Children's Research Institute	10.001		58-6026-7-001	41,015	
Pass-through from National Center for Appropriate Technology (NCAT)	10.001		LS21-345	3,460	
Plant and Animal Disease, Pest Control, and Animal Care	10.025			658,067	
Transportation Services	10.167			38,754	
Specialty Crop Block Grant Program - Farm Bill	10.170			120,001	
Farmers Market and Local Food Promotion Program	10.175			40,068	
Meat and Poultry Interstate Shipment and Inspection Readiness Program (ISIRP)	10.180			3,552	
Grants for Agricultural Research, Special Research Grants					
Pass-through from Mississippi State University	10.200		2018-38500-28888	1,591	
Cooperative Forestry Research	10.202			903,564	
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203			3,524,619	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205			2,026,556	30,000
Animal Health and Disease Research	10.207			122,031	
Small Business Innovation Research					
Pass-through from Applied Microwave Technology Inc.	10.212		2019-33610-29821	(7)	
Pass-through from CelluDot LLC	10.212		2022-33530-37408	103	
Pass-through from STRATACOR, INC.	10.212		USDA-NIFA-SBIR-006790	(1,725)	
Sustainable Agriculture Research and Education					
Pass-through from University of Georgia	10.215		20163864025382	716	
Pass-through from University of Georgia	10.215		2018-38640-28417	69,184	1,029
Pass-through from University of Georgia	10.215		2019-38640-29878	8,773	
1890 Institution Capacity Building Grants	10.216			329,789	55,842
Higher Education - Institution Challenge Grants Program	10.217			86,653	43,279
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250			12,692	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Agriculture (Continued)					
Consumer Data and Nutrition Research	10.253			$ 931	
Pass-through from Arizona State University	10.253		ASUB00000384	259	
Agricultural and Food Policy Research Centers					
Pass-through from Board of Curators of the University of Missouri	10.291		58-0111-20-016	35,890	
Pass-through from Board of Curators of the University of Missouri	10.291		C00076773-2	12,416	
Organic Agriculture Research and Extension Initiative	10.307			9,533	$ 6,152
Pass-through from North Carolina State University	10.307		2019-51300-30247	59,766	
Pass-through from University of Georgia	10.307		2018-51300-28434	12,579	
Specialty Crop Research Initiative	10.309			267,540	140,864
Pass-through from Mississippi State University	10.309		2020-51181-32143	816	
Pass-through from Texas A&M AgriLife Extension Service	10.309		2020-51181-32156	24,841	
Pass-through from Virginia Polytechnic Institute and State University	10.309		2018-51181-28384	115,644	
Agriculture and Food Research Initiative (AFRI)	10.310			3,551,554	1,757,439
COVID-19: Agriculture and Food Research Initiative (AFRI)	10.310			412,364	200,807
Agriculture and Food Research Initiative (AFRI)					
Pass-through from Board of Trustees of Michigan State University	10.310		2015-68003-23415	24,268	
Pass-through from Board of Trustees of Michigan State University	10.310		2020-68012-31822	101,940	
Pass-through from Board of Trustees of Michigan State University	10.310		2021-67021-33998	17,994	
Pass-through from California Polytechnic State University	10.310		2020-67017-31272	16,717	
Pass-through from Cornell University	10.310		90875-20338	45,187	
Pass-through from Delaware State University	10.310		2021-69006-33355	36,953	
Pass-through from North Carolina A&T State University	10.310		2020-67018-30847	35,925	
Pass-through from Texas A & M University	10.310		2019-68012-29818	2,996	
Pass-through from Regents of the University of California	10.310		2017-67007-25939	123	
Pass-through from University of Tennessee	10.310		9500102404	27,089	
Pass-through from University of Connecticut	10.310		2020-69012-31823	30,921	
Pass-through from University of Delaware	10.310		49553	29,300	
Pass-through from Virginia Polytechnic Institute and State University	10.310		2019-67023-29341	11,302	
Beginning Farmer and Rancher Development Program	10.311			70,152	65,471
Pass-through from Appalachian State University	10.311		2020-49400-32401	45,083	
Sun Grant Program					
Pass-through from Prairie View A & M University	10.320		20193850230120	7,648	
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326			283,864	44,079
National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program	10.328			169,168	74,900
Crop Protection and Pest Management Competitive Grants program					
Pass-through from Iowa State University	10.329		2021-70006-35316	20,059	
Pass-through from Kansas State University	10.329		A21-0255-S003	20,323	
Pass-through from Kansas State University	10.329		S190039	4,196	
Pass-through from North Carolina State University	10.329		2018-70006-28884	19,200	
Risk Management Education Partnerships	10.460			60,365	
Equipment Grants Program (EGP)	10.519			463,473	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Agriculture (Continued)					
New Beginnings for Tribal Students	10.527			$ 26,814	
Pass-through from North Carolina State University	10.527		20207041132770	3,125	
Child and Adult Care Food Program	10.558			233,545	
Farm to School Grant Program					
Pass-through from Healthy Flavors, AR	10.575		CN-F2S-IMPL-21_TN Sub UCA-001	19,600	
Wood Utilization Assistance	10.674			167,437	
Pass-through from Clemson University	10.674		16-DG-11132544-050	37,500	
Forest Health Protection	10.680			778	
Partnership Agreements	10.699			3,878	
Technical Assistance and Training Grants					
Pass-through from Communities Unlimited Inc.	10.761		000C24001G172047	25,000	
Delta Health Care Services Grant Program	10.874			371,772	$ 54,608
Pass-through from Winrock International	10.874		03-060-71060356	88,376	
Pass-through from Winrock International	10.874		6918-19-A-03	1,760	
Rural Development Cooperative Agreement Program					
Pass-through from Winrock International	10.890		6973-21-A-01	19,343	
Soil and Water Conservation	10.902			523,874	
Pass-through from Mississippi State University	10.902		1907.20.067326	3,975	
Environmental Quality Incentives Program	10.912			160,646	
Pass-through from Maus Farms	10.912		82369	37,641	
Pass-through from S & R Farms	10.912		EQIP 2008 74710313B4H	316	
Pass-through from Wildy Farms South Inc.	10.912		82351	(21)	
Agricultural Conservation Easement Program	10.931			19,902	
Technical Agricultural Assistance	10.960			5,782	
US Department of Agriculture Total				**18,691,722**	**2,922,753**
US Department of Commerce					
Statistical, Research, and Methodology Assistance	11.016			63,352	
Center for Sponsored Coastal Ocean Research Coastal Ocean Program					
Pass-through from University of Wyoming	11.478		1004495-UA	70,946	
Measurement and Engineering Research and Standards	11.609			88,446	
US Department of Commerce Total				**222,744**	
US Department of Defense					
Issue of Department of Defense excess equipment	12.RD	H98230-21-0300; SP4703-18-P-0068; W912HQ20C0027;FA86-4921P1392; 75N91020C00054		346,242	
Pass-through from Battelle Memorial Institute	12.RD	851525		67,611	
Pass-through from Galois, Inc.	12.RD	No 2021-002		101,864	
Pass-through from Georgia Institute of Technology	12.RD	D8162-S3		146,229	
Pass-through from Nanomatronix LLC	12.RD	FA864921P1089		139	
Pass-through from Northrop Grumman Corporation	12.RD	FA8650-20-C-7017		120,974	
Pass-through from Rochester Institute of Technology	12.RD	003890-00001A0		407	
Pass-through from University of Illinois Urbana - Champaign	12.RD	H98230-18-D-0007		49,422	

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Defense (Continued)					
Basic and Applied Scientific Research	12.300			$ 1,006,210	$ 24,112
Pass-through from Arizona State University	12.300		N00014-21-1-2121	120,229	
Pass-through from Carnegie Mellon University	12.300		1141302-387586	114,488	
Pass-through from Carnegie Mellon University	12.300		1141346-449351 | N00014-21-1-2765	32,879	
Pass-through from East Carolina University	12.300		N00014-21-1-2649	14,951	
Pass-through from University of Oklahoma	12.300		N00014-19-2422	10,454	
Pest Management and Vector Control Research	12.355			33,351	
Military Medical Research and Development	12.420			4,209,606	1,120,702
Pass-through from Armed Forces Radiobiology Res Institute	12.420		854770	133,421	
Pass-through from Radiance Technologies Inc.	12.420		18S-1308	136,268	
Pass-through from State University of New York	12.420		SUB # 116404-90	48,958	
Pass-through from University of California - San Diego (UCSD)	12.420		W81XWH1810253	39,575	
Pass-through from University of Pittsburgh	12.420		W81XWH2010745	80,666	
Pass-through from University of Washington	12.420		ADVANCE ACCOUNT	14,896	
Basic Scientific Research	12.431			1,157,820	
Pass-through from Regents of the University of California - Berkeley	12.431		W911NF2120162	129,829	
Pass-through from University of Maryland	12.431		W911NF2210048	5,712	
Basic, Applied, and Advanced Research in Science and Engineering	12.630			141,474	57,152
Air Force Defense Research Sciences Program	12.800			2,052,806	1,109,517
Pass-through from Battelle Memorial Institute	12.800		US001-0000573091-1	167,940	5,000
Pass-through from MacAulay-Brown Inc.	12.800		FA650-18-D-1060	171,988	
Pass-through from United States Air Force	12.800		FA9550-20-1-0207	164,403	
Pass-through from Universal Energy Systems Inc.	12.800		FA8650-14-D-6516	191	
CyberSecurity Core Curriculum	12.905			136,879	
Pass-through from University of Louisville	12.905		ULRF_20-1034-01	232,150	
Research and Technology Development	12.910			438,480	120,083
US Department of Defense Total				**11,628,512**	**2,436,566**
US Department of the Interior					
Threatened and Endangered Species	15.246			7,790	
SECURE Water Act –Research Agreements	15.560			234,383	
Fish and Wildlife Management Assistance	15.608			77,998	
Wildlife Restoration and Basic Hunter Education	15.611			154,681	
Cooperative Endangered Species Conservation Fund	15.615			64,812	
Pass-through from Kansas Department of Wildlife, Parks & Tourism	15.615		F21AP00589-00	6,321	
State Wildlife Grants	15.634			265,904	6,547
Pass-through from Oklahoma Department of Wildlife Conservation	15.634		F19AF00904 (T-115-R-1)	37,944	
Pass-through from University of Illinois Urbana - Champaign	15.634		F21AF03626	13,949	
Fish and Wildlife Coordination and Assistance	15.664			13,125	
Youth Engagement, Education, and Employment	15.676			22,132	
Cooperative Ecosystems Studies Units	15.678			12,885	

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Research and Development Cluster (Continued)					
US Department of the Interior (Continued)					
Assistance to State Water Resources Research Institutes	15.805			$ 155,014	$ 4,188
U.S. Geological Survey Research and Data Acquisition	15.808			311,023	31,910
Pass-through from University of North Texas	15.808		G21AC10729	3,461	
Cooperative Research Units	15.812			178,890	
Outdoor Recreation Acquisition, Development and Planning	15.916			13,231	
Preservation of Japanese American Confinement Sites	15.933			118,178	
Challenge Cost Share					
Pass-through from Ozark St. Francis National Forest	15.943		20-CS-11080900-392	5,803	
Cooperative Research and Training Programs Resources of the National Park System	15.945			82,436	13,158
US Department of the Interior Total				**1,779,960**	**55,803**
US Department of Justice					
Miscellaneous US Department of Justice Programs	16.RD	15DDHQ20P000008		84,400	
Juvenile Justice and Delinquency Prevention Allocation to States	16.540			40,483	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560			1,773	
Crime Victim Assistance	16.575			64,718	
Crime Victim Assistance/Discretionary Grants	16.582			1,270,900	
Drug Court Discretionary Grant Program					
Pass-through from Washington County Veteran's Treatment Court	16.585		2020-VC-BX-0049	74,172	40,031
Violence Against Women Formula Grants	16.588			249,459	
Edward Byrne Memorial Justice Assistance Grant Program					
Pass-through from City of Little Rock	16.738		21135	17,580	
Pass-through from University of Tennessee - Chatanooga	16.738		2020-DG-BX-0008	16,500	
STOP School Violence	16.839			559,572	81,500
US Department of Justice Total				**2,379,557**	**121,531**
US Department of State					
Public Diplomacy Programs	19.040			17,127	
US Department of State Total				**17,127**	
US Department of Transportation					
Miscellaneous US Department of Transportation Programs	20.RD	692M15-20-C-00010		174,328	59,240
Pass-through from Kansas State University	20.RD	A21-0193-S001		12,628	
Highway Research and Development Program					
Pass-through from National Cooperative Highway Research Program	20.200		DTFH61-13-H-00024	103,431	62,018
Highway Planning and Construction	20.205			46,695	
State and Community Highway Safety	20.600			640,812	5,998

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Transportation (Continued)					
University Transportation Centers Program	20.701			$ 2,091,750	$ 934,961
Pass-through from Louisiana State University	20.701		21BASU03	1,997	
Pass-through from Louisiana State University	20.701		21GTASU01	23,730	
Pass-through from Louisiana State University	20.701		21GTASU02	32,345	
Pass-through from Louisiana State University	20.701		N/A	7,585	
Pass-through from Louisiana State University	20.701		PO-0000028687 20ASU044-A	19,516	
Pass-through from Louisiana State University	20.701		PO-0000028687 20ASU083-A	13,043	
Pass-through from Louisiana State University	20.701		PO-0000028687 20CLSU07	18,510	
US Department of Transportation Total				**3,186,370**	**1,062,217**
US Department of the Treasury					
COVID-19: Coronavirus Relief Fund	21.019			422,334	
US Department of the Treasury Total				**422,334**	
National Aeronautics and Space Administration					
Science	43.001			784,720	8,207
Pass-through from Catholic University of America	43.001		80NSSC21M0180	38	
Pass-through from Massachusetts Institute of Technology	43.001		NNX15AL48G	3,070	
Pass-through from Smithsonian Astrophysical Observatory	43.001		NAS8-03060	10,051	
Pass-through from Universities Space Research Association	43.001		80NSSC17K0742	27,351	
Pass-through from University of Central Florida	43.001		NNX11AD87G	1,100	
Aeronautics					
Pass-through from University of Illinois Urbana - Champaign	43.002		80NSSC19M0125	90,086	
Exploration	43.003			144,540	55,649
Pass-through from Louisiana State University	43.003		PO-0000176465	223,610	
Office of STEM Engagement (OSTEM)	43.008			1,217,671	15,417
Pass-through from Arkansas Space Grant Consortium	43.008		242031-19ASU / ASU28802	(38)	
Pass-through from Arkansas Space Grant Consortium	43.008		80NSSC21M0141	11,499	
Pass-through from Arkansas Space Grant Consortium	43.008		ADVANCE ACCOUNT	73,178	
Pass-through from Arkansas Space Grant Consortium	43.008		N/A	404	
Pass-through from Oklahoma State University Research Foundation	43.008		SPOCS-ASU	9,079	
National Aeronautics and Space Administration Total				**2,596,359**	**79,273**
Institute of Museum and Library Services					
National Leadership Grants					
Pass-through from Utah Division of Arts and Museums	45.312		N/A	500	
Institute of Museum and Library Services Total				**500**	
National Endowment for the Arts					
Promotion of the Arts Grants to Organizations and Individuals	45.024			27,336	
National Endowment for the Arts Total				**27,336**	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
National Endowment for the Humanities					
Promotion of the Humanities Federal/State Partnership					
Pass-through from Arkansas Humanities Council	45.129		004287-00001A	$ 827	
Promotion of the Humanities Division of Preservation and Access	45.149			90,186	
Promotion of the Humanities Public Programs	45.164			82,955	
Promotion of the Humanities Office of Digital Humanities	45.169			2,759	
National Endowment for the Humanities Total				**176,727**	
National Science Foundation					
Engineering	47.041			3,253,413	$ 36,787
Pass-through from CelluDot LLC	47.041		N/A	48,097	
Pass-through from SIEV Technologies LLC	47.041		2111756	63,072	
Pass-through from SolaRid AR, LLC	47.041		2015057	62,728	
Pass-through from Telli Technologies Inc.	47.041		TTI-001-1	125	
Pass-through from University of Illinois Urbana - Champaign	47.041		073708-16496	77,088	
Pass-through from University of Illinois Urbana - Champaign	47.041		073708-16520 RET	5,614	
Pass-through from University of Illinois Urbana - Champaign	47.041		088653-17019 REU	18,945	
Pass-through from University of Illinois Urbana - Champaign	47.041		1449548	1,070,013	
Pass-through from Utah State University	47.041		1922719	31,150	
Pass-through from West Virginia University	47.041		19-473-UA	47,473	
Mathematical and Physical Sciences	47.049			1,870,398	337,671
Pass-through from Baylor University	47.049		1903450	15,150	
Pass-through from Montana State University	47.049		1906383	925,619	
Astronomical, Atmospheric, Earth and Ocean Sciences	47.050			721,186	37,555
Computer and Information Science and Engineering	47.070			1,618,911	169,826
Pass-through from Board of Supervisors of Louisiana State University and A&M College	47.070		1842679	18,458	
Pass-through from Washington State University	47.070		1934725	13,044	
Biological Sciences	47.074			3,399,245	441,698
Pass-through from University of California - Los Angeles	47.074		1951244	4,020	
Social, Behavioral, and Economic Sciences	47.075			544,345	7,749
Pass-through from Jackson State University	47.075		1649960	20,178	
Pass-through from John F. Kennedy School of Government at Harvard University	47.075		SES-2049784	10,076	
Education and Human Resources	47.076			2,773,669	260,009
Pass-through from Baylor University	47.076		1001131	6,317	
Pass-through from GBMc & Associates	47.076		1711837	895	
Pass-through from University of Nebraska Lincoln	47.076		25-6321-0333-004	46,382	
Office of International Science and Engineering	47.079			4,919	
Integrative Activities	47.083			4,443,179	422,032
Pass-through from Louisiana Tech University	47.083		OIA-1632891	2,846	
Pass-through from North Dakota State University	47.083		2119691	46,792	
Pass-through from University of Hawaii	47.083		2104126	644	
Pass-through from University of Nebraska - Lincoln	47.083		25-6222-0852-002	34,739	
Pass-through from University of Nebraska - Lincoln	47.083		N/A	100,636	

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Research and Development Cluster (Continued)					
National Science Foundation (Continued)					
Integrative Activities (Continued)					
Pass-through from University of North Carolina	47.083		20190852-01-UAR	$ 26,050	
Pass-through from West Virginia University	47.083		19-473-UALR	110,338	
Pass-through from West Virginia University	47.083		OIA-1920920	48,559	
NSF Technology, Innovation and Partnerships	47.084			29,724	
National Science Foundation Total				**21,514,037**	$ **1,713,327**
Small Business Administration					
Small Business Development Centers	59.037			90,520	
State Trade Expansion	59.061			131,155	
Small Business Administration Total				**221,675**	
US Department of Veterans Affairs					
Research and Development					
Pass-through from CAVHS/GRECC	64.054		N/A	15,865	
US Department of Veterans Affairs Total				**15,865**	
Environmental Protection Agency					
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			67,401	
Nonpoint Source Implementation Grants	66.460			274,909	
Pass-through from GBMc & Associates	66.460		SGA 20-1100	4,736	
Environmental Protection Consolidated Grants for the Insular Areas - Program Support					
Pass-through from GBMc & Associates	66.600		EPA and ANRC Subgrant SGA 20-1200	2,183	
Environmental Protection Agency Total				**349,229**	
US Department of Energy					
Miscellaneous US Department of Energy Programs					
Pass-through from Oak Ridge National Laboratory	81.RD	DE-AC05-00OR22725		344,348	
Pass-through from Sandia National Laboratories	81.RD	P.O. 2177972		651,122	
Pass-through from Argonne National Laboratory	81.RD	DE-AC02-06CH11357		30,160	
Cybersecurity, Energy Security & Emergency Response (CESER)	81.008			278,298	24,000
Office of Science Financial Assistance Program	81.049			892,740	122,246
Pass-through from Quasar Energy Group	81.049		DOE DE-SC0022382	13,370	
Pass-through from Murray State University	81.049		DE-SC0022228	2,779	
Conservation Research and Development	81.086			366,093	
Pass-through from North Carolina State University	81.086		2014-0654-84	203,380	41,800
Pass-through from Power America Institute	81.086		DE-EE0006521	55,348	
Renewable Energy Research and Development	81.087			1,900,536	536,639
Pass-through from Texas Tech University	81.087		210437-01	108,051	
Fossil Energy Research and Development					
Pass-through from Siemens Corporation	81.089		DE-FE0026348	70,488	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Energy (Continued)					
Electricity Research, Development and Analysis	81.122			$ 517,395	$ 95,893
Pass-through from NextWatt LLC	81.122		DE-OE0000919	316,370	
Advanced Research and Projects Agency - Energy	81.135			267,068	39,088
Pass-through from Regents of the University of California - Berkeley	81.135		DEAR0000900	7,063	
US Department of Energy Total				**6,024,609**	**859,666**
US Department of Education					
Special Education Grants to States	84.027			144,553	
Rehabilitation Long-Term Training	84.129			157,713	
Graduate Assistance in Areas of National Need	84.200			142,399	
Education Research, Development and Dissemination	84.305			51,938	
Pass-through from University of Alabama - Tuscaloosa	84.305		R305A210428	22,318	
English Language Acquisition State Grants	84.365			545,565	
HEERF Institutional Portion					
Pass-through from Santa Fe College	84.425F		TAA122422	10,910	
US Department of Education Total				**1,075,396**	
US Department of Health and Human Services					
Miscellaneous US Department of Health and Human Services Programs	93.RD	54357; 53446; 202791; 4501924081; 20X023F		187,871	112,802
Pass-through from Arkansas Research Alliance	93.RD	CLIN 0002- BIO3		81,135	
Pass-through from Arkansas Research Alliance	93.RD	HHSF22320161001		(5,057)	
Pass-through from Capital Consulting Corporation	93.RD	HHSH25020170038		11,115	
Pass-through from Duke University	93.RD	HHSO10020140002		154,944	
Pass-through from ECOG-ACRIN Cancer Research Group	93.RD	IRB#260064		2,843	
Pass-through from Johns Hopkins University	93.RD	ADVANCE ACCOUNT		30,002	
Pass-through from Leidos Biomedical Research, Inc.	93.RD	16X011		601,506	
Pass-through from Leidos Biomedical Research, Inc.	93.RD	20X023F		882,323	831
Pass-through from Leidos Biomedical Research, Inc.	93.RD	20X023F TO 2		93,978	
Pass-through from Leidos Biomedical Research, Inc.	93.RD	20X023F TO3		30,837	
Pass-through from Leidos Biomedical Research, Inc.	93.RD	20X023F TO8		37,826	
Pass-through from Leidos Biomedical Research, Inc.	93.RD	IRB# 262510; 7		81,784	
Pass-through from NRG Oncology Foundation	93.RD	IRB # 260043		366	
Pass-through from NRG Oncology Foundation	93.RD	PROTOCOL# 20688		3,662	
Pass-through from NYU Grossman SoM	93.RD	IRB # 262004;)		24,487	
Pass-through from Southwest Oncology Group	93.RD	PROTOCOL S1914		3,337	
Pass-through from Southwest Oncology Group	93.RD	S1929 IRB #2733		84	
Pass-through from Syneos Health	93.RD	M200C-2101		16,327	
Pass-through from University of Minnesota	93.RD	ADVANCE ACCOUNT		4,803	
Pass-through from University of North Carolina - Chapel Hill	93.RD	ADVANCE ACCOUNT		623	
Pass-through from University of Texas Health Science Center - Houston	93.RD	RACHER AERO HPV		9,616	
Pass-through from Xleratehealth LLC	93.RD	3UT2GM130174-02S1		970	
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048			161,389	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
Lifespan Respite Care Program	93.072			$ 16,236	
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			1,015,147	$ 11,353
Family Smoking Prevention and Tobacco Control Act Regulatory Research					
Pass-through from Virginia Commonwealth University	93.077		FP00006477-SA00	97,608	
Pass-through from Virginia Commonwealth University	93.077		FP00012205_SA00	16,558	
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086			957,579	
Food and Drug Administration Research	93.103			7,569	
Maternal and Child Health Federal Consolidated Programs	93.110			650,123	
Pass-through from University of Oklahoma - Health Sciences Center	93.110		RS20201119-01	112,391	
Oral Diseases and Disorders Research	93.121			60,412	
Pass-through from Indiana University	93.121		IN4678404UA	1,749	
Pass-through from National Institute of Dental & Craniofacial Research	93.121		1R03DE031978-01	5,849	
Injury Prevention and Control Research and State and Community Based Programs	93.136			401,720	
Community Programs to Improve Minority Health Grant Program	93.137			45,926	
Pass-through from Benton County Government	93.137		FP00055659	536,152	
NIEHS Superfund Hazardous Substances Basic Research and Education					
Pass-through from University of New Mexico	93.143		3RDD9	29,629	
Rural Health Research Centers	93.155			1,332,027	12,615
Human Genome Research	93.172			147,863	
Research Related to Deafness and Communication Disorders	93.173			111,302	
Telehealth Programs	93.211			231,843	
Pass-through from University of Mississippi Medical Center	93.211		SP13997-SB7; SP	31,364	
Research and Training in Complementary and Integrative Health					
Pass-through from University of Mississippi	93.213		22-01-40	13,591	
Research on Healthcare Costs, Quality and Outcomes	93.226			267,914	18,965
Pass-through from Ind Univ-Purdue Univ. at Indianapolis	93.226		11000850-024	18,082	
National Center on Sleep Disorders Research	93.233			155,774	
Traumatic Brain Injury State Demonstration Grant Program	93.234			81,225	
Mental Health Research Grants	93.242			57,266	35,695
Pass-through from Brown University	93.242		1577	76,901	
Pass-through from University of Miami	93.242		OS00000548	16,882	
Pass-through from University of Rochester	93.242		417724G UR FAO	21,571	
Pass-through from University of Washington	93.242		UWSC11556	15,504	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			2,535,832	314,219
Pass-through from Sebastian County Veterans Drug Treatment Court	93.243		TAA2108138	35,410	24,387
Pass-through from Benton County Drug Court	93.243		5H79TI080172-03	13,984	
Pass-through from Empact-Suicide Prevention Center	93.243		1H79T108165-02	363	
Pass-through from Empact-Suicide Prevention Center	93.243		TAA1904125	3,090	
Pass-through from Washington/Madison County Adult Drug Court	93.243		T1082976 SAMHSA	72,408	

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Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
Advanced Nursing Education Workforce Grant Program	93.247			$ 213,052	
Occupational Safety and Health Program	93.262			149,053	
Alcohol Research Programs	93.273			1,492,055	$ 530,436
Pass-through from University of Massachusetts Medical School	93.273		SUB00000028; AD	22,628	
Drug Abuse and Addiction Research Programs	93.279			1,728,407	23,840
Pass-through from Arkansas Childrens Research Institute	93.279		4350 OU	254,872	
Pass-through from InterVexion Therapeutics, LLC	93.279		53890	240,199	
Pass-through from InterVexion Therapeutics, LLC	93.279		55481	60,336	
Pass-through from InterVexion Therapeutics, LLC	93.279		53043, 54787; C	110,131	
Pass-through from InterVexion Therapeutics, LLC	93.279		U01DA045366	13,923	
Pass-through from New York University	93.279		UDA013035	549,803	
Pass-through from Miriam Hospital	93.279		7147185NDZ	10,554	
Pass-through from University of California - Los Angeles	93.279		5R01DA047386-02	6,384	
Pass-through from University of Kentucky Research Foundation	93.279		3200004420-22-1	49,311	
Pass-through from University of Texas - Dallas	93.279		ADVANCE ACCOUNT	36,090	
Pass-through from Wake Forest University	93.279		7R01DA048948-04	8,939	
Pass-through from Yale University	93.279		CON-80003534(GR	48,160	
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			811,647	54,743
Pass-through from New Mexico State University	93.286		Q02245	20,774	
Pass-through from NIGMS/Rensselaer Poly Institute	93.286		2R01EB005807-09A1 Sub A20-138-S002	43,920	36,723
Pass-through from Rensselaer Poly Institute	93.286		1R56EB026490-01A1 Sub A20 0049	10,874	10,874
Pass-through from Rensselaer Poly Institute	93.286		3R01EB005807-09A1S1 Sub A20	56,204	
Pass-through from Rensselaer Poly Institute	93.286		5R01EB025241-02 Sub A18-135-S001	62,691	34,935
Pass-through from Rensselaer Poly Institute	93.286		R01EB025241 A18-0135-S001	715	715
Pass-through from Vanderbilt University Medical Center	93.286		R21EB025258	32,566	
Loan Repayment for Health Disparities Research	93.307			3,254,394	71,155
Pass-through from University of New Mexico	93.307		3RJN7	24,477	
Pass-through from University of North Carolina - Chapel Hill	93.307		5R01MD013573-04	1,047	
Trans-NIH Research Support	93.310			11,754,517	3,785,526
Pass-through from Duke University	93.310		A03-3943	30,087	
Pass-through from Duke University	93.310		A03-3944	121,360	12,260
Pass-through from Duke University	93.310		A03-5361	440,247	
Pass-through from Duke University	93.310		A03-5360	177,329	
Pass-through from Regents of the University of New Mexico	93.310		3RGH1	26,648	
Pass-through from University of Chicago	93.310		AWD101615(SUB00)	105,821	33,821
Pass-through from University of Chicago	93.310		AWD102706 (SUB0	2,082	
Pass-through from Washington State University	93.310		1 R01 MD016526-	372,871	
Outreach Programs to Reduce the Prevalence of Obesity in High Risk Rural Areas	93.319			88,138	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			180,096	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
National Center for Advancing Translational Sciences	93.350			$ 5,004,243	$ 242,895
Pass-through from Duke University	93.350		A030662	(43,545)	
Pass-through from Duke University	93.350		WBSE: A034559,	7,612	
Pass-through from University of Pittsburgh	93.350		UL1TR001857	(501)	
Pass-through from Vanderbilt University	93.350		3UL1TR002243-04	48,294	
Research Infrastructure Programs					
Pass-through from University of Utah	93.351		10051759-ARK	8,882	
Nursing Research	93.361			571,878	5,517
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391			257,670	
Cancer Cause and Prevention Research	93.393			1,324,146	205,294
Pass-through from University of California - Berkeley	93.393		7456431	1,927	
Pass-through from University of California - Lawrence Berkeley National Laboratory	93.393		7618828	39,274	
Cancer Detection and Diagnosis Research	93.394			3,464,108	1,248,190
Pass-through from CytoAstra, LLC	93.394		CYTOASTRA	47,282	
Pass-through from Fred Hutchison Cancer Research Center	93.394		1082007	53,576	
Pass-through from Massachusetts General Hospital	93.394		5U01CA152990-10	24,881	
Cancer Treatment Research	93.395			1,751,867	8,544
Pass-through from NRG Oncology Foundation	93.395		IRB# 262562; NC	285	
Pass-through from NRG Oncology Foundation	93.395		NRG-GY8; ADVANC	19,652	
Pass-through from EMMS Corporation	93.395		2UM1CA121947-09	596	
Pass-through from EMMS Corporation	93.395		UM1CA121947-EMM	259,513	
Pass-through from University of California - San Francisco	93.395		12974SC; ADVANC	153,209	
Pass-through from University of California - Los Angeles	93.395		2 UM ICAI21947-	(1,502)	
Pass-through from University of Florida	93.395		UFDSP00012380	7,955	
Pass-through from University of Texas - MD Anderson Cancer	93.395		3001355557	8,364	
Cancer Biology Research	93.396			679,755	62,574
Pass-through from Indiana University	93.396		8594-UAMS	21,177	
Pass-through from Mayo Clinic	93.396		UNI-294728; PO	33,292	
Pass-through from Medical College of Wisconsin	93.396		7R01CA151354-08	11,232	
Pass-through from Wake Forest University	93.396		951-55811085045	23,174	
Cancer Centers Support	93.397			(267)	
Pass-through from Roswell Park Comprehensive Cancer Center	93.397		450-01	38,073	
Pass-through from Vanderbilt University	93.397		UNIV61645	32,769	
Cancer Research Manpower	93.398			513,096	
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421			198,178	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
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	$ 24,911	
Pass-through from Memorial Hermann Health System d/b/a TIRR Memorial Hermann	93.433		90DPAD0010	26,341	
Pass-through from Pennsylvania State University	93.433		90REGE0014-01-00	16,660	
Child Care and Development Block Grant					
Pass-through from SRI International	93.575		PO 56033	14,398	
Community-Based Child Abuse Prevention Grants	93.590			(65)	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			248,563	
Developmental Disabilities Basic Support and Advocacy Grants	93.630			77,280	
University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632			26,027	
Children's Justice Grants to States	93.643			85,247	
Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665			1,789,512	
Medical Student Education					
Pass-through from University of South Alabama	93.680		A19-0189-S001	61,431	
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738			395,861	
Opioid STR	93.788			3,290,218	
Pass-through from University of Texas - Austin	93.788		1H79TI080203 Sub UTA17-000811	15,864	
Organized Approaches to Increase Colorectal Cancer Screening	93.800			458,047	$ 248,160
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829			84,293	43,323
Pass-through from Western Arkansas Counseling and Guidance Center	93.829		TAA2108137	392,730	169,520
Cardiovascular Diseases Research	93.837			1,354,000	12,838
Pass-through from Rutgers The State University of New Jersey	93.837		PO#1434208_SUB	121,905	
Pass-through from University of Miami	93.837		OS00000850, PO#	3,440	
Lung Diseases Research					
Pass-through from RTI International	93.838		6793-02-S016	1,485,631	
Blood Diseases and Resources Research	93.839			504,932	
Pass-through from Biomedical Research Foundation - Arkansas	93.839		PROTOCOL #206412	577	
Pass-through from University of Kentucky Research Foundation	93.839		3200003129-20-27	(7,911)	
Pass-through from University of Pennsylvania	93.839		579472	51,630	
Pass-through from University of Pennsylvania	93.839		1-R01-HL-141408	50,395	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			908,249	24,882
Pass-through from Indiana University	93.846		9275_UA	6,453	
Pass-through from Kitware, Inc.	93.846		4R44AR075481-002 Sub K002704-00	249,189	20,723
Pass-through from Kitware, Inc.	93.846		4R44AR075481-002 Sub K002704-00-S01	27,443	
Pass-through from Kitware, Inc.	93.846		K002704-00-S02	13,590	

State of Arkansas
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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
Arthritis, Musculoskeletal and Skin Diseases Research (Continued)					
Pass-through from Northeastern University	93.846		500730-78050	$ 197,640	
Pass-through from University of Tennessee	93.846		9500074677	1,152	
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			910,142	$ 2,044
Pass-through from Arkana Laboratories	93.847		1R41DK130702-01	118,115	
Pass-through from University of Alabama - Birmingham	93.847		000526855-006	8,306	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			585,319	
Pass-through from Emory University	93.853		A394752, ADVANC	38,166	
Pass-through from National Coordinating Center-NCC	93.853		IRB#260503	1,960	
Pass-through from Stanford University	93.853		CONTRACT 6186550	774	
Pass-through from University of California - San Francisco	93.853		IRB# 288542	1,510	
Pass-through from University of Cincinnati	93.853		IRB # 260036	76	
Allergy and Infectious Diseases Research	93.855			4,028,741	916,978
Pass-through from East Carolina University	93.855		A20-0051-S002	(226)	
Pass-through from East Carolina University	93.855		AWD-20-1838-S00	63,493	
Pass-through from Indiana University	93.855		BL4624023UAMS;	26,374	
Pass-through from Innovation Pathways	93.855		UAMS 001	840	
Pass-through from Miriam Hospital	93.855		7147159SAM	17,005	
Pass-through from Nelson Scientific Labs	93.855		NSL0001, NL-001	65,322	
Pass-through from University of California - San Diego (UCSD)	93.855		124519281	36,131	
Pass-through from University of California - San Diego (UCSD)	93.855		1R01AI137681	182	
Pharmacology, Physiology	93.859			19,352,780	1,259,946
Pass-through from Arkansas Children's Hospital	93.859		P20GM121293	(4,166)	
Pass-through from Arkansas Children's Research Institute	93.859		4265	13,727	
Pass-through from Arkansas Children's Research Institute	93.859		034516 - UAMS E	(1,884)	
Pass-through from Arkansas Children's Research Institute	93.859		034976-SWINDLE	63,428	20,067
Pass-through from Arkansas Children's Research Institute	93.859		4265 STEWART	78,659	
Pass-through from Arkansas Children's Research Institute	93.859		5P20GM109096-05	11,275	
Pass-through from Arkansas Children's Research Institute	93.859		ACRI # 034488 -	267,170	
Pass-through from Arkansas Children's Research Institute	93.859		GR034486	(1,804)	
Pass-through from Arkansas Children's Research Institute	93.859		GR034487	(176)	
Pass-through from Arkansas Children's Research Institute	93.859		GR034974	3,155	
Pass-through from Arkansas Children's Research Institute	93.859		P20GM109096	56,554	
Pass-through from Ball State University	93.859		R15GM116032	3,248	
Pass-through from Johns Hopkins University	93.859		R01M118760	15,329	
Pass-through from Oklahoma Medical Research Foundation	93.859		0348-01-02-0	131,888	
Pass-through from University of New Mexico	93.859		3REY1	27,361	
Child Health and Human Development Extramural Research	93.865			922,910	(4,000)
Pass-through from Eunice Kennedy Shriver Nat Institute of Child HHD	93.865		1R01HD105412-01	147,595	
Pass-through from Gaia Medical Institute	93.865		R44HD097039	20,882	
Pass-through from HMH Hospitals Corporation	93.865		3R01HD090180-05	91,055	
Pass-through from University of Alabama - Birmingham	93.865		000507132-SC001	(23,794)	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Research and Development Cluster (Continued)					
US Department of Health and Human Services (Continued)					
Child Health and Human Development Extramural Research (Continued)					
Pass-through from University of Minnesota	93.865		N008455403	$ 33,219	
Aging Research	93.866			1,704,311	$ 86,645
Pass-through from National Inst on Aging pt Medical University of South Carolina	93.866		MUSC14-076	(4,864)	
Pass-through from Neurotrack Technologies, Inc.	93.866		R44AG063672	359,855	
Pass-through from Oregon Health & Science University	93.866		1013624_UAMS	38,908	
Pass-through from Oregon Health & Science University	93.866		1R01AG055681-01	38,908	
Pass-through from University of California - San Francisco	93.866		11658SC	32,190	
Pass-through from University of Toledo - Health Science Campus	93.866		N-2022-29	11,210	
Vision Research					
Pass-through from National Eye Institute	93.867		4R00EY029373-03	69,463	
Maternal, Infant and Early Childhood Homevisiting Grant					
Pass-through from Arkansas Children's Hospital	93.870		HRSA/ACH-AR HOM	427,472	
Medical Library Assistance	93.879			61,606	51,102
Pass-through from Trustees of the University of Pennsylvania	93.879		572635	90,744	
Primary Care Training and Enhancement					
Pass-through from University of South Alabama	93.884		A21-0148-S001	27,301	
National Bioterrorism Hospital Preparedness Program	93.889			197,642	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement					
Pass-through from Arkansas Rural Health Partnership	93.912		G25RH32922	(163)	
Pass-through from Rural Health	93.912		1 D04RH40292-01	102,162	
HIV Prevention Activities Health Department Based	93.940			195,718	
Block Grants for Community Mental Health Services					
Pass-through from Western Arkansas Counseling and Guidance Center	93.958		H79SM085786	28,786	19,191
Block Grants for Prevention and Treatment of Substance Abuse	93.959			389,502	
COVID-19: PPHF Geriatric Education Centers	93.969			54	
Preventive Health and Health Services Block Grant	93.991			7,680	
US Department of Health and Human Services Total				**91,648,921**	**9,770,328**
Corporation for National and Community Service					
AmeriCorps	94.006			84,197	
Corporation for National and Community Service Total				**84,197**	
Department of Homeland Security					
State and Local Homeland Security National Training Program					
Pass-through from Norwich University Applied Research Institutes (NUARI)	97.005		EMW-2017-CA-00051-S01	405,744	
Pass-through from University of Texas - San Antonio	97.005		EMW-2016-CA-00124	236,919	
Pass-through from University of Texas - San Antonio	97.005		EMW-2019-CA-00043-A03	7,614	
Department of Homeland Security Total				**650,277**	
Research and Development Cluster Total				**162,713,454**	**19,021,464**

State of Arkansas
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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Student Financial Assistance Cluster					
US Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007			$ 5,362,882	
Federal Work-Study Program	84.033			4,231,905	
Federal Perkins Loan Program Federal Capital Contributions	84.038			662,082	
Federal Perkins Loan Program Federal Capital Contributions	84.038			418,029	
Federal Pell Grant Program	84.063			205,148,739	
Federal Direct Student Loans	84.268			453,647,526	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379			662,816	
Postsecondary Education Scholarships for Veteran's Dependents	84.408			5,828	
US Department of Education Total				**670,139,807**	
US Department of Health and Human Services					
Nurse Faculty Loan Program (NFLP)	93.264			12,070	
Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students	93.342			3,932,123	
Nursing Student Loans	93.364			113,014	
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925			528,274	
US Department of Health and Human Services Total				**4,585,481**	
Student Financial Assistance Cluster Total				**674,725,288**	
US Department of Agriculture					
Agricultural Research Basic and Applied Research	10.001			49,094	
Plant and Animal Disease, Pest Control, and Animal Care	10.025			1,430,967	$ 60,033
Wildlife Services	10.028			201,740	
Conservation Reserve Program					
Pass-through from Board of Trustees of Michigan State University	10.069		FBC21CPT0011802	2,035	
Pass-through from National Fish and Wildlife Foundation	10.069		0801.17.060806	48,590	
Wetlands Reserve Program	10.072			16,602	
Voluntary Public Access and Habitat Incentive Program	10.093			643,833	
Outreach Education and Technical Assistance	10.147			4,511	
Market News	10.153			15,000	
Wholesale Farmers and Alternative Market Development	10.164			6,324	
Specialty Crop Block Grant Program - Farm Bill	10.170			240,738	41,875
Organic Certification Cost Share Programs	10.171			2,209	2,209
Local Food Promotion Program	10.172			112,954	
Grants for Agricultural Research, Special Research Grants	10.200			21,599	
Small Business Innovation Research					
Pass-through from STRATACOR, INC.	10.212		2021-33610-35483	29,769	
Sustainable Agriculture Research and Education	10.215			19,738	
Pass-through from University of Georgia	10.215		2019-38640-29878	74,397	
Pass-through from University of Georgia	10.215		2020-38640-31521	8,794	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of Agriculture (Continued)					
Sustainable Agriculture Research and Education (Continued)					
Pass-through from University of Georgia	10.215		SUB00001671	$ 139	
Pass-through from University of Georgia	10.215		SUB00002008	(829)	
1890 Institution Capacity Building Grants	10.216			61,131	$ 19,088
Higher Education - Institution Challenge Grants Program	10.217			67,554	
Extension Collaborative on Immunization Teaching & Engagement	10.229			20,334	
Pass-through from 1890 Universities Foundation	10.229		2021-77041-34831	8,481	
Pass-through from Extension Foundation	10.229		2021-77041-34831	62,068	
Homeland Security Agricultural					
Pass-through from University of Florida	10.304		N/A	26,468	
Pass-through from University of Florida	10.304		2016-37620-25850	3,730	
Specialty Crop Research Initiative					
Pass-through from Virginia Polytechnic Institute and State University	10.309		422652-19D21	61,562	
Agriculture and Food Research Initiative (AFRI)	10.310			41,286	15,332
Pass-through from University of Florida	10.310		12020-67037-31555	27,325	
Beginning Farmer and Rancher Development Program	10.311			192,174	72,029
National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program					
Pass-through from University of Florida	10.328		2018-70020-28930	10,241	
Pass-through from University of Florida	10.328		2021-70020-35740	9,293	
Crop Protection and Pest Management Competitive Grants program	10.329			263,818	
Pass-through from Louisiana State University	10.329		2021-70006-35320	11,952	
Rural Business Development Grant	10.351			15,823	15,823
Value-Added Producer Grants					
Pass-through from Iowa State University	10.352		Sub#23108B	12,410	
Rural Rental Housing Loans	10.415			3,999,424	
State Mediation Grants	10.435			65,547	
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443			29,161	
Cooperative Extension Service	10.500			2,910,871	892,928
Pass-through from Kansas State University	10.500		2018-48661-28954	939	
Pass-through from Kansas State University	10.500		A00-0983-S051	11	
Smith-Lever Funding (Various Programs)	10.511			3,592,541	
Agriculture Extension at 1890 Land-grant Institutions	10.512			1,809,028	
Expanded Food and Nutrition Education Program	10.514			96,423	
Renewable Resources Extension Act and National Focus Fund Projects	10.515			111,521	
Centers of Excellence at 1890 Institutions					
Pass-through from North Carolina A&T State University	10.523		2021-38427-34837	499	
Pass-through from Prairie View A & M University	10.523		2020-38427-31516	308	
Pass-through from University of Maryland - Eastern Shore	10.523		2020-38427-31514	29,095	
Pass-through from University of Maryland - Eastern Shore	10.523		2021-38427-34838	7,145	
Scholarships for Students at 1890 Institutions	10.524			860,313	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of Agriculture (Continued)					
Farm and Ranch Stress Assistance Network Competitive Grants Program	10.525			$ 43,020	$ 24,808
Pass-through from University of Tennessee	10.525		2020-70028-32730	56,179	
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537			21,771	
Pandemic EBT Food Benefits	10.542			250,498,938	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			70,918,638	
Child and Adult Care Food Program	10.558			50,345,208	
State Administrative Expenses for Child Nutrition	10.560			3,898,629	
WIC Farmers' Market Nutrition Program (FMNP)	10.572			43,691	
Farm to School Grant Program	10.575			6,815	
Senior Farmers Market Nutrition Program	10.576			47,124	
COVID-19: SNAP Partnership Grant	10.577			371,696	
Child Nutrition Discretionary Grants Limited Availability	10.579			296,246	296,246
Child Nutrition Direct Certification Performance Awards	10.589			120	
COVID-19: Pandemic EBT Administrative Costs	10.649			4,605,809	
Forestry Research	10.652			519,652	
Cooperative Forestry Assistance	10.664			2,669,736	
Forest Legacy Program	10.676			208,863	
Forest Stewardship Program	10.678			376,897	
Forest Health Protection	10.680			199,974	
Good Neighbor Authority	10.691			104,585	11,242
Distance Learning and Telemedicine Loans and Grants	10.855			406,907	
Soil and Water Conservation	10.902			2,338,723	1,141,390
Pass-through from American Forrest Foundation (AFF)	10.902		19-DG11083150-033	52,528	
Pass-through from American Forrest Foundation (AFF)	10.902		E1-44	18,599	8,844
Pass-through from American Forrest Foundation (AFF)	10.902		NR183A750013C004	51,936	4,075
Pass-through from American Forrest Foundation (AFF)	10.902		NR203A750001C040	186,394	65,240
Environmental Quality Incentives Program	10.912			60,410	
Pass-through from Arkansas Association of Conservation District	10.912		NR197103XXXXG002	5,730	
Pass-through from US Endowment for Forestry & Communities	10.912		E16-30	17,118	
Regional Conservation Partnership Program	10.932			248	
Feral Swine Eradication and Control Pilot Program	10.934			838,821	792,409
US Department of Agriculture Total				**406,547,685**	**3,463,571**
US Department of Commerce					
Economic Development Technical Assistance	11.303			239,610	
Manufacturing Extension Partnership	11.611			937,919	39,950
COVID-19: Manufacturing Extension Partnership	11.611			68,247	68,096
US Department of Commerce Total				**1,245,776**	**108,046**
US Department of Defense					
Issue of Department of Defense excess equipment	12.000			2,689,881	
Procurement Technical Assistance For Business Firms	12.002			537,335	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of Defense (Continued)					
Payments to States in Lieu of Real Estate Taxes	12.112			$ 972,891	$ 972,891
Military Construction, National Guard	12.400			1,354,473	
National Guard Military Operations and Maintenance (O&M) Projects	12.401			52,468,571	
National Guard ChalleNGe Program	12.404			2,781,271	
Basic Scientific Research	12.431			2,730	
Basic, Applied, and Advanced Research in Science and Engineering	12.630			8,562	
Pass-through from Technology Student Association	12.630		AWD-100034-1	23,552	
Air Force Defense Research Sciences Program	12.800			2,632	
GenCyber Grants Program	12.903			83,717	
CyberSecurity Core Curriculum	12.905			129,646	23,245
US Department of Defense Total				**61,055,261**	**996,136**
US Department of Housing and Urban Development					
Manufactured Home Dispute Resolution	14.171			91,009	
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			12,977,631	11,806,556
COVID-19: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			2,634,445	2,629,449
Emergency Solutions Grant Program	14.231			1,158,912	1,069,778
COVID-19: Emergency Solutions Grant Program	14.231			5,603,362	5,358,868
Home Investment Partnerships Program	14.239			1,842,264	123,374
COVID-19: Home Investment Partnerships Program	14.239			21,108	
Housing Opportunities for Persons with AIDS	14.241			944,059	929,417
COVID-19: Housing Opportunities for Persons with AIDS	14.241			29,173	29,173
Housing Trust Fund	14.275			1,076,534	
Fair Housing Assistance Program State and Local	14.401			452,548	
US Department of Housing and Urban Development Total				**26,831,045**	**21,946,615**
US Department of the Interior					
Indian Education Higher Education Grant	15.114			207,328	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250			30,036	
Abandoned Mine Land Reclamation (AMLR) Program	15.252			2,634,923	
Flood Control Act Lands	15.433			104,515	104,515
Minerals Leasing Act	15.437			581,044	292,620
National Forest Acquired Lands	15.438			322,969	322,969
Fish and Wildlife Management Assistance	15.608			353,983	66,148
Cooperative Endangered Species Conservation Fund	15.615			1,563,815	132,698
Clean Vessel Act.	15.616			1,376,933	1,293,995
Sportfishing and Boating Safety Act	15.622			45,309	45,309
State Wildlife Grants	15.634			392,385	210,672
White-nose Syndrome National Response Implementation	15.684			20,000	
U.S. Geological Survey_ Research and Data Acquisition	15.808			395	
National Cooperative Geologic Mapping	15.810			110,000	
National Geological and Geophysical Data Preservation	15.814			37,997	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of the Interior (Continued)					
Historic Preservation Fund Grants-In-Aid	15.904			$ 803,733	$ 144,935
Outdoor Recreation Acquisition, Development and Planning	15.916			163,229	
Cooperative Research and Training Programs Resources of the National Park System	15.945			30,291	
National Park Service Conservation, Protection, Outreach, and Education					
Pass-through from National Writing Project	15.954		P18AC1307	3,703	
Water Use and Data Research	15.981			76,270	
US Department of the Interior Total				**8,858,858**	**2,613,861**
US Department of Justice					
Sexual Assault Services Formula Program	16.017			414,263	414,256
Coronavirus Emergency Supplemental Funding Program	16.034			37,335	
COVID-19: Coronavirus Emergency Supplemental Funding Program	16.034			3,009,480	2,439,338
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525			35,090	
Juvenile Justice and Delinquency Prevention Allocation to States	16.540			169,808	126,636
Missing Children's Assistance	16.543			365,248	
National Criminal History Improvement Program (NCHIP)	16.554			279,739	
Crime Victim Assistance	16.575			21,293,039	20,571,606
Crime Victim Compensation	16.576			1,029,443	
Crime Victim Assistance/Discretionary Grants	16.582			136,441	
Drug Court Discretionary Grant Program	16.585			410,607	
Pass-through from Craighead County	16.585		N/A	39	
Pass-through from Mid South Health Systems	16.585		N/A	9,247	
Violence Against Women Formula Grants	16.588			1,517,217	1,363,163
Residential Substance Abuse Treatment for State Prisoners	16.593			166,688	36,958
Project Safe Neighborhoods	16.609			97,963	94,799
Juvenile Mentoring Program	16.726			3,614	
Pass-through from National 4-H Council	16.726		2020-JU-FX-0031	25,916	
Edward Byrne Memorial Justice Assistance Grant Program	16.738			1,597,008	1,436,184
DNA Backlog Reduction Program	16.741			959,038	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			132,954	
Pass-through from Mid South Health Systems	16.745		N/A	6,846	
Support for Adam Walsh Act Implementation Grant Program	16.750			19,762	
Edward Byrne Memorial Competitive Grant Program	16.751			29,793	
Pass-through from 20th Judicial District Prosecuting Attorney's Office	16.751		2020-DG-BX-K011	124,380	
Harold Rogers Prescription Drug Monitoring Program	16.754			745,138	282,740
Second Chance Act Reentry Initiative	16.812			51,228	
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838			2,328,646	1,955,970
STOP School Violence	16.839			7,329	
Equitable Sharing Program	16.922			33,254	
US Department of Justice Total				**35,036,553**	**28,721,650**

State of Arkansas
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For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of Labor					
Labor Force Statistics	17.002			$ 894,487	
Compensation and Working Conditions	17.005			110,007	
Unemployment Insurance	17.225			90,607,194	
COVID-19: Unemployment Insurance	17.225			27,371,828	
Senior Community Service Employment Program	17.235			1,367,611	$ 1,320,377
Trade Adjustment Assistance	17.245			2,498,976	
WIOA Pilots, Demonstrations, and Research Projects	17.261			284,075	
H-1B Job Training Grants	17.268			373,264	303,964
Work Opportunity Tax Credit Program (WOTC)	17.271			249,915	
Temporary Labor Certification for Foreign Workers	17.273			171,081	
YOUTHBUILD	17.274			365,487	
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277			687,665	68,184
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280			1,285,358	
Apprenticeship USA Grants	17.285			184,828	
Occupational Safety and Health Susan Harwood Training Grants	17.502			100,793	
Consultation Agreements	17.504			1,067,704	
Mine Health and Safety Grants	17.600			108,803	
US Department of Labor Total				**127,729,076**	**1,692,525**
US Department of State					
Academic Exchange Programs - Undergraduate Programs					
Pass-through from World Learning Inc.	19.009		SL 3319	9,328	
Academic Exchange Programs - Teachers					
Pass-through from International Research and Exchanges Board	19.408		S-ECAGD-20-CA-3005	45,028	45,028
US Department of State Total				**54,356**	**45,028**
US Department of Transportation					
Highway Training and Education	20.215			5,000	
Commercial Driver's License Program Implementation Grant	20.232			233,943	
COVID-19: Consolidated Rail Infrastructure and Safety Improvements	20.325			256,019	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505			2,110,505	657,730
Formula Grants for Rural Areas and Tribal Transit Program	20.509			10,070,836	8,394,301
COVID-19: Formula Grants for Rural Areas and Tribal Transit Program	20.509			10,257,638	8,992,655
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528			109,984	98,555
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614			115,692	
Pipeline Safety Program State Base Grant	20.700			525,453	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			226,608	
US Department of Transportation Total				**23,911,678**	**18,143,241**

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of the Treasury					
Low Income Taxpayer Clinics	21.008			$ 97,245	
Equitable Sharing Program	21.016			253,528	
COVID-19: Coronavirus Emergency Supplemental Funding Program	21.019			41,268,524	$ 6,945,323
COVID-19: Emergency Rental Assistance Program	21.023			115,648,088	
COVID-19: Homeowner Assistance Fund	21.026			15,055,779	
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027			540,380,783	181,964,918
US Department of the Treasury Total				**712,703,947**	**188,910,241**
Federal Communications Commission					
COVID-19: COVID-19 Telehealth Program					
Pass-through from Federal Communications Commission	32.006		COVID Telehealth	1,033,940	
Federal Communications Commission Total				**1,033,940**	
Federal Financial Institutions Examination Council Appraisal Subcommittee					
State Appraiser Agency Support Grants	38.006			26,754	
Federal Financial Institutions Examination Council Appraisal Subcommittee Total				**26,754**	
General Services Administration					
Donation of Federal Surplus Personal Property	39.003			6,325,696	
General Services Administration Total				**6,325,696**	
National Aeronautics and Space Administration					
Office of STEM Engagement (OSTEM)	43.008			10,932	
National Aeronautics and Space Administration Total				**10,932**	
Institute of Museum and Library Services					
Museum Grants for African American History and Culture	45.309			16,245	
Grants to States	45.310			2,014,929	
COVID-19: Grants to States	45.310			2,464,269	2,328,471
Institute of Museum and Library Services Total				**4,495,443**	**2,328,471**
National Endowment for the Arts					
Promotion of the Arts Grants to Organizations and Individuals	45.024			14,537	
Promotion of the Arts Partnership Agreements	45.025			1,291,050	1,188,604
Pass-through from America Arts Alliance	45.025		17-6100-2008	9,500	
Pass-through from America Arts Alliance	45.025		FY2022-00113211	4,000	
National Endowment for the Arts Total				**1,319,087**	**1,188,604**

State of Arkansas
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For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
National Endowment for the Humanities					
Promotion of the Humanities Federal/State Partnership	45.129			$ 2	
Pass-through from Arkansas Humanities Council	45.129		ARP-16-2021	22,773	
Pass-through from Arkansas Humanities Council	45.129		AAHC-01-21	1,272	
Pass-through from Arkansas Humanities Council	45.129		AHC-21-07	4,993	
Pass-through from Arkansas Humanities Council	45.129		Mini22_001	2,311	
Promotion of the Humanities Division of Preservation and Access	45.149			117,075	
Promotion of the Humanities Research	45.161			92,068	$ 69,956
Promotion of the Humanities Professional Development	45.163			197,153	
Pass-through from Weber State University Utah	45.163		000358-1	7,941	
Promotion of the Humanities Office of Digital Humanities	45.169			112,204	
National Endowment for the Humanities Total				**557,792**	**69,956**
National Science Foundation					
Biological Sciences	47.074			6,259	
Education and Human Resources	47.076			1,454,875	
Pass-through from National Informal Stem Education Network	47.076		N/A	2,000	
Integrative Activities	47.083			105,264	
Pass-through from University of Alaska	47.083		PO539384	808	
National Science Foundation Total				**1,569,206**	
Small Business Administration					
Small Business Development Centers	59.037			1,415,914	
COVID-19: Small Business Development Centers	59.037			378,509	
Federal and State Technology Partnership Program	59.058			118,674	
State Trade Expansion	59.061			107,932	
Shuttered Venue Operators Grant Program	59.075			330,337	
Community Navigator Pilot Program	59.077			152,399	
COVID-19: Community Navigator Pilot Program	59.077			204,788	28,597
Small Business Administration Total				**2,708,553**	**28,597**
US Department of Veterans Affairs					
Miscellaneous US Department of Veterans Affairs Programs	64.U01	N/A		63,273	
Veterans State Nursing Home Care	64.015			15,272,386	
COVID-19: Veterans State Nursing Home Care	64.015			561,562	
Post-9/11 Veterans Educational Assistance	64.027			84,592	
Burial Expenses Allowance for Veterans	64.101			242,822	
Vocational Rehabilitation for Disabled Veterans	64.116			3,624	
All-Volunteer Force Educational Assistance	64.124			280,319	
Veterans Cemetery Grants Program	64.203			2,917,672	
US Department of Veterans Affairs Total				**19,426,250**	
Environmental Protection Agency					
Air Pollution Control Program Support	66.001			1,604,353	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			231,895	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Environmental Protection Agency (Continued)					
Diesel Emissions Reduction Act (DERA) State Grants	66.040			$ 208,934	$ 196,421
Multipurpose Grants to States and Tribes	66.204			160,891	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419			2,039,225	
State Public Water System Supervision	66.432			960,254	
State Underground Water Source Protection	66.433			52,920	
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Grants - Section 1442 of the Safe Drinking Water Act	66.436			35,599	
Pass-through from University of Wisconsin System	66.436		01D00921	16,244	
Assistance for Small and Disadvantaged Communities Drinking Water Grant Program (SDWA 1459A)	66.442			84,870	84,870
Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d))	66.444			77	
Water Quality Management Planning	66.454			106,720	
Nonpoint Source Implementation Grants	66.460			2,832,266	2,007,317
Environmental Information Exchange Network Grant Program and Related Assistance	66.608			21,952	
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			448,156	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701			28,216	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			229,954	
Pollution Prevention Grants Program	66.708			(500)	
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716			(3,673)	
Pass-through from Extension Foundation	66.716		SA-2021-57	9,024	
Pass-through from Extension Foundation	66.716		SA-2022-60	9,178	
Hazardous Waste Management State Program Support	66.801			1,163,578	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			26,571	
Underground Storage Tank (UST) Prevention, Detection and Compliance Program	66.804			439,101	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			630,530	
State and Tribal Response Program Grants	66.817			130,743	
Superfund State and Indian Tribe Combined Cooperative Agreements (Site-Specific and Core)	66.961			215,693	
Environmental Protection Agency Total				**11,682,771**	**2,288,608**
US Department of Energy					
Weatherization Assistance for Low-Income Persons	81.042			2,219,370	2,127,814
Conservation Research and Development	81.086			99	
Fossil Energy Research and Development					
Pass-through from University of Texas - Austin	81.089		N/A	6,565	
State Energy Program Special Projects	81.119			256,115	70,475
US Department of Energy Total				**2,482,149**	**2,198,289**

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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Federal Emergency Management Administration					
COVID-19: Miscellaneous Federal Emergency Management Administration Programs	83.U01	N/A		$ 2,168,228	
Federal Emergency Management Administration Total				**2,168,228**	
US Department of Education					
COVID-19: Miscellaneous US Department of Education Programs	84.U01	N/A		7,926	
Adult Education - Basic Grants to States	84.002			5,856,700	$ 2,394,539
Title I Grants to Local Educational Agencies	84.010			162,728,949	161,591,348
Migrant Education State Grant Program	84.011			5,118,928	4,883,755
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013			431,061	46,079
Overseas Programs - Group Projects Abroad	84.021			83,161	
Higher Education Institution Aid	84.031			5,147,563	
Federal Family Education Loans	84.032			132,823,691	
Career and Technical Education - Basic Grants to States	84.048			13,073,881	8,913,847
Pass-through from Jonesboro Public School System	84.048		V048A190004	95,598	
Fund for the Improvement of Postsecondary Education Pass-through from UC Davis	84.116		A19-2776-S006	34,249	
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126			20,621,557	
Rehabilitation Long-Term Training	84.129			137,158	
Migrant Education Coordination Program	84.144			49,168	
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177			419,895	
Special Education-Grants for Infants and Families	84.181			4,636,631	
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			374,267	
Education for Homeless Children and Youth	84.196			1,071,408	963,200
Javits Gifted and Talented Students Education	84.206			533,916	
Twenty-First Century Community Learning Centers	84.287			8,580,910	7,979,271
Special Education - State Personnel Development	84.323			1,430,683	1,429,324
Pass-through from Great Rivers Education Service Cooperative	84.323		H323A200017	71,560	
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325			923,118	296,334
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			35,364	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			791,419	
Child Care Access Means Parents in School	84.335			244,872	
School Renovation Grants	84.352			(58)	(58)
Rural Education	84.358			2,829,272	2,734,275
Small, Rural School Achievement Program	84.358A			2,202	
English Language Acquisition State Grants	84.365			4,349,275	3,259,153
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367			20,873,290	20,294,775
Pass-through from National Writing Project	84.367		U367O150004	3,442	
Grants for State Assessments and Related Activities	84.369			4,544,191	

State of Arkansas
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Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of Education (Continued)					
Comprehensive Literacy Development	84.371			$ 5,510,529	$ 4,733,900
School Improvement Grants	84.377			(9,350)	(9,350)
Strengthening Minority-Serving Institutions	84.382			1,216,083	
Student Support and Academic Enrichment Program	84.424			10,601,463	10,130,536
COVID-19: Governor's Emergency Education Relief (GEER) Fund	84.425C			8,372,663	5,449,162
Pass-through from Arkansas Community Colleges	84.425C		ACC MOU	88,368	
Pass-through from Arkansas Community Colleges	84.425C		S425C200051	328,670	
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D			299,094,833	294,679,683
COVID-19: Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E			141,818,189	
COVID-19: HEERF Institutional Portion	84.425F			121,952,495	
COVID-19: Discretionary Grants: Reimagining Workforce Preparation Grants	84.425G			3,782,789	329,855
COVID-19: HEERF Historically Black Colleges and Universities (HBCUs)	84.425J			239,225	
COVID-19: HEERF Minority Serving Institutions (MSIs)	84.425L			435,259	
COVID-19: HEERF Strengthening Institutions Program (SIP)	84.425M			7,538,523	
COVID-19: Institutional Resilience and Expended Postsecondary Opportunity	84.425P			512,187	
COVID-19: CRRSAA: Higher Education Emergency Relief Fund (HEERF II)	84.425R			9,530,801	985,926
COVID-19: HEERF Supplemental Assistance to Institutions of Higher Education (SAIHE) program	84.425S			2,389,193	
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U			271,764,455	267,553,794
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W			647,525	647,525
COVID-19: Education Stabilization Fund Subtotal				**868,495,175**	**569,645,945**
COVID-19: Randolph-Sheppard - Financial Relief and Restoration Payments	84.426			158,640	
American Printing House for the Blind					
Pass-through from American Printing House for the Blind	84.906		N/A	42,090	
US Department of Education Total				**1,283,939,877**	**799,286,873**
Delta Regional Authority					
Delta Regional Development	90.200			81,041	
Delta Area Economic Development					
Pass-through from Winrock International Wallace Center	90.201		6796-18-C-27	165	
States' Economic Development Assistance Program	90.204			150,000	
Delta Regional Authority Total				**231,206**	

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Election Assistance Commission					
2018 HAVA Election Security Grants	90.404			$ 222,959	
US Election Assistance Commission Total				**222,959**	
US Department of Health and Human Services					
Miscellaneous US Department of Health and Human Services Programs	93.U01	N/A		8,246,780	
COVID-19: National Organizations of State and Local Officials	93.011			2,080,671	$ 1,293,062
Special Programs for the Aging Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041			17,531	
Special Programs for the Aging Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042			154,232	154,232
COVID-19: Special Programs for the Aging Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042			82,272	73,595
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043			202,746	202,746
COVID-19: Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043			165,387	165,387
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048			254,082	29,237
National Family Caregiver Support, Title III, Part E	93.052			1,455,656	1,455,656
COVID-19: National Family Caregiver Support, Title III, Part E	93.052			575,934	575,934
Sexual Risk Avoidance Education	93.060			1,123,763	976,401
Public Health Emergency Preparedness	93.069			5,963,851	
Medicare Enrollment Assistance Program	93.071			447,403	
Lifespan Respite Care Program	93.072			128,455	33,750
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			14,626	
Sodium Reduction in Communities	93.082			124,775	
Guardianship Assistance	93.090			1,129,012	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			260,173	189,472
Food and Drug Administration Research	93.103			1,007,869	12,619
Pass-through from Mississippi State University	93.103		080300.341765.04	40,838	
Area Health Education Centers	93.107			1,150,258	
Maternal and Child Health Federal Consolidated Programs	93.110			347,662	13,861
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			586,622	
Emergency Medical Services for Children	93.127			47,596	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			57,802	
Injury Prevention and Control Research and State and Community Based Programs	93.136			3,174,185	741,986
Community Programs to Improve Minority Health Grant Program	93.137			420,072	40,520
Projects for Assistance in Transition from Homelessness (PATH)	93.150			288,748	288,748
COVID-19: Rural Health Research Centers	93.155			1,271,945	1,263,521
Disabilities Prevention	93.184			153,851	
Graduate Psychology Education	93.191			284,420	
Telehealth Programs	93.211			333,740	17,000

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of Health and Human Services (Continued)					
Family Planning Services	93.217			$ 4,517,828	
Traumatic Brain Injury State Demonstration Grant Program	93.234			68,791	
State Rural Hospital Flexibility Program	93.241			669,107	$ 529,227
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			5,179,256	1,644,133
Pass-through from Mid-South Health Systems	93.243		N/A	9,993	
Advanced Nursing Education Workforce Grant Program	93.247			771,183	
Early Hearing Detection and Intervention	93.251			227,539	70,660
Poison Center Support and Enhancement Grant	93.253			215,204	
Occupational Safety and Health Program					
Pass-through from University of Texas Health Science Center - Tyler	93.262		6 U54OH007541-20-02	6,338	
Immunization Cooperative Agreements	93.268			49,889,611	327,625
COVID-19: Immunization Cooperative Agreements	93.268			17,996,674	986,908
Viral Hepatitis Prevention and Control	93.270			221,115	27,353
Drug-Free Communities Support Program Grants	93.276			160,884	
Pass-through from Out of the Dark Inc.	93.276		N/A	215	
Small Rural Hospital Improvement Grant Program	93.301			401,546	362,780
COVID-19: Small Rural Hospital Improvement Grant Program	93.301			1,000,604	1,000,604
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314			173,935	
Outreach Programs to Reduce the Prevalence of Obesity in High Risk Rural Areas	93.319			638,830	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			721,994	
COVID-19: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			87,746,988	5,559,168
State Health Insurance Assistance Program	93.324			934,566	
Behavioral Risk Factor Surveillance System	93.336			427,494	
COVID-19: Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			1,703,769	
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366			255,751	112,726
ACL Independent Living State Grants	93.369			385,808	
National and State Tobacco Control Program	93.387			1,526,333	
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391			1,666,637	1,515,554
The State Flexibility to Stabilize the Market Grant Program	93.413			70,773	
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426			1,719,585	585,911
Every Student Succeeds Act/Preschool Development Grants	93.434			(339)	
Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.436			417,574	
State Physical Activity and Nutrition (SPAN)	93.439			631,875	90,564
COVID-19: HRSA COVID-19 Claims Reimbursements for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461			8,296,763	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of Health and Human Services (Continued)					
ACL Assistive Technology	93.464			$ 481,279	
Title IV-E Prevention Program	93.472			1,905,658	
Community Health Workers for Public Health Response and Resilience					
Pass-through from Benton County Government	93.495		FP00055874	828,746	
COVID-19: Provider Relief Fund	93.498			33,579,906	
COVID-19: Low income Household Water Assistance Program	93.499			130,624	$ 130,624
Teaching Health Center Graduate Medical Education Payment	93.530			636,366	
MaryLee Allen Promoting Safe and Stable Families Program	93.556			5,723,955	
Temporary Assistance for Needy Families	93.558			72,670,595	19,921,788
Child Support Enforcement	93.563			29,098,260	
Refugee and Entrant Assistance State Administered Programs	93.566			14,429	
Low-Income Home Energy Assistance	93.568			31,255,875	31,060,513
COVID-19: Low-Income Home Energy Assistance	93.568			24,878,221	24,878,221
Community Services Block Grant	93.569			9,595,432	8,993,592
COVID-19: Community Services Block Grant	93.569			5,157,912	5,080,830
State Court Improvement Program	93.586			369,291	
Community-Based Child Abuse Prevention Grants	93.590			401,097	
Grants to States for Access and Visitation Programs	93.597			97,727	
Chafee Education and Training Vouchers Program (ETV)	93.599			127,716	
COVID-19: Chafee Education and Training Vouchers Program (ETV)	93.599			164,992	
Adoption and Legal Guardianship Incentive Payments	93.603			223,143	
Developmental Disabilities Basic Support and Advocacy Grants	93.630			821,154	407,995
COVID-19: Developmental Disabilities Basic Support and Advocacy Grants	93.630			34,946	
University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632			639,990	
Children's Justice Grants to States	93.643			13,839	
Stephanie Tubbs Jones Child Welfare Services Program	93.645			3,200,130	
COVID-19: Stephanie Tubbs Jones Child Welfare Services Program	93.645			217,118	
Child Welfare Research Training or Demonstration					
Pass-through from University of Albany	93.648		12-89268	45,311	
Pass-through from University of Albany	93.648		90CT7008-04-00	121,875	
Foster Care Title IV-E	93.658			42,091,510	
Adoption Assistance	93.659			36,007,536	
COVID-19: Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665			1,683,634	
Social Services Block Grant	93.667			16,430,450	
Child Abuse and Neglect State Grants	93.669			1,052,727	
COVID-19: Child Abuse and Neglect State Grants	93.669			50,322	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			1,211,176	1,154,710
COVID-19: Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			40,442	40,442
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			885,798	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of Health and Human Services (Continued)					
COVID-19: John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			$ 1,705,838	
Medical Student Education	93.680			4,965,959	$ 214,000
Ending the HIV Epidemic: A Plan for America - Ryan White HIV/AIDS Programs Parts A and B	93.686			621,175	277,238
Mental and Behavioral Health Education and Training Grants	93.732			569,642	
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738			798,739	
Elder Abuse Prevention Interventions Program	93.747			347,470	
COVID-19: Elder Abuse Prevention Interventions Program	93.747			284,028	
Children's Health Insurance Program	93.767			195,356,390	
Pass-through from Arkansas Children's Hospital	93.767		N/A	270,241	
Opioid STR	93.788			8,417,231	
Money Follows the Person Rebalancing Demonstration	93.791			670,246	
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796			3,247,766	
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810			97,676	
Section 223 Demonstration Programs to Improve Community Mental Health Services					
Pass-through from Mid South Health Systems	93.829		N/A	151,437	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			79,858	
Pharmacology, Physiology	93.859			76,963	
Pass-through from University of Kentucky Research Foundation	93.859		UT2GM130174	9,274	
Maternal, Infant and Early Childhood Homevisiting Grant	93.870			7,857,601	
Medical Library Assistance					
Pass-through from University of North Texas Health Science Center - Fort Worth	93.879		RF00227-2022-00	4,044	
Primary Care Training and Enhancement	93.884			459,185	
National Bioterrorism Hospital Preparedness Program	93.889			1,677,749	1,311,014
COVID-19: National Bioterrorism Hospital Preparedness Program	93.889			561,267	561,267
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			2,663,659	204,963
Grants to States for Operation of State Offices of Rural Health	93.913			84,098	
HIV Care Formula Grants	93.917			11,060,489	2,581,383
COVID-19: HIV Care Formula Grants	93.917			53,313	
Healthy Start Initiative	93.926			1,045,142	
HIV Prevention Activities Health Department Based	93.940			2,368,444	412,336
Assistance Programs for Chronic Disease Prevention and Control	93.945			377,284	126,775
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			143,096	
Agricultural Health and Safety Programs	93.956			22,860	
Block Grants for Community Mental Health Services	93.958			4,081,672	3,873,598

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
US Department of Health and Human Services (Continued)					
COVID-19: Block Grants for Community Mental Health Services	93.958			$ 778,882	$ 504,507
Pass-through from Ozark Guidance Center Inc	93.958		N/A	558	
Block Grants for Prevention and Treatment of Substance Abuse	93.959			10,324,406	5,652,262
COVID-19: Block Grants for Prevention and Treatment of Substance Abuse	93.959			2,378,492	2,219,200
CDC's Collaboration with Academia to Strengthen Public Health	93.967			171,788	
PPHF Geriatric Education Centers	93.969			819,632	120,537
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			1,018,809	
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981			419,070	110,545
COVID-19: Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981			201,340	174,627
Mental Health Disaster Assistance and Emergency Mental Health	93.982			111,392	
Preventive Health and Health Services Block Grant	93.991			1,016,281	124,102
Maternal and Child Health Services Block Grant to the States	93.994			6,757,208	48,897
Autism and Other Developmental Disabilities, Surveillance, Research, and Prevention	93.998			562,063	
Test for Suppression Effects of Advanced Energy	93.999			44,347	
US Department of Health and Human Services Total				**816,870,467**	**130,526,906**
Corporation for National and Community Service					
State Commissions	94.003			254,050	
AmeriCorps	94.006			1,403,977	1,138,751
Commission Investment Fund	94.008			188,146	7,673
Pass-through from Engage/Volunteer AR	94.008		N/A	576	
Training and Technical Assistance					
Pass-through from AmeriCorp	94.009		21VSGAR0030	49,852	
Volunteers in Service to America	94.013			112,050	
Corporation for National and Community Service Total				**2,008,651**	**1,146,424**
Department of Homeland Security					
State and Local Homeland Security National Training Program	97.005			906,506	414,644
Pass-through from Center of Rural Development	97.005		EMW-2015-CA-00190-S01	8,313	
Pass-through from Center of Rural Development	97.005		EMW-2017-CA-00052-S01	20,795	
Pass-through from Center of Rural Development	97.005		EMW-2018-CA-00075-S01	246,514	
Pass-through from Center of Rural Development	97.005		EMW-2019-CA-00048-S01	41,427	
Homeland Security Preparedness Technical Assistance Program	97.007			119,843	
Non-Profit Security Program	97.008			35,924	35,924
Boating Safety Financial Assistance	97.012			1,519,837	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			3,443	
Flood Mitigation Assistance	97.029			69,862	69,835
Community Disaster Loans	97.030			4,623	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Name/Federal Grantor/Program Name/Pass-Through Entity	ALN	Other Identifying Number	Pass-Through Identifying Number	Expenditures	Amount Provided to Subrecipients
Department of Homeland Security (Continued)					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			$ 98,176,377	$ 25,726,771
Hazard Mitigation Grant	97.039			2,352,210	1,281,272
Emergency Management Performance Grants	97.042			6,649,676	3,908,374
COVID-19: Emergency Management Performance Grants	97.042			278,514	
State Fire Training Systems Grants	97.043			18,219	
Assistance to Firefighters Grant	97.044			377,792	
Cooperating Technical Partners	97.045			1,824,600	974,774
BRIC: Building Resilient Infrastructure and Communities	97.047			163,357	50,475
COVID-19: Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			(24,428)	
Homeland Security Grant Program	97.067			2,430,401	2,011,069
Earthquake Consortium	97.082			39,703	20,966
Department of Homeland Security Total				**115,263,508**	**34,494,104**
Total Expenditure of Federal Awards				**$ 13,830,105,803**	**$ 1,819,961,100**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of Federal Awards (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:		
Federal Family Education Loans	84.032	$132,823,691
State of Arkansas Construction Assistance Revolving Loan Fund:		
Clean Water State Revolving Fund Cluster	66.458	$12,437,326
State of Arkansas Drinking Water Revolving Loan Fund:		
Drinking Water State Revolving Fund Cluster	66.468	$14,336,541
University of Arkansas for Medical Sciences:		
Research and Development Cluster	various	$87,080,272
Head Start Cluster	93.600	$8,588,047
Provider Relief Fund	93.498	$33,519,078
Medical Student Education	93.680	$4,999,959

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 Annual Publication of Assistance Listings with the corresponding Assistance Listing Number (ALN).

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

State/Educational Agencies negotiate and manage their own indirect cost rates. Approximately 11% of State/Educational Agencies within the State reporting entity elected to use the de minimus 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, 2022, for these loans are as follows:

Assistance Listing Number	Program Name	Amount
84.038	Federal Perkins Loan Program_Federal Capital Contributions	$315,465
93.264	Nurse Faculty Loan Program (NFLP)	116,333
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	4,710,293
93.364	Nursing Student Loans	389,665
	Total	$5,531,765

(3) Federally Funded Loan Programs (Continued)

The State also participates in the Federal Direct Loans (Direct Loan) Program, ALN 84.268, and the Federal Family Education Loans Program (FFEL), ALN 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 $453,647,526 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 ALN 84.032 at June 30, 2022, was $111,022,493.

Education loans made or purchased by the Arkansas Student Loan Authority, a division of the 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 $132,448,397 at July 1, 2021. 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 ALN 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 the Arkansas Development Finance Authority and the U.S. Department of Agriculture Rural Development during fiscal year 2013 and fiscal year 2016. When received, the funds were used to make new loans for program activities. The outstanding loan receivable balance was $3,419,558 for the year ended June 30, 2022. Total disbursements for loans made totaled $88,553 during the year ended June 30, 2022.[1]

Expenditures reflected in ALN 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, 2022. No disbursements were made for repayable loans during the year ended June 30, 2022.[1]

Expenditures reflected in ALN 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 $14,052,568 for the year ended June 30, 2022. No disbursements were made for repayable loans during the year ended June 30, 2022.[1]

Expenditures reflected in ALN 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 $108,645,645 for the year ended June 30, 2022. Total disbursements of federal funds for repayable loans totaled $684,242 during the year ended June 30, 2022.[1]

Expenditures reflected in ALN 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 $4,823,626 for the year ended June 30, 2022. Total disbursements for loans made totaled $332,000 during the year ended June 30, 2022.[1]

Expenditures reflected in ALN 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 $371.7 million for the year ended June 30, 2022. During fiscal 2022, approximately $4.1 million of loans were forgiven. Total federal disbursements totaled approximately $12.0 million during fiscal year 2022, which represented funding for principal forgiveness and repayable loans. For the year ended June 30, 2022 the program received $419,000 in federal funds for administrative costs.[1]

(3) Federally Funded Loan Programs (Continued)

Expenditures reflected in ALN 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 $217.8 million for the year ended June 30, 2022. Total federal loan disbursements totaled $10.6 million during fiscal year 2022. Total loans forgiven totaled $5.8 million during fiscal year 2022. For the year ended June 30, 2022, the Program received $3.7 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 (ALN 81.041) funds to create the Energy Revolving Loan Program. The loan program was created to encourage the development, implementation and deployment of cost-effective energy efficiency, and renewable energy projects in the state, and to support the creation of additional employment opportunities and other economic development benefits. Of the total amount of program funds expended and reported on the accompanying SEFA for fiscal year 2011 and 2012, $11,370,000 was transferred to the revolving loan fund and made available for future loans. There were no program funds transferred to the revolving loan fund for fiscal year 2022. The outstanding loan receivable balance from subrecipients for the year ended June 30, 2022, totaled $3,521,861. Total disbursements for new loans made during fiscal year 2022 totaled $1,398,199.

(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
10.542	Pandemic EBT Food Benefits	$250,498,938
10.551	Supplemental Nutrition Assistance Program	549,866,896
10.555	National School Lunch Program	20,788,145
10.558	Child and Adult Care Food Program	22,822
10.565	Commodity Supplemental Food Program	2,959,751
10.569	COVID-19: Emergency Food Assistance Program (Food Commodities)	5,671,214
10.569	Emergency Food Assistance Program (Food Commodities)	13,871,649
12.000	Issue of Department of Defense excess equipment	2,687,127
39.003	Donation of Federal Surplus Personal Property	6,325,696
83.000	COVID-19: Miscellaneous Federal Emergency Management Administration Programs	2,168,228
84.906	American Printing House for the Blind	42,090
93.268	COVID-19: Immunizations Cooperative Agreements	48,666,323
93.498	COVID-19: Provider Relief Fund	60,828
	Total	$ 903,629,707

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

During fiscal year 2022, the State received cash rebates totaling $18,490,141 from infant formula manufacturers on sales of formula to participants in the WIC program (ALN 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 245,066 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 the Disability Determination for Social Security Administration (DDSSA) included in the State of Arkansas Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2022. 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, 2020, through September 30, 2021. The audit for the period ended September 30, 2022 has been procured by DDSSA.

(7) Unemployment Insurance

State unemployment tax revenues, as well as the government and nonprofit contributions made 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 ALN 17.225. The $117,979,022 of expenditures reported on the Schedule is comprised of $47,450,252 of federal funds and $70,528,770 of State UI funds.

(8) Notes Payable

The federal loan programs listed subsequently are administered directly by the Arkansas Development Finance Authority (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 SEFA. The balance of the notes payable outstanding at June 30, 2022, consists of: [1]

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2022
10.415	Preservation Revolving Loan Fund	$ 3,381,943

(9) Coronavirus Relief Fund

On 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 time frame 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. As of December 14, 2022 there was $7.7 million that was not expended and will need to be repaid to the Federal government in FY2023.

(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 May 2022, the State of Arkansas received the last 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 $933.3 million for SLFRF funds unexpended as of June 30, 2022. In the period from July 1, 2022, through December 13, 2022, the State of Arkansas expended $66.3 million of SLFRF funding resulting in a remaining liability of $867.0 million.

(11) Temporary Increase is Federal Medical Assistance Percentage

During the year ended June 30, 2022, 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, 2022

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

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, 2022 is located on **page 162** and includes all findings from the prior audit, June 30, 2021, and certain findings from previous audits, including the years ended June 30, 2020, 2019, and 2018.

Financial Statement Findings	Page Number(s)
Division of Workforce Services	163 - 164
Arkansas Department of Transportation	165

Federal Program Name	Page Number(s)
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STATE OF ARKANSAS
Department of Finance and Administration

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August 23, 2022

Roger A. Norman, JD, CPA, CFE, CFF
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, 2021, 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

2021 Prior Year Financial Statement Finding Number 2021-001

Auditee reported status as of June 30, 2022: Partially corrected.

Bullet Points #1-#3*:* Corrective action was taken. Controls have now been implemented.

Bullet Point #4: Partially corrected. 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. To help identify when this uncommon situation has occurred that requires posting of a federal payable, and 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. Anticipated completion date for bullet point #4 is August 31, 2022.

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.

2021 Prior Year Financial Statement Finding Number 2021-001 (Continued)

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

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:

- 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

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2021 Prior Year Financial Statement Finding Number 2021-002

Auditee reported status as of June 30, 2022: Corrective Action was Taken

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:

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially Corrected.

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:

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 filed 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 remains July 2024, due to the statute of limitations on collections.

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

2021 Prior Year 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**

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:

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.

2021 Prior Year 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):

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.

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

2021 Prior Year 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:
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.

Anticipated Completion Date: Completed

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially Corrected.

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.

The current anticipated completion date is now December 31, 2022, due to a blanket waiver request to DOL.

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.

2021 Prior Year 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**

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.

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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected.

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.

ADWS is in the process of reconciling files from the program side and the bank transactions for benefit payments to correct the $1,299,341 questioned costs. This has turned into a much more time-consuming process than expected. ADWS had originally estimated mid-June for this correction to be in place, but unfortunately the process has become more complicated than originally planned and has yet to be completed.

ADWS now anticipates that the corrective action can be completed by September 30, 2022.

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.

2021 Prior Year 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**

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.

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.

2021 Prior Year 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 (Continued):

Anticipated Completion Date: Mid-June 2022

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially Corrected.
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

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.

2021 Prior Year 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:
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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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

2021 Prior Year 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**

Questioned Costs:
None

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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: 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 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.

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected. DFA is working with the CARES Act consulting contractor as of June 30, 2022. This contractor will review the documentation supporting the disbursements for cities, towns, and counties and request documentation for payroll expenses within the allowable period of performance to substantiate the full disbursement. This documentation will be added to the disbursement record. The expected completion date for these services is September 30, 2022.

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.

2021 Prior Year 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**

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

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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected. The parties are in the process of conducting discovery. There is not an anticipated resolution date as of August 22, 2022.

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. .

2021 Prior Year 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):
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

Anticipated Completion Date: September 30, 2022

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected - DHS and AEDC completed a review to confirm identical documentation was submitted for grant applications to both departments. DHS Division of Medical Services (DMS) is reviewing a recommendation to recoup questioned costs to determine if they can move forward with recoupment; anticipated completion date by both DHS and AEDC continues to be August 31, 2022.

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.

2021 Prior Year 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**

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$47,488

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:
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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.

2021 Prior Year 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:

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected. The agency has requested and received documentation from providers and is reviewing to determine if payments received were for eligible expenditures. Any improperly expended funds will be recouped.

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.

2021 Prior Year 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**

Condition and Context (Continued):
Sample item 37: Described the additional payments as "employee payroll – appreciation and retention."

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:
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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected. The agency has requested and received documentation from providers and is reviewing to determine if payments received were for eligible expenditures. Any improperly expended funds will be recouped.

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

2021 Prior Year 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**

Condition and Context (Continued):
went unnoticed. As a result, the repayment had not been made as of the end of fieldwork. Questioned costs totaled $121,715.

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**

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected. The agency has requested and received documentation from providers and is reviewing to determine if payments received were for eligible expenditures. Any improperly expended funds will be recouped.

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

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected. The agency has requested and received documentation from providers and is reviewing to determine if payments received were for eligible expenditures. Any improperly expended funds will be recouped.

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:

2021 Prior Year 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 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.
- 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

2021 Prior Year 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**

Contact Person:

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected - AEDC served as paying agent for the Business Interruption Grant (BIG) program. Payment amounts were determined by Arkansas Department of Parks, Heritage and Tourism (ADPHT). AEDC continues to coordinate with ADPHT to review awards to businesses in question and request replacement documentation that meets program requirements or pursue recovery of applicable grant amounts.

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.

2021 Prior Year 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**

Statistically Valid Sample:
Not a statistically valid sample

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 $0.12 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.

2021 Prior Year 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

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2021 Prior Year 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 (BIG) program. 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 $0.12 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.

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected - AEDC continues the process of contacting identified businesses to request replacement documentation or repayment of benefits if documentation is not available; anticipated completion date continues to be August 31, 2022.

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.

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken – corrective action was completed calendar year 2021. See section below, "Views of Responsible Officials and Planned Corrective Action," for narrative of corrective action taken.

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

2021 Prior Year 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.

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

2021 Prior Year 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:
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:

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.

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

2021 Prior Year 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**

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.

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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected. 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.

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.

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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:

2021 Prior Year 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.

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

2021 Prior Year 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**

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.

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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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

2021 Prior Year 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**

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.

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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

2021 Prior Year 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.

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

2021 Prior Year 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

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

2021 Prior Year 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 28: Claims totaling $3,418 were paid without a valid PCSP for dates of service beginning June 22, 2020 through March 15, 2021.
- 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.

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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*.

2021 Prior Year 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):

- 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*.

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.**

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

2021 Prior Year 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

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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

2021 Prior Year 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**

Questioned Costs:
$878,035

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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: 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 (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.

2021 Prior Year 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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected.

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 is September 30, 2022.

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

2021 Prior Year 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**

Cause:

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

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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Partially corrected. These claims were sent to the Internal Audit/Fraud Unit for investigation. The amounts will be sent to the Benefit Payment Control for overpayment if the perpetrator is found and collection efforts will be pursued up to the statute of limitations, which could be July 31, 2024 (due to statute of limitations on collections for CARES Act programs). ID Verification on all unemployment claims filed was restarted in January 2021, and the PUA claims started using UIdentify at that time. The updated anticipated completion date is July 31, 2024.

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.

2021 Prior Year 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**

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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

2021 Prior Year 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):
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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Not Valid. 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. However, if there are similar programs in the future, ADWS will seek additional guidance on these matters before deciding the appropriate course of action regarding the calculation of matching requirements.

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.

2021 Prior Year 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:

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.

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

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2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken. In accordance with instructions received from FEMA, Arkansas updated the SF-425 pursuant to FEMA's instruction reflecting the original 75% / 25% Split. The ADWS CFO, Assistant Director Office of Financial Management & Administrative Services, Ms. Tracii Laettner, certified and signed the updated SF-425. An additional layer of review was also added for the report.

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.

2021 Prior Year 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:

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

Contact Person:

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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, 2022: Partially Corrected.

- Corrected: ADWS instituted an agreement with the AR Department of Health to check UI claims against their database of death certificates in August of 2021. These record matches are worked weekly, and when needed are sent for overpayment and collection from claimants or their estates.
- Partially Corrected: A crossmatch was completed with the PUA program and wage records reported by employers. For these claims, wage earning investigations have been created and if identity theft was suspected, sent to the Internal Audit/Fraud Unit for investigation. As the investigations are completed, amounts due will be sent to the Benefit Payment Control unit for an overpayment balance to be created. If the perpetrator is found, collection efforts will be pursued up to the statute of limitations, which could be July 31, 2024.

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.

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**

Condition and Context (continued):

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

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, 2022: Corrective action was taken – all corrective action was taken and the finding is fully corrected. The FY 2020 audit finding was addressed by Arkansas Legislative Audit during their most recent FY 2021 audit of the University. Legislative Audit has formally closed the finding and considers the issue resolved.

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

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, 2022: Partially Corrected: The staff remains vigilant in reviewing allowable amounts of $200 of financial aid that can be applied to prior-year charges. This review has continued during our time in the legacy system Poise. Due to delays in the scheduling of implementation, Banner is around 80% implemented at this time. Banner our new system will be operational for the Fall 2022 semester.

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

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, 2022: Partially corrected - While staffing continues to be an ongoing concern, additional positions have been allotted to manage the disbursement and reporting of Pell funds. Financial Aid is awarding all Pell funds in an "estimated" mode to prevent actual posting to student's accounts. The Pell funds will be transmitted to the student ledger accounts within the eligible period.

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

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, 2022: Corrective action was taken.

As indicated in our response (attached) to Legislative Auditor (Qiwei Li) dated December 21, 2021, and our response to the F.S.A. Cyber Compliance Team dated April 5, 2022. ATU would like to indicate the following as being addressed, mitigated, and under continuous improvement per December 21, 2021 response to Legislative Audit and the April 5, 2022 response to FSA.

1. Institution has designated an individual to coordinate the information security program. (YES)

2. Institution has performed a risk assessment that addresses the three required areas noted in 16 CFR

314.4 (b), which are:

a. Employee training and management. (YES)

b. Information systems, including network and software design, as well as information

processing, storage, transmission, and disposal. (YES)

c. Detecting, preventing, and responding to attacks, intrusions, or other systems failures. (YES)

3. Institution has documented a safeguard for each risk identified above (YES)

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,

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**

Auditee reported status as of June 30, 2021 (Continued):

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:	**2020-011**
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, 2022: Corrective action was taken.

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

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, 2022: Corrective action was taken. The Associate Vice Chancellor for Information Technology completed the risk assessment that outlines risks associated with the GLBA, controls, and mitigation strategies in use at the College in August of 2021. There were around 30 unmitigated risks related to the GLBA legislation identified and many of the vulnerabilities have been mitigated with additional controls. The Risk Assessment is included with this response.

All faculty and staff were required to attend the Fall 2021 In-Service meeting where the ASUTR CIO conducted Information Security training covering Phishing, Passphrase security and Information Security best practices. This training will be required annually in the fall and provided through the campus Learning Management System - Blackboard.

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

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, 2022: Corrective action was taken.

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.*

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):

- 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.*

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

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, 2022: Corrective action was taken.

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

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, 2022: Corrective action was taken.

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.

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):

g) Licensing fees.
h) Regulatory fees.
i) Methodologies for allocation of expenditures.
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

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, 2022: Corrective action was taken.

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.

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:
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:

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

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, 2022: Corrective action was taken.

Audit Status as of June 30, 2021:
Noncompliance continued for the year ended June 30, 2021. See current-year finding 2021-024.

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.).

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

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**

Condition and Context (Continued):
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

Questioned Costs:
Unknown

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, 2022: Corrective action was taken.

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*.

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 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.*
- 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*.

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 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.*
- 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

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, 2022: Corrective action was taken.

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)

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 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)
- 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)

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 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)

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

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, 2022: Corrective action was taken.

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

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

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, 2022: Corrective action was taken.

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

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, 2022: Corrective action was taken.

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

***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, 2022: Corrective action was taken.

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).

***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:
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,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, 2022: Corrective action was taken.

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)

***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 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)
- 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)

***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 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)

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, 2022: Corrective action was taken.

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.

***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):
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.

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, 2022: Corrective action was taken.

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, 2022: Corrective action was taken.

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:

***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):

- 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.
- 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, 2022: Corrective action was taken.

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, 2022: Corrective action was taken.

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:

***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):

- 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.*
- 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 $25,000.

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS

2021 Prior Year 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**

Auditee reported status as of June 30, 2022: Corrective action was taken.

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.

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

2021 Prior Year 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**

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

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

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Audit Status for Unresolved Prior Audit Findings

For the Year Ended June 30, 2022

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2022

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 302**.

Financial Statement Findings	Page Number(s)
Division of Workforce Services	302
Arkansas Department of Transportation	302

Federal Program Name	Page Number(s)
Unemployment Insurance	302 – 304; 314
COVID-19: Unemployment Insurance	302 – 304;
COVID-19: Coronavirus Relief Fund	305 - 308
Medicaid Cluster	309 – 312; 315 - 316
Children's Health Insurance Program	309 – 311; 315
Student Financial Assistance Cluster	315
COVID-19: Presidential Declared Disaster Assistance To Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)	312 -314
Research and Development Cluster	314

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	N/A – Financial Statement Finding
Prior Audit Finding Number:	***2021-001***
Page Number (from schedule):	163
Federal Awarding Agency:	N/A
Compliance Area Affected:	N/A
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Transportation
Federal Program Name:	N/A – Financial Statement Finding
Prior Audit Finding Number:	***2021-002***
Page Number (from schedule):	165
Federal Awarding Agency:	N/A
Compliance Area Affected:	N/A
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	Unemployment Insurance; COVID-19: Unemployment Insurance
Prior Audit Finding Number:	***2021-003***
Page Number (from schedule):	166 - 168
Federal Awarding Agency:	U.S. Department of Labor
Compliance Area Affected:	Activities Allowed or Unallowed; Eligibility
Questioned Costs:	$19,903,597
Status of Questioned Costs:	The federal awarding agency disallowed the questioned costs and stated the costs would **not** be subject to federal debt collection.
Status of Finding:	Corrected. However, the Agency identified additional fraudulent claims for the year ended June 30, 2022. See current-year finding **2022-038**.

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	Unemployment Insurance; COVID-19: Unemployment Insurance
Prior Audit Finding Number:	***2021-004***
Page Number (from schedule):	169 - 170
Federal Awarding Agency:	U.S. Department of Labor
Compliance Area Affected:	Activities Allowed or Unallowed; Eligibility
Questioned Costs:	$2,426,179
Status of Questioned Costs:	The federal awarding agency disallowed the questioned costs and stated the costs would **not** be subject to federal debt collection.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	Unemployment Insurance; COVID-19: Unemployment Insurance
Prior Audit Finding Number:	***2021-005***
Page Number (from schedule):	171 - 172
Federal Awarding Agency:	U.S. Department of Labor
Compliance Area Affected:	Activities Allowed or Unallowed; Eligibility
Questioned Costs:	$4,726,158
Status of Questioned Costs:	The federal awarding agency disallowed the questioned costs and stated the costs would **not** be subject to federal debt collection.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	COVID-19: Unemployment Insurance
Prior Audit Finding Number:	***2021-006***
Page Number (from schedule):	173 - 174
Federal Awarding Agency:	U.S. Department of Labor
Compliance Area Affected:	Activities Allowed or Unallowed; Eligibility
Questioned Costs:	$87,424
Status of Questioned Costs:	The federal awarding agency disallowed the questioned costs and stated the costs would **not** be subject to federal debt collection.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	Unemployment Insurance; COVID-19: Unemployment Insurance
Prior Audit Finding Number:	***2021-007***
Page Number (from schedule):	175 - 177
Federal Awarding Agency:	U.S. Department of Labor
Compliance Area Affected:	Activities Allowed or Unallowed; Eligibility
Questioned Costs:	$1,299,341
Status of Questioned Costs:	The federal awarding agency disallowed the questioned costs and stated the costs would **not** be subject to federal debt collection.
Status of Finding:	Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2022

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	COVID-19: Unemployment Insurance
Prior Audit Finding Number:	***2021-008***
Page Number (from schedule):	178 - 179
Federal Awarding Agency:	U.S. Department of Labor
Compliance Area Affected:	Activities Allowed or Unallowed; Eligibility
Questioned Costs:	$293,970
Status of Questioned Costs:	The federal awarding agency disallowed the questioned costs and stated the costs would **not** be subject to federal debt collection.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	Unemployment Insurance; COVID-19: Unemployment Insurance
Prior Audit Finding Number:	***2021-009***
Page Number (from schedule):	180 - 181
Federal Awarding Agency:	U.S. Department of Labor
Compliance Area Affected:	Reporting
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	Unemployment Insurance; COVID-19: Unemployment Insurance
Prior Audit Finding Number:	***2021-010***
Page Number (from schedule):	182 - 183
Federal Awarding Agency:	U.S. Department of Labor
Compliance Area Affected:	Special Tests and Provisions – UI Benefit Payments – Benefits Accuracy Measurement (BAM) Program
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2022

State/Educational Agency:	Arkansas Department of Finance and Administration
Federal Program Name:	COVID-19: Coronavirus Relief Fund (Cities, Towns, and Counties Coronavirus Relief Fund Project)
Prior Audit Finding Number:	***2021-011***
Page Number (from schedule):	184 - 185
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	$55,024
Status of Questioned Costs:	Outstanding
Status of Finding:	Corrective action has not been taken.
	The task of reviewing the supporting documentation regarding the questioned disbursements has not begun.

State/Educational Agency:	Arkansas Department of Finance and Administration
Federal Program Name:	COVID-19: Coronavirus Relief Fund
Prior Audit Finding Number:	***2021-012***
Page Number (from schedule):	186 - 187
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	$8,600,000
Status of Questioned Costs:	Outstanding
Status of Finding:	Corrected
	The State is currently pursuing all legal remedies to ensure the fraudulent parties are held accountable.

State/Educational Agency:	Arkansas Department of Finance and Administration
Federal Program Name:	COVID-19: Coronavirus Relief Fund
Prior Audit Finding Number:	***2021-013***
Page Number (from schedule):	188 - 189
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Reporting
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2022

State/Educational Agency:	Arkansas Department of Human Services Arkansas Department of Commerce – Arkansas Economic Development Commission
Federal Program Name:	COVID-19: Coronavirus Relief Fund
Prior Audit Finding Number:	***2021-014***
Page Number (from schedule):	190 - 193
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	$47,488
Status of Questioned Costs:	Recoupment processed from two providers totaled $28,371. The remaining balance, totaling $19,117, representing four providers, remains outstanding.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	COVID-19: Coronavirus Relief Fund (COVID-19 Surge Capacity Enhancement Payment Program)
Prior Audit Finding Number:	***2021-015***
Page Number (from schedule):	194 - 195
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles;
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	COVID-19: Coronavirus Relief Fund (COVID-19 Surge Capacity Enhancement Payment Program)
Prior Audit Finding Number:	***2021-016***
Page Number (from schedule):	196 - 197
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	$379,123
Status of Questioned Costs:	Recoupment from providers totaled $89,594. Recoupment was not required for costs totaling $221,527. $68,002 remains outstanding.
Status of Finding:	Corrected

State of Arkansas
Audit Status for Unresolved Prior Audit Findings
For the Year Ended June 30, 2022

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	COVID-19: Coronavirus Relief Fund (DHS Hospital Proposal – Protect, Treat, and Transform During the COVID-19 Emergency Program)
Prior Audit Finding Number:	***2021-017***
Page Number (from schedule):	198 - 199
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	$233,402
Status of Questioned Costs:	Recoupment from providers totaled $230,402. $3,000 remains outstanding.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	COVID-19: Coronavirus Relief Fund (Skilled Nursing Facility Payments Due to COVID-19 Emergency Program)
Prior Audit Finding Number:	***2021-018***
Page Number (from schedule):	200 - 202
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	$1,182,579
Status of Questioned Costs:	Recoupment from providers totaled $80,424. Recoupment was not required for costs totaling $973,980. $128,175 remains outstanding.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	COVID-19: Coronavirus Relief Fund (COVID-19 Surge Capacity Enhancement Payment Program)
Prior Audit Finding Number:	***2021-019***
Page Number (from schedule):	203 - 204
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Arkansas Economic Development Commission Arkansas Department of Parks, Heritage and Tourism.
Federal Program Name:	COVID-19: Coronavirus Relief Fund (Business Interruption Grants Program)
Prior Audit Finding Number:	***2021-020***
Page Number (from schedule):	205 - 209
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	$6,040
Status of Questioned Costs:	Recoupment not required for costs totaling $3,655. $2,385 remains outstanding.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Arkansas Economic Development Commission;
Federal Program Name:	COVID-19: Coronavirus Relief Fund (Ready for Business Grant Program)
Prior Audit Finding Number:	***2021-021***
Page Number (from schedule):	210 - 211
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	$59,930
Status of Questioned Costs:	Recoupment not required for costs totaling $50,433. $9,497 remains outstanding.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Arkansas Economic Development Commission;
Federal Program Name:	COVID-19: Coronavirus Relief Fund (Arkansas Rural Connect Program)
Prior Audit Finding Number:	***2021-022***
Page Number (from schedule):	212 - 213
Federal Awarding Agency:	U.S. Department of Treasury
Compliance Area Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance
Questioned Costs:	Unknown
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
	Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2021-023***
Page Number (from schedule):	214 - 216
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:	Corrective action has not been taken. Similar deficiencies are reported in current-year finding **2022-026**.

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program
	Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2021-024***
Page Number (from schedule):	217 - 218
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Matching, Level of Effort, Earmarking
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrective action is in progress. Similar deficiencies are reported in current-year finding **2022-024**. This issue was carried forward from our June 30, 2020, report (**2020-017**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program
	Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2021-025***
Page Number (from schedule):	219 - 220
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Reporting
Questioned Costs:	$1,921,295
Status of Questioned Costs:	Recoupment totaling $1,921,295 was processed.
Status of Finding:	Corrected; however, similar deficiencies are reported for the Medical Assistance Program in current-year finding **2022-033**.

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State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2021-026***
Page Number (from schedule):	221 - 223
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Managed Care Medical Loss Ratio (PASSE and Dental)
Questioned Costs:	Unknown
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 Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2021-027***
Page Number (from schedule):	224 - 225
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Managed Care Financial Audits (PASSE and Dental)
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrective action has not been taken. Similar deficiencies are reported in current-year finding **2022-025**.

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2021-028***
Page Number (from schedule):	226 - 227
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Managed Care Financial Audits (PASSE and Dental)
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
Prior Audit Finding Number:	***2021-029***
Page Number (from schedule):	228 - 230
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:	$11,824
Status of Questioned Costs:	Outstanding
Status of Finding:	Corrective action has not been taken. Similar deficiencies are reported in current-year finding **2022-029**.

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program
Prior Audit Finding Number:	***2021-030***
Page Number (from schedule):	231 - 233
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:	Corrective action has not been taken. Similar deficiencies are reported in current-year finding **2022-030**.

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2021-031***
Page Number (from schedule):	234 - 236
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 Waiver)
Questioned Costs:	Not calculated
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2021-032***
Page Number (from schedule):	237 - 239
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Activities Allowed or Unallowed – Provider Eligibility (Fee-for-Service)
Questioned Costs:	$71,614
Status of Questioned Costs:	Outstanding
Status of Finding:	Corrective action has not been taken. Similar deficiencies are reported in current-year finding **2022-034**.

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State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2021-033***
Page Number (from schedule):	240 - 242
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:	Corrective action has not been taken. Similar deficiencies are reported in current-year finding **2022-035**.

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2021-034***
Page Number (from schedule):	243 - 244
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Special Tests and Provisions – Medicaid Fraud Control Unit
Questioned Costs:	$878,035
Status of Questioned Costs:	Outstanding
Status of Finding:	Partial corrective action taken. Similar deficiencies are reported in current-year finding **2022-036**.

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)
Prior Audit Finding Number:	***2021-035***
Page Number (from schedule):	245 - 246
Federal Awarding Agency:	Federal Emergency Management Agency (FEMA)
Compliance Area Affected:	Activities Allowed or Unallowed; Eligibility
Questioned Costs:	$2,100
Status of Questioned Costs:	Recoupment not required. FEMA stated it is relying on the Single Audit report as to allowability.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)
Prior Audit Finding Number:	***2021-036***
Page Number (from schedule):	247 - 248
Federal Awarding Agency:	Federal Emergency Management Agency (FEMA)
Compliance Area Affected:	Activities Allowed or Unallowed; Eligibility
Questioned Costs:	$44,100
Status of Questioned Costs:	Recoupment not required. FEMA stated it is relying on the Single Audit report as to allowability.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)
Prior Audit Finding Number:	***2021-037***
Page Number (from schedule):	249 - 250
Federal Awarding Agency:	Federal Emergency Management Agency (FEMA)
Compliance Area Affected:	Activities Allowed or Unallowed; Eligibility
Questioned Costs:	$524,400
Status of Questioned Costs:	Recoupment not required. FEMA stated it is relying on the Single Audit report as to allowability.
Status of Finding:	The Agency identified additional fraudulent claims for the year ended June 30, 2022. See current-year finding **2022-038**.

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)
Prior Audit Finding Number:	***2021-038***
Page Number (from schedule):	251 - 252
Federal Awarding Agency:	Federal Emergency Management Agency (FEMA)
Compliance Area Affected:	Activities Allowed or Unallowed; Eligibility
Questioned Costs:	$114,000
Status of Questioned Costs:	Recoupment not required. FEMA stated it is relying on the Single Audit report as to allowability.
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)
Prior Audit Finding Number:	***2021-039***
Page Number (from schedule):	253 - 254
Federal Awarding Agency:	Federal Emergency Management Agency (FEMA)
Compliance Area Affected:	Matching, Level of Effort, Earmarking
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	COVID-19: Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (Supplemental Payments for Lost Wages)
Prior Audit Finding Number:	***2021-040***
Page Number (from schedule):	255 - 256
Federal Awarding Agency:	Federal Emergency Management Agency (FEMA)
Compliance Area Affected:	Reporting
Questioned Costs:	None
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrected

State/Educational Agency:	University of Arkansas for Medical Sciences
Federal Program Name:	Research and Development Cluster
Prior Audit Finding Number:	***2021-041***
Page Number (from schedule):	299 - 300
Federal Awarding Agency:	Various
Compliance Area Affected:	Cash Management
Questioned Costs:	Not determinable
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrective action has not been taken. Similar deficiencies are reported in current-year finding **2022-040**.

State/Educational Agency:	Arkansas Department of Commerce – Division of Workforce Services
Federal Program Name:	Unemployment Insurance
Prior Audit Finding Number:	***2020-002***
Page Number (from schedule):	257 - 258
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:	Corrected

State/Educational Agency:	Southern Arkansas University
Federal Program Name:	Student Financial Assistance Cluster
Prior Audit Finding Number:	***2020-008***
Page Number (from schedule):	261
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

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Children's Health Insurance Program Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2020-017***
Page Number (from schedule):	273 - 274
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Matching, Level of Effort, Earmarking
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrective action is in progress. Similar deficiencies are reported in current-year finding **2022-024.** This issue was carried forward from our June 30, 2019, report (**2019-017**).

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2020-025***
Page Number (from schedule):	282 - 283
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:	Corrected

State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2019-017***
Page Number (from schedule):	290 - 291
Federal Awarding Agency:	U.S. Department of Health and Human Services
Compliance Area Affected:	Matching, Level of Effort, Earmarking
Questioned Costs:	Unknown
Status of Questioned Costs:	Not applicable
Status of Finding:	Corrective action is n progress. Similar deficiencies are reported in current-year finding **2022-024**.

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State/Educational Agency:	Arkansas Department of Human Services
Federal Program Name:	Medical Assistance Program (Medicaid Cluster)
Prior Audit Finding Number:	***2019-019***
Page Number (from schedule):	294 - 295
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:	Corrected