

Single Audit Report

***For the Year Ended
June 30, 2005***



STATE OF ARKANSAS
SINGLE AUDIT REPORT
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INDEPENDENT AUDITORS' REPORTS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Lavery
Senate Co-Vice Chair
Rep. Sandra Prater
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

The Honorable Mike Huckabee, Governor
and Members of the Legislative Joint Auditing Committee
State of Arkansas:

We have audited the financial statements of 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, 2005, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 22, 2005. We did not audit the financial statements of the discretely presented component units, which represent 100% of the assets and revenues of the aggregate discretely presented component units opinion unit. We did not audit the financial statements of the University of Arkansas for Medical Sciences, a portion of the Higher Education Fund, which represent 16% of the assets and 34% of the revenues of the business-type activities opinion unit and 20% of the assets and 53% of the revenues of the Higher Education major enterprise fund opinion unit. We did not audit the financial statements of the Construction Assistance Revolving Loan Fund or the Other Revolving Loan Funds (non-major enterprise funds), which on a combined basis represent 7% of the assets and less than 1% of the revenues of the business-type activities opinion unit and 2% of the assets and less than 1% of the revenues of the aggregate remaining fund information opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned entities, are based on the reports of the other auditors. We conducted our audit 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. The financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. (discretely presented component units) were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items FS-05-01 through FS-05-07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items FS-05-01 and FS-05-02 to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Governor, the Legislative Joint Auditing Committee, state executive and oversight management, agency management, federal awarding agencies, pass-through entities and other parties as required by Arkansas Code and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated §10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT



Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
December 22, 2005

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverdy
Senate Co-Vice Chair
Rep. Sandra Prater
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

Report On Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133

The Honorable Mike Huckabee, Governor,
and Members of the Legislative Joint Auditing Committee
State of Arkansas:

Compliance

We have audited the compliance of the State of Arkansas (the "State") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The State's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit. We did not audit compliance with those requirements by certain entities of the State of Arkansas as identified in the Notes to Schedule of Expenditures of Federal Awards Note 1. (a). Compliance with the requirements by these entities was tested by other auditors whose report has been furnished to us. Our report, insofar as it relates to compliance with the requirements referred to previously by these entities, is based solely on the report of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

As identified below and described in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

<u>State/Educational Agency</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Department of Human Services	CFDA 93.558 - Temporary Assistance for Needy Families	Cash Management Eligibility	05-710-06 05-710-07
	CFDA 93.778 - Medical Assistance Program	Eligibility	05-710-19

In our opinion, except for the noncompliance described in the preceding paragraph, based on our audit and the reports of other auditors, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures, and the reports of other auditors, also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs (pages 41 through 65).

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. We did not consider the internal control over compliance with the requirements of the federal award programs administered by certain entities of the State of Arkansas as identified in the Notes to Schedule of Expenditures of Federal Awards, Note 1. (a). The internal control over federal program requirements for these entities was considered by other auditors whose report has been furnished to us. Our report insofar as it relates to the internal control used in administering federal award programs for these entities, is based solely on the report of the other auditors.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs (pages 41 through 65).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item(s) 05-710-06, 05-710-07 and 05-710-19 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the accompanying 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, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 22, 2005. We did not audit the financial statements of the discretely presented component units, which represent 100% of the assets and revenues of the aggregate discretely presented component units opinion unit. We did not audit the financial statements of the University of Arkansas for Medical Sciences, a portion of the Higher Education Fund, which represent 16% of the assets and 34% of the revenues of the business-type activities opinion unit and 20% of the assets and 53% of the revenues of the Higher Education major enterprise fund opinion unit. We did not audit the financial statements of the Construction Assistance Revolving Loan Fund or the Other Revolving Loan Funds (non-major enterprise funds), which on a combined basis represent and 7% of the assets and less than 1% of the revenues of the of the business-type activities opinion unit and 2% of the assets and less than 1% of the revenues of the aggregate remaining fund information opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned entities, are based on the reports of the other auditors. We conducted our audit 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We did not audit the federal financial assistance of certain entities of the State of Arkansas included in the accompanying Schedule of Expenditures of Federal Awards as identified in the Notes to Schedule of Expenditures of Federal Awards Note 1. (a). The Schedules of Expenditures of Federal Awards, related to those entities, were audited by other auditors whose reports have been furnished to us. This report, insofar as it relates to those entities, is based solely on the reports of other auditors.

This report is intended solely for the information and use of the Governor, Legislative Joint Auditing Committee, state executive and oversight management, agency management, federal awarding agencies, pass-through entities and other parties as required by Arkansas Code and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated §10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

LEGISLATIVE JOINT AUDITING COMMITTEE



Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
February 1, 2006, except for the
Schedule of Expenditures of Federal
Awards, dated December 22, 2005



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005

STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
FOOD STAMP CLUSTER			
United States Department of Agriculture			
Food Stamps	10.551	\$ 388,863,558	
State Administrative Matching Grants for Food Stamp Program	10.561	22,559,924	
Total United States Department of Agriculture		411,423,482	
Total FOOD STAMP CLUSTER		411,423,482	
CHILD NUTRITION CLUSTER			
United States Department of Agriculture			
School Breakfast Program	10.553	892,090	
National School Lunch Program	10.555	107,788,540	\$ 105,983,901
Special Milk Program for Children	10.556	35,133	
Summer Food Service Program for Children	10.559	2,098,067	
Total United States Department of Agriculture		110,813,830	105,983,901
Total CHILD NUTRITION CLUSTER		110,813,830	105,983,901
EMERGENCY FOOD ASSISTANCE CLUSTER			
United States Department of Agriculture			
Emergency Food Assistance Program (Administrative Costs)	10.568	644,362	
Emergency Food Assistance Program (Food Commodities)	10.569	3,276,993	3,233,901
Total United States Department of Agriculture		3,921,355	3,233,901
Total EMERGENCY FOOD ASSISTANCE CLUSTER		3,921,355	3,233,901
SCHOOLS AND ROADS CLUSTER			
United States Department of Agriculture			
Schools and Roads Grants to States	10.665	10,305,118	10,305,118
Total United States Department of Agriculture		10,305,118	10,305,118
Total SCHOOLS AND ROADS CLUSTER		10,305,118	10,305,118
PUBLIC WORKS AND ECONOMIC DEVELOPMENT CLUSTER			
United States Department of Commerce			
Grants for Public Works and Economic Development Facilities	11.300	145,000	
Economic Adjustment Assistance	11.307	407,965	
Total United States Department of Commerce		552,965	
Total PUBLIC WORKS AND ECONOMIC DEVELOPMENT CLUSTER		552,965	
SECTION 8 PROJECT-BASED CLUSTER			
United States Department of Housing and Urban Development			
Section 8 Housing Assistance Payments Program Special Allocations	14.195	5,393,522	5,101,858
Total United States Department of Housing and Urban Development		5,393,522	5,101,858
Total SECTION 8 PROJECT-BASED CLUSTER		5,393,522	5,101,858
FISH AND WILDLIFE CLUSTER			
United States Department of the Interior			
Sport Fish Restoration	15.605	6,054,996	
Wildlife Restoration	15.611	6,282,797	
Total United States Department of the Interior		12,337,793	
Total FISH AND WILDLIFE CLUSTER		12,337,793	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
EMPLOYMENT SERVICES CLUSTER			
United States Department of Labor			
Employment Service	17.207	\$ 7,161,103	
Disabled Veterans' Outreach Program (DVOP)	17.801	661,880	
Local Veterans' Employment Representative Program	17.804	780,085	
Total United States Department of Labor		8,603,068	
Total EMPLOYMENT SERVICES CLUSTER		8,603,068	
NATIONAL FARMWORKER JOBS PROGRAM			
United States Department of Labor			
Migrant and Seasonal Farmworkers	17.247	334,955	
Total United States Department of Labor		334,955	
Total NATIONAL FARMWORKER JOBS PROGRAM		334,955	
NATIVE AMERICAN EMPLOYMENT AND TRAINING			
United States Department of Labor			
Native American Employment and Training Programs	17.251	2,677	
Total United States Department of Labor		2,677	
Total NATIVE AMERICAN EMPLOYMENT AND TRAINING		2,677	
WIA CLUSTER			
United States Department of Labor			
WIA Youth Activities			
Pass-Through from Arkansas Employment	17.259	693,231	
Pass-Through from South Arkansas Economic Development	17.259	54,767	
Pass-Through from Workforce Investment Board of Eastern Arkansas	17.259	207,258	
WIA Dislocated Workers	17.260	30,381,710	
Total United States Department of Labor		31,336,966	
Total WIA CLUSTER		31,336,966	
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
United States Department of Transportation			
Highway Planning and Construction	20.205	411,127,645	\$ 1,374,252
Total United States Department of Transportation		411,127,645	1,374,252
Total HIGHWAY PLANNING AND CONSTRUCTION CLUSTER		411,127,645	1,374,252
FEDERAL TRANSIT CLUSTER			
United States Department of Transportation			
Federal Transit Capital Investment Grants	20.500	3,858,046	3,356,348
Federal Transit Formula Grants	20.507	790,608	
Total United States Department of Transportation		4,648,654	3,356,348
Total FEDERAL TRANSIT CLUSTER		4,648,654	3,356,348

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
HIGHWAY SAFETY CLUSTER			
United States Department of Transportation			
State and Community Highway Safety	20.600	\$ 1,968,305	\$ 1,280,805
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	381,136	381,136
Federal Highway Safety Data Improvements Incentive Grants	20.603	58,485	
Safety Incentive Grants for Use of Seatbelts	20.604	790,320	108,087
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	266,888	21,087
Total United States Department of Transportation		<u>3,465,134</u>	<u>1,791,115</u>
Total HIGHWAY SAFETY CLUSTER		<u>3,465,134</u>	<u>1,791,115</u>
SPECIAL EDUCATION CLUSTER			
United States Department of Education			
Special Education_Grants to States	84.027	100,873,993	98,615,472
Special Education_Preschool Grants	84.173	5,534,832	5,171,697
Total United States Department of Education		<u>106,408,825</u>	<u>103,787,169</u>
Total SPECIAL EDUCATION CLUSTER		<u>106,408,825</u>	<u>103,787,169</u>
TRIO CLUSTER			
United States Department of Education			
TRIO_Student Support Services	84.042	5,706,088	
TRIO_Talent Search	84.044	2,621,008	
TRIO_Upward Bound	84.047	4,876,453	
TRIO_Educational Opportunity Centers	84.066	1,588,032	
TRIO_McNair Post-Baccalaureate Achievement	84.217	791,123	
Total United States Department of Education		<u>15,582,704</u>	
Total TRIO CLUSTER		<u>15,582,704</u>	
AGING CLUSTER			
United States Department of Health and Human Services			
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	3,803,521	2,112,521
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	5,837,585	5,572,133
Nutrition Services Incentive Program	93.053	1,953,227	1,953,227
Total United States Department of Health and Human Services		<u>11,594,333</u>	<u>9,637,881</u>
Total AGING CLUSTER		<u>11,594,333</u>	<u>9,637,881</u>
CCDF CLUSTER			
United States Department of Health and Human Services			
Child Care and Development Block Grant	93.575	34,733,333	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	21,281,251	
Total United States Department of Health and Human Services		<u>56,014,584</u>	
Total CCDF CLUSTER		<u>56,014,584</u>	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
MEDICAID CLUSTER			
United States Department of Health and Human Services			
State Medicaid Fraud Control Units	93.775	\$ 1,154,227	
State Survey and Certification of Health Care Providers and Suppliers	93.777	5,153,312	
Medical Assistance Program	93.778	2,235,235,495	
Total United States Department of Health and Human Services		2,241,543,034	
Total MEDICAID CLUSTER		2,241,543,034	
FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER			
Corporation for National and Community Service			
Foster Grandparent Program	94.011	386,209	\$ 294,709
Total Corporation for National and Community Service		386,209	294,709
Total FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER		386,209	294,709
DISABILITY INSURANCE/SSI CLUSTER			
Social Security Administration			
Social Security_Disability Insurance	96.001	21,158,754	
Supplemental Security Income	96.006	185,935	
Total Social Security Administration		21,344,689	
Total DISABILITY INSURANCE/SSI CLUSTER		21,344,689	
RESEARCH AND DEVELOPMENT CLUSTER			
United States Department of Agriculture			
Agricultural Research_Basic and Applied Research	10.001	731,272	
Pass-Through from Mississippi State University	10.001	10,000	
Plant and Animal Disease, Pest Control, and Animal Care	10.025	27,179	
Grants for Agricultural Research, Special Research Grants	10.200	3,061,283	80,234
Pass-Through from Arkansas Land and Development	10.200	6,734	
Pass-Through from Cornell University	10.200	17,060	
Pass-Through from Iowa State University	10.200	4,897	
Pass-Through from Louisiana State University	10.200	2,419	
Pass-Through from Mississippi State University	10.200	28,084	
Pass-Through from National Center for Appropriate Technology	10.200	2,174	
Pass-Through from Oklahoma State University	10.200	19,847	
Pass-Through from University of Florida	10.200	25,166	
Pass-Through from University of Georgia	10.200	130,223	
Pass-Through from University of Illinois	10.200	15,483	
Pass-Through from Virginia State University	10.200	25,084	
Cooperative Forestry Research	10.202	601,852	
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	3,225,892	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	1,656,167	
Grants for Agricultural Research_Competitive Research Grants	10.206	1,293,502	505,528
Animal Health and Disease Research	10.207	73,220	
Small Business Innovation Research	10.212	2,323	
1890 Institution Capacity Building Grants	10.216	336,558	18,252
Higher Education Challenge Grants	10.217	135,056	61,944
Biotechnology Risk Assessment Research	10.219	12,482	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (continued)			
United States Department of Agriculture (continued)			
Initiative for Future Agriculture and Food Systems	10.302	\$ 654,820	\$ 276,053
Pass-Through from Alabama A&M University	10.302	145,096	
Pass-Through from Kentucky State University	10.302	25,295	
Pass-Through from University of Georgia	10.302	23,932	
Integrated Programs	10.303	744,265	124,050
Pass-Through from Mississippi State University	10.303	25,539	
Pass-Through from University of California, Davis	10.303	612	
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	186,965	
Direct Housing_Natural Disaster	10.445	2,220	
Crop Insurance	10.450	180,722	33,143
Pass-Through from Mississippi State University	10.450	118,920	
Community Outreach and Assistance Partnership Program	10.455	32,713	550
Meat, Poultry, and Egg Products Inspection	10.477	678	
Cooperative Extension Service	10.500	3,578,032	3,848
Pass-Through from Texas A & M University	10.500	89	
Forestry Research	10.652	232,621	
National Agricultural Library	10.700	642,427	121,839
Rural Business Enterprise Grants	10.769	168,706	
Distance Learning and Telemedicine Loans and Grants	10.855	54,790	
Resource Conservation and Development	10.901	28,474	
Soil and Water Conservation	10.902	13,357	
Pass-Through from Louisiana State University	10.902	34,787	14,357
Soil Survey	10.903	6,705	
Environmental Quality Incentives Program	10.912	44,000	
Technical Agricultural Assistance	10.960	18,362	
Scientific Cooperation and Research	10.961	21,229	
International Training_Foreign Participant			
Pass-Through from Oregon State University	10.962	90,885	2,100
Pass-Through from US Agency International Development	10.962	14,660	
Other Department of Agriculture Research	N/A	1,353,175	
Pass-Through from International Rice Research Institute	N/A	14,684	
Pass-Through from Iowa State University	N/A	3,315	
Total United States Department of Agriculture		<u>19,906,032</u>	<u>1,241,898</u>
United States Department of Commerce			
Economic Adjustment Assistance			
Pass-Through from University of Texas, San Antonio	11.307	14,818	
Other Department of Commerce Research	N/A	9,500	
Total United States Department of Commerce		<u>24,318</u>	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (continued)			
United States Department of Defense			
Collaborative Research and Development			
Pass-Through from Florida State University	12.114	\$ 21,920	
Basic and Applied Scientific Research	12.300	352,905	
Pass-Through from College of William and Mary	12.300	77,053	
Pass-Through from Oklahoma State University	12.300	147,616	
Military Medical Research and Development	12.420	623,576	
Pass-Through from New York University	12.420	9,588	
Basic, Applied, and Advanced Research in Science and Engineering	12.630	147,474	
Pass-Through from University of North Dakota	12.630	24,803	
Air Force Defense Research Sciences Program	12.800	53,100	
Pass-Through from International Technology Center	12.800	326,753	
Research and Technology Development	12.910	480,142	\$ 318,476
Other Department of Defense Research	N/A	1,932,582	
Pass-Through from CALSPAN UB Research Center, Inc.	N/A	20,000	
Pass-Through from Irvine Sensors Corporation	N/A	113,716	
Pass-Through from Lopez Garcia Group	N/A	19,318	
Pass-Through from Nanomaterials and Nanofabrication Laboratories	N/A	70,398	
Pass-Through from Northrop-Grumman	N/A	406,781	19,460
Pass-Through from Q-Flex, Inc.	N/A	37,085	
Pass-Through from Rutgers University	N/A	12,937	
Pass-Through from Sierra Nevada Corporation	N/A	18,541	
Pass-Through from Space Photonics, Inc.	N/A	33,799	
Pass-Through from Systran Federal Corporation	N/A	89	
Pass-Through from Universal Technology Corporation	N/A	3,114	
Pass-Through from University of Central Florida	N/A	176,644	
Pass-Through from University of Hawaii	N/A	82,403	
Pass-Through from University of South Carolina	N/A	77,017	
Pass-Through from University of Tulsa	N/A	2,492	
Total United States Department of Defense		<u>5,271,846</u>	<u>337,936</u>
United States Department of the Interior			
Cooperative Endangered Species Conservation Fund	15.615	6,688	
Multi-State Conservation Grants	15.628	53,323	
Conservation Grants Private Stewardship for Imperiled Species	15.632	55,183	
Assistance to State Water Resources Research Institutes	15.805	5,604	
Earthquake Hazards Reduction Program	15.807	69,781	
U.S. Geological Survey_Research and Data Collection	15.808	66,472	
National Spatial Data Infrastructure Cooperative Agreements Program	15.809	65,772	
National Cooperative Geologic Mapping Program	15.810	12,400	
Other Department of the Interior Research	N/A	381,875	5,105
Pass-Through from American View, Inc.	N/A	75,313	
Pass-Through from Louisiana Department of Wildlife	N/A	27,566	
Total United States Department of the Interior		<u>819,977</u>	<u>5,105</u>

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (continued)			
United States Department of Justice			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	\$ 176,876	\$ 88,992
Public Safety Partnership and Community Policing Grants	16.710	40,639	
Other Department of Justice Research	N/A	81,796	
Pass-Through from Oklahoma City National Memorial Institute for the Prevention of Terrorism	N/A	233,890	57,778
Total United States Department of Justice		<u>533,201</u>	<u>146,770</u>
United States Department of Transportation			
University Transportation Centers Program	20.701	805,716	80,146
Other Department of Transportation Research	N/A	73,841	
Total United States Department of Transportation		<u>879,557</u>	<u>80,146</u>
National Aeronautics and Space Administration			
Aerospace Education Services Program	43.001	6,806	
Pass-Through from Arkansas Space Grant Consortium	43.001	44,295	
Technology Transfer	43.002	24,032	
Other National Aeronautics and Space Administration Research	N/A	381,018	
Pass-Through from Arkansas Space Grant Consortium	N/A	10,131	
Pass-Through from Baylor College of Medicine	N/A	48,580	
Pass-Through from Nanopower Technologies, Inc.	N/A	672	
Total National Aeronautics and Space Administration		<u>515,534</u>	
National Foundation on the Arts and the Humanities			
Promotion of the Humanities Research	45.161	73,761	21,524
Total National Foundation on Arts and the Humanities		<u>73,761</u>	<u>21,524</u>
National Science Foundation			
Engineering Grants	47.041	1,830,743	59,432
Pass-Through from NN Labs	47.041	19,122	
Mathematical and Physical Sciences	47.049	1,521,587	
Geosciences	47.050	402,019	
Computer and Information Science and Engineering	47.070	467,863	110,834
Pass-Through from University of Pennsylvania	47.070	17,402	
Biological Sciences	47.074	2,088,674	152,986
Pass-Through from Johns Hopkins University	47.074	8,120	
Social, Behavioral, and Economic Sciences	47.075	291,433	
Pass-Through from Florida Atlantic University	47.075	8	
Education and Human Resources	47.076	1,853,794	508,123
Pass-Through from Mathematical Association of America	47.076	75,255	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (continued)			
National Science Foundation (continued)			
Other National Science Foundation Research	N/A	\$ 258,111	\$ 71,392
Pass-Through from American Association for the Advancement of Science	N/A	995	
Pass-Through from American Sociological Association	N/A	279	
Pass-Through from Educause	N/A	45,415	
Pass-Through from Mathematical Association of America	N/A	22,189	
Pass-Through from Nanomaterials and Nanofabrication Laboratories	N/A	39,512	
Pass-Through from Northeastern University	N/A	10,838	
Pass-Through from University of Oklahoma	N/A	439,882	
Pass-Through from University of Southern California	N/A	10,000	
Total National Science Foundation		<u>9,403,241</u>	<u>902,767</u>
Department of Veterans Affairs			
Other Department of Veterans Affairs Research	64.000	55,730	
Total Department of Veterans Affairs		<u>55,730</u>	
Environmental Protection Agency			
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	226,167	
Environmental Protection Consolidated Research	66.500	41,096	
Pass-Through from Oklahoma State University	66.500	2,822	
Pass-Through from University of Tulsa	66.500	127,394	
Office of Research and Development Consolidated Research/Training	66.511	36,312	
Surveys, Studies, Investigations and Special Purpose Grants	66.606	76,442	
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach	66.716	18,549	
Other Environmental Protection Agency Research	N/A	79,863	
Pass-Through from Parsons Engineering	N/A	7,393	
Pass-Through from Pawnee Nation of Oklahoma	N/A	4,000	
Pass-Through from University of Tulsa	N/A	3,133	
Total Environmental Protection Agency		<u>623,171</u>	
United States Department of Energy			
Office of Science Financial Assistance Program	81.049	217,984	
Office of Scientific and Technical Information	81.064	58,768	
Other Department of Energy Research	N/A	116,485	
Pass-Through from Bioengineering Resources, Inc.	N/A	17,847	
Pass-Through from Ames Laboratory	N/A	19,774	
Pass-Through from Georgia Institute of Technology	N/A	27,351	
Pass-Through from Gas Technology Institute	N/A	119,452	
Pass-Through from National Renewable Energy Laboratory	N/A	74,628	
Pass-Through from University of Tulsa	N/A	35,002	
Total United States Department of Energy		<u>687,291</u>	

**STATE OF ARKANSAS
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FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (continued)			
United States Department of Education			
TRIO_Upward Bound	84.047	\$ 365,035	
Fund for the Improvement of Postsecondary Education	84.116	572,771	
National Institute on Disability and Rehabilitation Research	84.133	684,942	
Eisenhower Professional Development State Grants	84.281		
Education Research, Development and Dissemination	84.305	1,058	
Improving Teacher Quality State Grants	84.367	14,448	
Other Department of Education Research			
Pass-Through from Fairland Public Schools	N/A	1,252	
Total United States Department of Education		<u>1,639,506</u>	
United States Department of Health and Human Services			
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	30,818	\$ 1,788
Biological Response to Environmental Health Hazards	93.113	404,082	
Applied Toxicological Research and Testing	93.114	67,018	
Human Genome Research	93.172	132,176	
Research Related to Deafness and Communication Disorders	93.173	232,521	45,120
Pass-Through from University of Illinois	93.173	15,030	
Research on Healthcare Costs, Quality and Outcomes	93.226	26,363	
Mental Health Research Grants	93.242	506,095	
Pass-Through from University of Washington	93.242	15,071	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance			
Pass-through from University of Alabama at Birmingham	93.243	10,291	
Poison Control Stabilization and Enhancement Grants	93.253	107,488	
Alcohol Research Programs	93.273	458,320	
Pass-Through from University of Alabama at Birmingham	93.273	88,395	
Pass-Through from University of Miami	93.273	48,432	
Drug Abuse and Addiction Research Programs	93.279	4,823,853	1,107,101
Pass-Through from Inflexion Therapeutics	93.279	91,512	
Mental Health Research Career/Scientist Development Awards	93.281	172,097	613
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	378,859	
Pass-Through from University of Alabama at Birmingham	93.283	78	
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	931,603	240,936
Pass-Through from Wake Forest University	93.286	86,900	
Nursing Research	93.361	715,554	24,074
Pass-Through from University of Michigan	93.361	11,656	
National Center for Research Resources	93.389	8,184,283	1,895,606
Cancer Cause and Prevention Research	93.393	372,963	
Pass-Through from University of California at San Francisco	93.393	14,107	
Cancer Detection and Diagnosis Research	93.394	612,090	93,099

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (continued)			
United States Department of Health and Human Services (continued)			
Cancer Treatment Research	93.395	\$ 5,064,870	\$ 220,400
Pass-Through from American College of Radiology	93.395	(311)	
Pass-Through from DCV Technologies	93.395	1,817	
Pass-Through from National Childhood Cancer Foundation	93.395	52,007	
Pass-Through from National Surgical Adjuvant Breast and Bowel Program	93.395	77,665	
Pass-Through from Southwest Oncology Group	93.395	58,335	
Pass-Through from University of Pennsylvania	93.395	229,501	
Cancer Biology Research	93.396	1,327,616	
Cancer Research Manpower	93.398	274,601	
Cancer Control	93.399	817,139	12,810
Pass-Through from University of California at San Francisco	93.399	8,422	
Medical Assistance Program			
Pass-Through from CMS	93.778	80,355	
Cell Biology and Biophysics Research	93.821	176,566	
Heart and Vascular Diseases Research	93.837	879,399	4,426
Pass-Through from CW Optics, Inc.	93.837	31,376	
Pass-Through from University of Texas Medical Branch at Galveston	93.837	45,475	
Lung Diseases Research	93.838	101,873	
Blood Diseases and Resources Research	93.839	466,219	
Pass-Through from University of Iowa	93.839	(43,504)	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	1,224,953	
Pass-Through from Brigham and Women	93.846	(5,051)	
Diabetes, Endocrinology and Metabolism Research	93.847	1,262,628	19,403
Pass-Through from University of Chicago	93.847	12,153	
Digestive Diseases and Nutrition Research	93.848	1,304,822	
Pass-Through from University of Vermont	93.848	2,695	
Kidney Diseases, Urology and Hematology Research	93.849	1,346,718	3,401
Pass-Through from Wake Forest University	93.849	25,066	
Pass-Through from University of California at San Francisco	93.849	37,784	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	4,881,447	307,699
Pass-Through from University of Alabama at Birmingham	93.853	18,150	
Pass-Through from Washington University	93.853	6,315	
Allergy, Immunology and Transplantation Research	93.855	109,826	
Pass-Through from Duke Clinical Research Institute	93.855	23,267	
Pass-Through from University of California at Los Angeles	93.855	11,450	
Microbiology and Infectious Diseases Research	93.856	4,043,617	697,569
Pass-Through from University of Medicine and Dentistry of New Jersey	93.856	81,160	
Pass-Through from University of Maryland	93.856	120,561	
Biomedical Research and Research Training	93.859	2,356,136	92,634
Child Health and Human Development Extramural Research	93.865	751,871	
Pass-Through from Arkansas Children's Hospital Research Institute	93.865	(3,257)	
Pass-Through from University of Alabama at Birmingham	93.865	17,703	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (continued)			
United States Department of Health and Human Services (continued)			
Aging Research	93.866	\$ 7,440,427	\$ 597,208
Pass-Through from Beth Israel Deaconess Medical Center	93.866	278,716	
Pass-Through from University of Washington	93.866	28,181	
Vision Research	93.867	654,382	23,211
Grants for Training in Primary Care Medicine and Dentistry	93.884	25,991	
Resource and Manpower Development in the Environmental Health Sciences	93.894	167,564	
Bioterrorism Training and Curriculum Development Program	93.996	1,342,770	150,728
Other Department of Health and Human Services Research	N/A	47,828	
Pass-Through from NN Labs	N/A	10,000	
Pass-Through from University of Tennessee	N/A	38,221	
Pass-Through from Cleveland Clinic Foundation	N/A	2,862	
Pass-Through from Tulane University	N/A	3,839	
Pass-Through from Association of University Centers on Disability	N/A	82,923	
Pass-Through from State University of New York	N/A	1,691	
Pass-Through from University of Michigan	N/A	34,316	
Pass-Through from University of Alabama at Birmingham	N/A	75,716	
Pass-Through from American College of Radiology	N/A	(20,079)	
Pass-Through from Case Western Reserve University	N/A	354,994	
Pass-Through from St. Luke's Hospital / Research Institute	N/A	(9,075)	
Total United States Department of Health and Human Services		<u>56,378,357</u>	<u>5,537,826</u>
United States Department of Homeland Security			
Other Department of Homeland Security Research	97.000	57,848	
Total United States Department of Homeland Security		<u>57,848</u>	
Miscellaneous			
Other Research	N/A	20,041	
Total Miscellaneous		<u>20,041</u>	
Total RESEARCH AND DEVELOPMENT CLUSTER		<u>96,889,411</u>	<u>8,273,972</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER			
United States Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007	3,577,594	
Federal Family Education Loans	84.032	315,080,885	
Federal Work-Study Program	84.033	5,525,702	60,000
Federal Perkins Loan Program_Federal Capital Contributions	84.038	42,384,869	
Federal Pell Grant Program	84.063	134,030,171	
Federal Direct Student Loans	84.268	375,482	
Total United States Department of Education		<u>500,974,703</u>	<u>60,000</u>

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER (continued)			
United States Department of Health and Human Services			
Health Professions Student Loans, Including Primary Care Loans/Loans			
for Disadvantaged Students	93.342	\$ 4,268,584	
Nursing Student Loans	93.364	274,313	
Scholarships for Health Professions Students from Disadvantaged			
Backgrounds	93.925	94,835	
Total United States Department of Health and Human Services		4,637,732	
Total STUDENT FINANCIAL ASSISTANCE CLUSTER		505,612,435	\$ 60,000
HOMELAND SECURITY CLUSTER			
United States Department of Homeland Security			
State Domestic Preparedness Equipment Support Program	97.004	16,656,033	16,211,085
Homeland Security Grant Program	97.067	1,255,154	490,232
Total United States Department of Homeland Security		17,911,187	16,701,317
Total HOMELAND SECURITY CLUSTER		17,911,187	16,701,317
United States Department of Agriculture			
Agricultural Research_Basic and Applied Research	10.001	82,261	
Pass-Through from Mid-Delta Community Consortium	10.001	9,405	
Plant and Animal Disease, Pest Control, and Animal Care	10.025	597,930	
Market Protection and Promotion	10.163	33,950	
Grants for Agricultural Research, Special Research Grants			
Pass-Through from North Carolina State University	10.200	22,808	13,287
Pass-Through from Sustainable Agriculture Research and Education	10.200	4,276	
Pass-Through from University of Georgia	10.200	26,623	
Grants for Agricultural Research_Competitive Research Grants	10.206	10,232	
Initiative for Future Agriculture and Food Systems	10.302	204,931	
Integrated Programs	10.303	106,179	
Pass-Through from University of Florida	10.303	4,035	
Homeland Security_Agricultural	10.304	48,274	
Pass-Through from University of Florida	10.304	4,952	
State Mediation Grants	10.435	101,834	101,834
Crop Insurance	10.450	39,954	
Cooperative Extension Service	10.500	5,369,312	
Pass-Through from Auburn University	10.500	30,353	
Pass-Through from Kansas State University	10.500	141,563	
Pass-Through from Mississippi State University	10.500	432	
Pass-Through from North Carolina State University	10.500	55,914	
Pass-Through from Texas A&M University	10.500	35,533	
Pass-Through from University of Tennessee	10.500	3,088	
Food Donation	10.550	11,286,275	11,286,275
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	51,963,048	
Child and Adult Care Food Program	10.558	25,175,207	
State Administrative Expenses for Child Nutrition	10.560	1,746,401	
WIC Farmers' Market Nutrition Program (FMNP)	10.572	213,672	

STATE OF ARKANSAS
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CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Agriculture (continued)			
Senior Farmers Market Nutrition Program	10.576	\$ 83,870	\$ 83,870
Forestry Research	10.652	142,038	
Pass-Through from Ouachita National Forest	10.652	1,768	
Cooperative Forestry Assistance	10.664	3,269,056	384,840
Rural Development, Forestry, and Communities	10.672	115,715	
Rural Cooperative Development Grants	10.771	8,473	
Empowerment Zones Program	10.772	464,461	464,460
Resource Conservation and Development			
Pass-Through from East Arkansas Resource Conservation and Development Council, Inc.	10.901	9,251	
Soil and Water Conservation	10.902	585,190	
Environmental Quality Incentives Program	10.912	31,894	
International Training_Foreign Participant	10.962	1,721	
Other Department of Agriculture	N/A	129,837	
Total United States Department of Agriculture		<u>102,161,716</u>	<u>12,334,566</u>
United States Department of Commerce			
Special American Business Internship Training Program	11.114	6,491	
Economic Development_Technical Assistance	11.303	224,281	
Public Telecommunications Facilities Planning and Construction	11.550	234,067	
Manufacturing Extension Partnership	11.611	780,810	317,404
Other Department of Commerce	N/A	3,585	
Total United States Department of Commerce		<u>1,249,234</u>	<u>317,404</u>
United States Department of Defense			
Procurement Technical Assistance For Business Firms	12.002	295,289	
Flood Control Projects	12.106	1,389,288	
Collaborative Research and Development	12.114	5,056	
Basic and Applied Scientific Research	12.300	106,183	96,042
Military Construction, National Guard	12.400	4,402,841	
National Guard Military Operations and Maintenance (O&M) Projects	12.401	30,577,234	
National Guard Civilian Youth Opportunities	12.404	1,519,618	
Basic Scientific Research	12.431	59,643	
Mathematical Sciences Grants Program	12.901	11,541	
Research and Technology Development	12.910	150,181	
Other Department of Defense	N/A	44,897	
Total United States Department of Defense		<u>38,561,771</u>	<u>96,042</u>
United States Department of Housing and Urban Development			
Community Development Block Grants/Technical Assistance Program	14.227	25,951	
Community Development Block Grants/State's Program	14.228	23,457,346	22,970,241
Emergency Shelter Grants Program	14.231	955,033	955,003
Shelter Plus Care	14.238	908,967	
HOME Investment Partnerships Program	14.239	8,178,643	7,452,935
Housing Opportunities for Persons with AIDS	14.241	179,614	179,614
Opportunities for Youth_Youthbuild Program	14.243	298,552	

**STATE OF ARKANSAS
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FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Housing and Urban Development (continued)			
Fair Housing Assistance Program_State and Local	14.401	\$ 83,516	
Community Outreach Partnership Center Program	14.511	86,612	
Historically Black Colleges and Universities Program	14.520	379,364	\$ 62,460
Other Department of Housing and Urban Development	N/A	40,241	
Total United States Department of Housing and Urban Development		<u>34,593,839</u>	<u>31,620,253</u>
United States Department of the Interior			
Indian Education_Higher Education Grant Program	15.114	41,860	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	152,195	
Abandoned Mine Land Reclamation (AMLR) Program	15.252	1,714,481	
Cooperative Endangered Species Conservation Fund	15.615	481,625	
Pass-Through from The Nature Conservancy	15.615	28,506	
Clean Vessel Act	15.616	66,650	
Sportfishing and Boating Safety Act	15.622	122,764	
Landowner Incentive	15.633	103,967	
State Wildlife Grants	15.634	758,947	
U.S. Geological Survey_Research and Data Collection	15.808	146,909	
Pass-Through from United States Geological Survey	15.808	21,395	
National Cooperative Geologic Mapping Program			
Pass-Through from United States Geological Survey	15.810	41,081	
Historic Preservation Fund Grants-In-Aid	15.904	669,566	100,609
Outdoor Recreation_Acquisition, Development and Planning	15.916	1,148,442	1,120,236
Other Department of the Interior	N/A	70,000	
Total United States Department of the Interior		<u>5,568,388</u>	<u>1,220,845</u>
United States Department of Justice			
Offender Reentry Program	16.202	293,423	
Sex Offender Management Discretionary Grant	16.203	7,777	
Juvenile Accountability Incentive Block Grants	16.523	1,441,288	1,209,562
Education and Training to End Violence Against and Abuse of Women with Disabilities	16.529	106,739	23,785
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	638,746	477,267
Missing Children's Assistance	16.543	292,271	
Victims of Child Abuse			
Pass-Through from National Court Appointed Special Advocate Association	16.547	48,020	
Title V_Delinquency Prevention Program	16.548	47,811	47,811
Part E_State Challenge Activities	16.549	22,917	17,693
State Justice Statistics Program for Statistical Analysis Centers	16.550	110,434	
National Criminal History Improvement Program (NCHIP)	16.554	637,609	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	170,320	8,971
Crime Laboratory Improvement_Combined Offender DNA Index System			
Backlog Reduction	16.564	198,527	
Crime Victim Assistance	16.575	2,262,260	2,106,787
Crime Victim Compensation	16.576	1,092,571	
Byrne Formula Grant Program	16.579	5,851,624	5,077,737

**STATE OF ARKANSAS
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FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Justice (continued)			
Edward Byrne Memorial State and Local Law Enforcement Assistance			
Discretionary Grants Program	16.580	\$ 814,707	
Drug Court Discretionary Grant Program	16.585	67,858	
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	1,005,926	\$ 680,653
Violence Against Women Formula Grants	16.588	1,470,941	1,206,778
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	74,428	
Local Law Enforcement Block Grants Program	16.592	809,679	357,976
Residential Substance Abuse Treatment for State Prisoners	16.593	440,908	440,908
Community Prosecution and Project Safe Neighborhoods	16.609	132,570	
Public Safety Partnership and Community Policing Grants	16.710	2,529,582	
Police Corps	16.712	559,553	
Enforcing Underage Drinking Laws Program	16.727	623,004	587,206
Federal Correctional Institution - Forrest City, AR - Vocational Training			
Contract	N/A	75,134	
Counterdrug Program	N/A	8,464	
Marijuana Eradication Program	N/A	412,040	
Other Department of Justice	N/A	994,351	
Total United States Department of Justice		<u>23,241,482</u>	<u>12,243,134</u>
United States Department of Labor			
Labor Force Statistics	17.002	879,810	
Compensation and Working Conditions	17.005	80,981	
Unemployment Insurance	17.225	38,406,307	
Senior Community Service Employment Program	17.235	1,263,843	1,219,242
Trade Adjustment Assistance_Workers	17.245	2,859,113	
Employment and Training Assistance_Dislocated Workers	17.246	9,615	
Employment Services and Job Training Pilots_Demonstrations and Research			
Pass-Through from Region Four Career Opportunities Partnership Council	17.249	11,774	
Job Training Partnership Act	17.250	22,880	
Workforce Investment Act	17.255	1,381,723	
Employment and Training Administration Pilots, Demonstrations, and Research			
Projects	17.261	29,369	
Pass-Through from Little Rock Workforce Investment Board	17.261	1,126,182	
Consultation Agreements	17.504	1,054,537	
Mine Health and Safety Grants	17.600	107,531	
Other Department of Labor	N/A	150,417	
Total United States Department of Labor		<u>47,384,082</u>	<u>1,219,242</u>
United States Department of State			
Cooperative Grants	19.420	1,000	
Other Department of State	N/A	1,995	
Pass-Through from American Council on Education	N/A	35,242	28,984
Total United States Department of State		<u>38,237</u>	<u>28,984</u>

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Transportation			
Airport Improvement Program	20.106	\$ 60,622	\$ 46,672
Highway Training and Education			
Pass-Through from South Carolina State University	20.215	37,287	
Motor Carrier Safety	20.217	70,505	
National Motor Carrier Safety	20.218	2,718,402	
Federal Transit_Metropolitan Planning Grants	20.505	1,538,325	1,120,050
Formula Grants for Other Than Urbanized Areas	20.509	4,650,203	4,368,366
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	1,040,434	1,153,484
Job Access_Reverse Commute	20.516	384,560	363,803
Alcohol Open Container Requirements	20.607	486,564	486,564
Pipeline Safety	20.700	252,044	
University Transportation Centers Program	20.701	7,978	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	160,939	26,145
Other Department of Transportation	N/A	95,848	39,096
Total United States Department of Transportation		<u>11,503,711</u>	<u>7,604,180</u>
United States Department of Treasury			
Low-Income Taxpayer Clinics	21.008	106,657	
Jobs Growth Tax Relief Reconciliation Act of 2003	21.999	61,268,430	
Total United States Department of Treasury		<u>61,375,087</u>	
General Services Administration			
Donation of Federal Surplus Personal Property	39.003	5,678,230	2,011,212
Election Reform Payments	39.011	2,454,153	
Total General Services Administration		<u>8,132,383</u>	<u>2,011,212</u>
National Aeronautics and Space Administration			
Aerospace Education Services Program	43.001	1,188,680	
Pass-Through from University of Alabama	43.001	3,758	
Other National Aeronautics and Space Administration			
Pass-Through from Arkansas Space Grant Consortium	N/A	12,879	
Total National Aeronautics and Space Administration		<u>1,205,317</u>	
National Foundation on the Arts and the Humanities			
Promotion of the Arts_Partnership Agreements	45.025	549,381	
Promotion of the Humanities_Federal/State Partnership	45.129	29,314	
Pass-Through from Arkansas Humanities Council	45.129	7,349	
Promotion of the Humanities_Division of Preservation and Access	45.149	2,956	
Pass-Through from Cornell University	45.149	967	
Promotion of the Humanities_Professional Development	45.163	87,019	
Museum for America Grants	45.301	2,727	
Conservation Assessment Program	45.304	990	
State Library Program	45.310	1,501,757	
Total National Foundation on the Arts and Humanities		<u>2,182,460</u>	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
National Science Foundation			
Engineering Grants	47.041	\$ 18,493	
Scientific Research Project Support	47.047	71,658	
Mathematical and Physical Sciences	47.049	167,988	
Geosciences	47.050	21,928	
Computer and Information Science and Engineering	47.070	143,716	
Biological Sciences	47.074	78,212	
Social, Behavioral, and Economic Sciences	47.075	22,602	
Education and Human Resources	47.076	1,738,090	\$ 56,000
Other National Science Foundation	N/A	177,501	
Pass-Through from American Physics Society	N/A	96,938	
Total National Science Foundation		<u>2,537,126</u>	<u>56,000</u>
Small Business Administration			
Small Business Development Center	59.037	950,148	
Total Small Business Administration		<u>950,148</u>	
Department of Veterans Affairs			
Grants to States for Construction of State Home Facilities	64.005	1,114,599	
Veterans State Domiciliary Care	64.014	172,535	
Veterans State Nursing Home Care	64.015	1,138,459	
All-Volunteer Force Educational Assistance	64.124	187,698	
Other Department of Veterans Affairs	N/A	10,009	
Total Department of Veterans Affairs		<u>2,623,300</u>	
Environmental Protection Agency			
Air Pollution Control Program Support	66.001	997,220	
Water Pollution Control State and Interstate Program Support	66.419	524,601	
State Public Water System Supervision	66.432	20,612	
State Underground Water Source Protection	66.433	17,962	
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	31,000	
Water Quality Management Planning	66.454	17,419	
Capitalization Grants for Clean Water State Revolving Funds	66.458	13,756,155	13,264,010
Nonpoint Source Implementation Grants	66.460	4,032,960	3,546,395
Regional Wetland Program Development Grants	66.461	346,174	136,150
Wastewater Operator Training Grant Program (Technical Assistance)	66.467	51,553	
Capitalization Grants for Drinking Water State Revolving Funds	66.468	24,285,835	20,460,641
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	100,930	
Water Protection Grants to the States	66.474	61,866	
Environmental Protection_Consolidated Research Pass-Through from Washington University of St. Louis	66.500	175,330	31,887
Science To Achieve Results (STAR) Program	66.509	1,184	
Surveys, Studies, Investigations and Special Purpose Grants within the Office of Research and Development	66.510	11,889	
Surveys, Studies, Investigations and Special Purpose Grants	66.606	584,640	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
Environmental Protection Agency (continued)			
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	\$ 254,493	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	117,775	
Pollution Prevention Grants Program	66.708	74,285	
Hazardous Waste Management State Program Support	66.801	903,922	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	1,268,400	
State and Tribal Underground Storage Tanks Program	66.804	164,299	
Leaking Underground Storage Tank Trust Fund Program	66.805	545,073	
State and Tribal Response Program Grants	66.817	51,100	
Other Environmental Protection Agency	N/A	4,342	
Pass-Through from Santee Sioux Nation	N/A	2,906	
Total Environmental Protection Agency		<u>48,403,925</u>	<u>\$ 37,439,083</u>
United States Department of Energy			
State Energy Program	81.041	633,243	159,786
Weatherization Assistance for Low-Income Persons	81.042	1,922,822	1,626,649
Office of Science Financial Assistance Program	81.049	16,587	
State Energy Program Special Projects	81.119	162,053	157,654
Nuclear Energy Research, Development and Demonstration			
Pass-Through from Lawrence Livermore National Lab	81.121	91,991	
Total United States Department of Energy		<u>2,826,696</u>	<u>1,944,089</u>
Federal Emergency Management Administration			
Assistance to Firefighters Grant	83.554	3,587	
Total Federal Emergency Management Administration		<u>3,587</u>	
United States Department of Education			
Adult Education_State Grant Program	84.002	6,417,073	5,797,747
Title I Grants to Local Educational Agencies	84.010	118,115,856	117,136,638
Migrant Education_State Grant Program	84.011	4,997,688	4,840,548
Title I Program for Neglected and Delinquent Children	84.013	273,691	272,335
Undergraduate International Studies and Foreign Language Programs	84.016	74,372	
Overseas_Group Projects Abroad	84.021	97,411	
Higher Education_Institutional Aid	84.031	4,615,040	
Vocational Education_Basic Grants to States	84.048	13,331,369	10,923,792
Leveraging Educational Assistance Partnership	84.069	204,696	204,696
Fund for the Improvement of Postsecondary Education	84.116	2,187,153	689,334
Pass-Through from University of Arkansas System - Clinton School	84.116	135,772	
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	34,293,825	57,042
Rehabilitation Long-Term Training	84.129	655,588	
National Institute on Disability and Rehabilitation Research	84.133	22,729	
Migrant Education_Coordination Program	84.144	7,316	
Migrant Education_College Assistance Migrant Program	84.149	243,329	
Business and International Education Projects	84.153	72,055	
Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind	84.160	165,620	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Education (continued)			
Independent Living_State Grants	84.169	\$ 345,688	
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	175,023	
Special Education_Grants for Infants and Families with Disabilities	84.181	4,007,991	
Safe and Drug-Free Schools and Communities_National Programs	84.184	840,506	\$ 840,506
Byrd Honors Scholarships	84.185	419,437	394,687
Safe and Drug-Free Schools and Communities_State Grants	84.186	4,061,418	3,903,982
Pass-Through from Russellville School District	84.186	86,805	5,795
Supported Employment Services for Individuals with Severe Disabilities	84.187	280,924	
Bilingual Education_Professional Development	84.195	245,539	
Education for Homeless Children and Youth	84.196	522,099	461,474
Javits Gifted and Talented Students Education Grant Program	84.206	214,918	212,569
Even Start_State Educational Agencies	84.213	2,005,441	1,927,983
Fund for the Improvement of Education	84.215	183,187	72,100
Assistive Technology	84.224	470,962	
Rehabilitation Services Demonstration and Training Programs	84.235	461,095	
Tech-Prep Education	84.243	1,272,512	1,213,811
Rehabilitation Training_Continuing Education	84.264	770,763	
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265	94,765	
Charter Schools	84.282	1,157,496	1,030,000
Comprehensive Centers	84.283	3,568	
Twenty-First Century Community Learning Centers	84.287	8,235,019	7,945,444
Pass-Through from Westside Consolidated School District	84.287	35,156	
Ready-To-Learn Television	84.295	74,775	
State Grants for Innovative Programs	84.298	2,743,721	2,636,520
Parental Assistance Centers			
Pass-Through from Jones Center for Families	84.310	325,231	
Even Start_Statewide Family Literacy Program	84.314	147	
Education Technology State Grants	84.318	6,642,391	6,484,694
Special Education - State Personnel Development	84.323	1,322,943	1,032,710
Research in Special Education	84.324	39,782	
Special Education_Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	317,716	
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	533,319	382,300
Advanced Placement Program	84.330	194,734	193,650
Grants to States for Incarcerated Youth Offenders	84.331	273,434	
Comprehensive School Reform Demonstration	84.332	2,171,070	2,048,731
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333	242,219	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	506,540	
Child Care Access Means Parents in School	84.335	86,578	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Education (continued)			
Reading Excellence	84.338	\$ 102,093	
Community Technology Centers	84.341	82,677	
Transition to Teaching	84.350	304,807	
Arts in Education	84.351	87	
Reading First State Grants	84.357	9,900,157	\$ 9,285,685
Rural Education	84.358	3,764,174	3,774,389
Voluntary Public School Choice	84.361	1,636,435	1,569,020
English Language Acquisition Grants	84.365	1,816,577	1,766,486
Mathematics and Science Partnerships	84.366	850,352	836,626
Improving Teacher Quality State Grants	84.367	30,224,119	29,849,119
Grants for State Assessments and Related Activities	84.369	4,578,321	
Other Department of Education	N/A	232,261	
Pass-Through from National Council on Independent Living	N/A	7,459	
Pass-Through from National Writing Project Corporation	N/A	27,673	
Pass-Through from Northwest Arkansas Education Service Cooperative	N/A	17,525	
Pass-Through from Rogers School District	N/A	10,000	
Pass-Through from Texas Department of Assistive and Rehab Services	N/A	19,015	
Total United States Department of Education		<u>280,849,227</u>	<u>217,790,413</u>
Delta Regional Authority			
Delta Regional Development	90.200	<u>273,221</u>	
Total Delta Regional Authority		<u>273,221</u>	
United States Department of Health and Human Services			
Public Health and Social Services Emergency Fund	93.003	3,657,259	2,391,690
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	55,308	
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	110,545	
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	205,418	
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	382,170	186,790
Alzheimer's Disease Demonstration Grants to States	93.051	91,492	90,565
National Family Caregiver Support	93.052	1,515,412	1,515,412
Model State-Supported Area Health Education Centers	93.107	511,441	
Maternal and Child Health Federal Consolidated Programs	93.110	683,817	169,017
Biometry and Risk Estimation Health Risks from Environmental Exposures Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.115	6,032	
	93.116	574,915	27,991
Nurse Anesthetist Traineeships	93.124	698	
Primary Care Services Resource Coordination and Development	93.130	164,488	
Injury Prevention and Control Research and State and Community Based Programs	93.136	599,093	453,651
Projects for Assistance in Transition from Homelessness (PATH)	93.150	302,663	302,663

**STATE OF ARKANSAS
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FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Health and Human Services (continued)			
Research Related to Deafness and Communication Disorders	93.173	\$ 24,288	
Nursing Workforce Diversity	93.178	229,801	
Disabilities Prevention	93.184	388,688	\$ 51,513
Health Education and Training Centers	93.189	227,316	8,500
Quentin N. Burdick Programs for Rural Interdisciplinary Training	93.192	240,770	4,148
Telehealth Network Grants	93.211	265,462	
Family Planning_Services	93.217	3,809,574	76,773
Consolidated Knowledge Development and Application (KD&A) Program			
Pass-Through from City of Little Rock	93.230	345	
Pass-Through from City of North Little Rock	93.230	128,754	
Pass-Through from Pulaski County Special School District	93.230	24,912	
Epidemiology Cooperative Agreements	93.231	258,904	
Abstinence Education Program	93.235	520,753	418,857
Policy Research and Evaluation Grants	93.239	488,769	151,054
Mental Health Research Grants	93.242	300,263	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	698,329	
Advanced Education Nursing Grant Program	93.247	162,876	
Universal Newborn Hearing Screening	93.251	78,104	
Healthy Community Access Program	93.252	311,635	
Poison Control Stabilization and Enhancement Grants	93.253	52,328	
State Planning Grants Health Care Access for the Uninsured	93.256	737,783	737,783
Rural Access to Emergency Devices Grant	93.259	21,218	
Occupational Safety and Health Program	93.262	34,227	
Nurse Faculty Loan Program (NFLP)	93.264	35,102	
Immunization Grants	93.268	17,486,623	12,668
Drug Abuse and Addiction Research Programs	93.279	317,763	
Mental Health National Research Service Awards for Research Training Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.282	43	
	93.283	16,769,591	365,654
Small Rural Hospital Improvement Grant Program	93.301	383,729	
Advanced Education Nursing Traineeships	93.358	114,183	
Nurse Education, Practice and Retention Grants	93.359	220,718	
Nursing Research	93.361	253,576	1,722
National Center for Research Resources	93.389	916,637	5,949
Cancer Treatment Research			
Pass-Through from Southwest Oncology Group	93.395	9,574	
Cancer Research Manpower	93.398	214,767	
Cancer Control			
Pass-Through from St. Louis University	93.399	36,862	
Promoting Safe and Stable Families	93.556	10,176,058	
Temporary Assistance for Needy Families	93.558	38,466,233	
Child Support Enforcement	93.563	27,440,046	
Refugee and Entrant Assistance_State Administered Programs	93.566	49,413	
Low-Income Home Energy Assistance	93.568	11,480,308	10,612,495

**STATE OF ARKANSAS
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FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Health and Human Services (continued)			
Community Services Block Grant	93.569	\$ 8,024,826	\$ 7,638,605
Community Services Block Grant_Discretionary Awards	93.570	108,197	
Pass-Through from National Youth Sports Corporation	93.570	75,542	
Pass-Through from National Youth Sports Program	93.570	80,862	
Community Services Block Grant Formula and Discretionary Awards Community			
Food and Nutrition Program	93.571	39,680	39,680
State Court Improvement Program	93.586	173,360	
Community-Based Child Abuse Prevention Grants	93.590	166,552	109,914
Grants to States for Access and Visitation Programs	93.597	108,346	
Chafee Education and Training Vouchers Program (ETV)	93.599	374,421	
Head Start	93.600	7,003,339	38,348
Adoption Incentive Payments	93.603	132,874	
Child Welfare Research and Demonstration	93.608	39,129	
Voting Access for Individuals with Disabilities_Grants to States	93.617	127,003	127,003
Developmental Disabilities Basic Support and Advocacy Grants	93.630	811,685	375,667
Pass-Through from Arkansas Governor's Developmental Disabilities Council	93.630	12,218	
Developmental Disabilities Projects of National Significance	93.631	63,252	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	455,369	
Children's Justice Grants to States	93.643	230,265	
Child Welfare Services_State Grants	93.645	3,331,218	
Adoption Opportunities	93.652	242,206	
Foster Care_Title IV-E	93.658	32,202,940	
Adoption Assistance	93.659	9,556,886	
Social Services Block Grant	93.667	13,823,179	
Child Abuse and Neglect State Grants	93.669	227,921	
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	1,006,309	941,170
Chafee Foster Care Independence Program	93.674	1,072,302	
State Children's Insurance Program	93.767	34,690,927	
Medicare_Supplementary Medical Insurance	93.774	12,235	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1,513,340	598,376
Health Careers Opportunity Program	93.822	216,986	
Microbiology and Infectious Diseases Research	93.856	49,940	
Biomedical Research and Research Training	93.859	66,207	
Child Health and Human Development Extramural Research	93.865	327,448	
Aging Research	93.866	50,662	
Medical Library Assistance	93.879	72,773	
Grants for Training in Primary Care Medicine and Dentistry	93.884	242,640	
Health Care and Other Facilities	93.887	91,664	
Rural Health Care Services Outreach and Rural Network Development Program	93.912	304,777	18,750
Pass-Through from Mid Delta Community Consortium	93.912	108,295	
Grants to States for Operation of Offices of Rural Health	93.913	126,624	
HIV Care Formula Grants	93.917	4,550,325	1,050,796
HIV Prevention Activities_Health Department Based	93.940	1,522,979	367,928

**STATE OF ARKANSAS
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CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Health and Human Services (continued)			
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	\$ 112,160	
Assistance Programs for Chronic Disease Prevention and Control	93.945	725,421	\$ 151,034
Block Grants for Community Mental Health Services	93.958	3,963,311	3,963,311
Block Grants for Prevention and Treatment of Substance Abuse	93.959	12,530,519	12,530,519
Pass-Through from City of Little Rock	93.959	77,494	
Health Administration Traineeships Program	93.962	20,940	
Geriatric Education Centers	93.969	444,784	141,268
Pass-Through from University of Oklahoma	93.969	(740)	
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	551,354	42,076
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	268,917	
Preventive Health and Health Services Block Grant	93.991	1,279,502	126,066
Maternal and Child Health Services Block Grant to the States	93.994	2,309,566	
Bioterrorism Training and Curriculum Development Program	93.996	175,661	
Other Department of Health and Human Services	N/A	717,059	
Pass-Through from Courtesy Associates	N/A	12,248	
Pass-Through from Dallas County, Texas	N/A	11,589	
Pass-Through from Missouri Foundation for Health	N/A	42,350	
Pass-Through from Ogilvy Public Relations	N/A	20,720	
Pass-Through from Prospect Associates, Ltd.	N/A	(1,061)	
Pass-Through from University of California, San Diego	N/A	122,077	54,023
Pass-Through from University of Kentucky	N/A	128,411	29,538
Pass-Through from Western Interstate Comm for Higher Education	N/A	44,635	
Total United States Department of Health and Human Services		<u>289,231,696</u>	<u>45,928,967</u>
Corporation for National and Community Service			
State Commissions	94.003	232,193	
Learn and Serve America_School and Community Based Programs	94.004	179,403	135,773
AmeriCorps	94.006	1,677,899	1,552,474
Planning and Program Development Grants	94.007	136,525	109,894
Training and Technical Assistance	94.009	208,087	
Pass-Through from University of Massachusetts at Boston	94.009	(174)	
Volunteers in Service to America	94.013	54	
Total Corporation for National and Community Service		<u>2,433,987</u>	<u>1,798,141</u>
Social Security Administration			
Other Social Security Administration	96.000	80,051	
Total Social Security Administration		<u>80,051</u>	
United States Department of Homeland Security			
Boating Safety Financial Assistance	97.012	718,756	
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	2,505,285	2,468,151
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	275,797	137,898
Flood Mitigation Assistance	97.029	9,339	9,300
Public Assistance Grants	97.036	6,104,717	5,980,607

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Homeland Security (continued)			
First Responder Counter-Terrorism Training Assistance	97.038	\$ 16,038	
Hazard Mitigation Grant	97.039	4,980,552	\$ 4,048,668
Chemical Stockpile Emergency Preparedness Program	97.040	15,321,743	16,187,550
National Dam Safety Program	97.041	41,419	
Emergency Management Performance Grants	97.042	927,820	561,036
State Fire Training Systems Grants	97.043	15,271	
Pre-Disaster Mitigation	97.047	27,815	3,000
State and Local All Hazards Emergency Operations Planning	97.051	2,444	
Emergency Operations Centers	97.052	2,622	
Community Emergency Response Teams	97.054	202,903	169,049
Competitive Training Grants	97.068	146,227	
Map Modernization Management Support	97.070	153,000	76,500
Other Department of Homeland Security	N/A	376,469	
Total United States Department of Homeland Security		<u>31,828,217</u>	<u>29,641,759</u>
Miscellaneous			
New Hires Registry	99.563	345,071	
Comprehensive School Health	N/A	12,234	
Corporation for Public Broadcasting	N/A	128,032	
Total Miscellaneous		<u>485,337</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 5,087,278,800</u>	<u>\$ 673,195,855</u>

STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

ENTITY/Program	CFDA Number	Expenditures
EMPLOYMENT SECURITY DEPARTMENT:		
Unemployment Insurance	17.225	\$ 38,406,307
Trade Adjustment Assistance_Workers	17.245	2,859,113
ARKANSAS DEVELOPMENT FINANCE AUTHORITY:		
Section 8 Housing Assistance Payments Program_		
Special Allocations	14.195	5,393,522
HOME Investment Partnerships Program	14.239	8,178,643
STATE OF ARKANSAS SAFE DRINKING WATER FUND:		
Capitalization Grants for Drinking Water		
State Revolving Funds	66.468	24,285,835
STATE OF ARKANSAS CONSTRUCTION ASSISTANCE		
REVOLVING LOAN FUND:		
Capitalization Grants for State Revolving Funds	66.458	13,756,155
SOCIAL SECURITY DISABILITY DETERMINATION:		
Social Security_Disability Insurance	96.001	21,418,215
ARKANSAS STUDENT LOAN AUTHORITY:		
Student Loan Interest Subsidy and Special Allowance	84.032	10,194,793
UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES:		
Research and Development Cluster	Various	55,959,051
Student Financial Aid Cluster	Various	30,025,243
Head Start	93.600	6,801,184

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

(b) Basis of Presentation

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

**STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

The Schedule presents both Type A and Type B federal assistance programs administered by the State of Arkansas. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and Type B federal financial assistance programs. For the State of Arkansas, Type A programs are those which exceed \$15,261,836 in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk-based approach outlined in OMB Circular A-133.

(c) Basis of Accounting

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

(2) Relationship to Federal Financial Reports

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

(3) Federally Funded Loan Programs

The balances of loans as of June 30, 2005 for which the federal government imposes continuing compliance requirements are as follows. The current year disbursements are included in the Schedule.

CFDA Number	Program Name	Amount
84.038	Federal Perkins Loan Program_Federal Contributions	\$ 37,681,512
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	4,275,487
93.364	Nursing Student Loans	274,313
	Total	<u>\$ 42,231,312</u>

The State also participates in the Federal Direct Loan Program (Direct) and the Federal Family Education Loans Program (FFELP) 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 FFELP. Loan guarantees are issued by the Arkansas

STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

(3) Federally Funded Loan Programs (Continued)

Guaranteed Student Loan Corporation and other for-profit and not-for-profit guarantee agencies. The federal government reinsures these guarantee agencies. New loans were made to students enrolled at State Universities for \$375,482 for Direct and \$304,886,092 for FFELP during the year ended June 30, 2005; accordingly, these amounts are included in the Schedule.

Education loans made or purchased by the Arkansas Student Loan Authority (the Authority) are guaranteed by the Student Loan Guarantee Foundation of Arkansas, United Student Aid Fund or the U. S. Department of Education. Student loans outstanding on the books of the Authority, which are guaranteed by the U. S. Department of Education are considered non-cash awards and amounted to approximately \$358,000,000 at June 30, 2005. This total was not included on the Schedule, but is in a separate audit report issued for the Authority.

Expenditures reflected in CFDA 66.458, Capitalization Grants for State Revolving Funds, include loans to local governments for developing or constructing water treatment facilities. The funding source for these loans includes federal grant funds and State funds. In subsequent years, local governments will be required to repay these funds to the State of Arkansas. When received, these funds will be redistributed to local governments through new loans for additional water treatment facility projects. The outstanding loan balance for the year ended June 30, 2005, was \$188,868,000. Total disbursements for new loans for the year ended June 30, 2005, totaled \$16,159,000. Administrative costs associated with the program for the year ended June 30, 2005, totaled \$274,000.

Expenditures reflected in CFDA 66.468, Capitalization Grants for Drinking Water State Revolving Fund, include loans to counties, municipalities and other tax-exempt water systems organizations for construction of new water systems, the expansion or repair of existing water systems, and/or the consolidation of new or existing water systems. The funding source for these loans includes federal grant funds and State funds. When received, these funds will be used to make new loans for the program activities. The outstanding loan balance for the year ended June 30, 2005 was \$52,881,000. Total disbursements for new loans made during fiscal year 2005, totaled \$25,648,000. Administrative costs associated with the program for the year ended June 30, 2005, totaled \$75,000.

(4) Non-Monetary Assistance

The State is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements and are therefore not recorded in the State's basic financial statements. Awards received by the State which include non-cash amounts are included in the Schedule as follows:

CFDA Number	Program Name	Grant Awards
10.550	Food Donation	\$ 11,286,275
10.569	Emergency Food Assistance Program	3,276,993
39.003	Donation of Federal Surplus Personal Property	5,678,230
93.268	Immunization Grants	14,483,080
	Total	<u>\$ 34,724,578</u>

STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

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

During fiscal year 2005, the State received cash rebates totaling \$21,092,181 from infant formula manufacturers on sales of formula to participants in the WIC program (CFDA 10.557) which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) 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 379,794 more persons than could have been served this fiscal year in the absence of the rebate contract.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors report issued:	<u>Unqualified</u>
Internal control over major programs:	
Material weakness(es) identified?	<u> X </u> Yes <u> </u> no
Reportable condition(s) identified not considered to be a material weakness(es)?	<u> X </u> Yes <u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes <u> X </u> no

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u> X </u> Yes <u> </u> no
Reportable condition(s) identified not considered to be a material weakness(es)?	<u> X </u> Yes <u> </u> None reported

Type of auditor's report issued on compliance for major programs:	<u>Unqualified *</u>
* Except for the programs listed on page 4 of this report, which were qualified.	

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> X </u> Yes <u> </u> None reported
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Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.550	Food Donation
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
	Section 8 Project - Based Cluster:
14.195	Section 8 Housing Assistance Payments Program_Special Allocations
14.228	Community Development Block Grants/State's Program
14.239	HOME Investment Partnerships Program
17.225	Unemployment Insurance
17.245	Trade Adjustment Assistance_Workers
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
21.999	Jobs Growth Tax Relief Reconciliation Act of 2003
66.458	Capitalization Grants for State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program_Federal Capital Contributions

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Identification of major programs: (continued)

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Assistance Cluster: (Continued)
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students
93.364	Nursing Student Loans
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds
	TRIO Cluster:
84.042	TRIO_Student Support Services
84.044	TRIO_Talent Search
84.047	TRIO_Upward Bound
84.066	TRIO_Educational Opportunity Centers
84.217	TRIO_McNair Post-Baccalaureate Achievement
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States
	Aging Cluster:
93.044	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services
93.053	Nutrition Services Incentive Program
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
93.569	Community Service Block Grant
	Child Care Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.600	Head Start
93.658	Foster Care_Title IV-E
93.667	Social Services Block Grant
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program
	Disability Insurance/SSI Cluster:
96.001	Social Security_Disability Insurance
96.006	Supplemental Security Income
97.040	Chemical Stockpile Emergency Preparedness Program
Various	Research and Development Cluster

Dollar threshold used to distinguish between
Type A and Type B programs

\$ 15,261,836

Auditee qualified as low-risk auditee?

____ Yes X no

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2005**

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Views of Responsible Officials and Planned Corrective Actions – Due to the status of the development of the corrective action plan at the time of the release date of this report, the auditee's views and planned corrective action plan is presented as a separate document.

FS-05-01 Comprehensive Fraud Program

The State of Arkansas failed to implement a formal code of conduct and other policies related to ethical standards. Management has the responsibility to develop policies and implement procedures to prevent, detect, and deter fraud. As noted in the prior two audits, the following deficiencies were identified upon review of agency-specific policies and practices:

- The State lacked a formal, statewide code of conduct consistently applicable to all employees. There was also a lack of consistency and coordination of ethics and fraud control elements throughout the State.
- The State lacked a statewide method to allow the anonymous reporting of misconduct by individuals. Policies advising employees on the proper procedures to report potential violations of law or how to seek advice on matters that appear to have significant legal or ethical implications were inconsistent among the agencies.
- The type of background investigations performed for those individuals being considered for employment or for promotion to certain positions of trust was inconsistent among the agencies.

The lack of a comprehensive, consistent, and coordinated fraud prevention program could create confusion, inefficiencies, and conflicting policies and procedures.

The Department of Finance and Administration issued a generic *Anti Fraud and Code of Ethics Policy* in September 2005. Each agency was to adopt this policy after adding any specific restrictive language deemed necessary. Upon adoption of the anti-fraud policy and submission to the Department of Finance and Administration, Office of Accounting, each agency must conduct a risk assessment of their significant business processes to determine if the current system of internal control is sufficient to detect and deter fraud in a cost effective manner. Additionally, instructional courses on internal control and fraud were offered to agency personnel. A Fraud, Waste and Abuse Report Center, operated by the Department of Finance and Administration, was also established after June 30, 2005 to receive from State employees reports of allegations of ethical violations or fraud.

Although the audit of the State's current year financial statements did not indicate any instances of material fraud, we recommend the State continue the implementation of the anti-fraud policy and the assessments of risk for the significant business processes of the State.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2005**

FS-05-02 Financial Management

The State has placed varying levels of daily accounting responsibility with the respective boards, commissions, departments, agencies, offices and institutions of higher education. Because of the absence of accounting expertise at many of these State agencies, the Arkansas State government's ability to make a proper and complete accounting of its financial affairs has been compromised. Management has the responsibility to review transactions entered into the financial accounting system to ensure accuracy and completeness in accordance with generally accepted accounting principles. Even though the Department of Finance and Administration, Office of Accounting, and several agencies have increased their staffs of qualified accountants to meet management's accounting and reporting responsibilities, some State agencies continue to lack personnel possessing sufficient formalized understanding and application of generally accepted accounting principles in a governmental environment.

We noted a number of transactions to correct prior year balances related to capital assets, which may have been prevented if qualified, trained and properly supervised staff had recorded and reviewed the original transactions. In addition, personnel at some agencies were unable to provide the required financial information to the Department of Finance and Administration, Office of Accounting, in a timely manner which hindered the preparation of the State's financial statements in an efficient manner.

The lack of a sufficient number of qualified accounting personnel and inadequate accounting oversight may result in inaccurate and unreliable financial reports that could affect management's ability to make quality decisions.

We recommend that the State continue efforts to attract qualified accountants to ensure the proper recording of transactions and timely submission of financial information to the Department of Finance and Administration. In addition, all financial accounting personnel should continue to receive sufficient training to ensure adequate financial accountability to the citizens of the State.

FS-05-03 Periodic Security Role Reassessments

As noted in the previous audit, State agencies do not routinely request security role updates in the Arkansas Administrative Statewide Information System (AASIS), the State's financial management system, in conjunction with changes in an employee's job duties. Furthermore, initial security role assignments have not been reviewed to verify that role assignments continue to be commensurate with employees' job duties.

Failure to properly assign security roles to correspond with an employee's job duties could increase the risk of:

- Misappropriation of assets.
- Misstatement of the State's financial records and financial statements.
- Inappropriate creation, modification or disclosure of State data.
- Ineffective segregation of duties.
- Accidental or intentional circumvention of State policies and procedures.

The Department of Finance and Administration indicated that it plans to require agencies to complete a security reassessment by March 31, 2006, except for the Department of Health and Human Services, which is scheduled to complete its reassessment by July 1, 2007.

We recommend that the Department of Finance and Administration continue with its plan for security role reassessments and require routine, periodic reassessments.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2005**

FS-05-04 Segregation of Entry and Posting of Transactions

AASIS has been configured to segregate the responsibility for entering a transaction from the posting of that transaction to ensure that transactions are complete, accurate, authorized and valid. However, there are some business processes for certain employees of the Department of Finance and Administration that also provide these employees the ability to both enter and post transactions. There is no process to detect and review transactions that may be entered and posted by the same employee. This situation allows an increased risk of unauthorized transactions and material errors in the financial statements that would not be detected under normal procedures and in a timely manner.

We recommend that the Department of Finance and Administration implement adequate control procedures to preclude users from having the ability to both enter and post a transaction.

FS-05-05 Purchase Order Maintenance

As noted in the prior audit, changes to a previously approved purchase order can be made to certain critical items on the purchase order, such as the payment vendor, the delivery address, the specified items to be purchased or the account coding, without a subsequent re-approval of the changes. This configuration of the purchase order was designed to promote the use of the purchase order functionality. This ability to subsequently change these critical fields in the purchase order could cause vendor payments to be directed to an improper vendor, the purchase of unapproved goods and services, goods to be diverted to an unapproved location or the account coding to be changed to an improper general ledger account or program account. Adequate internal control requires purchase order transactions recorded in the accounting system to be properly authorized.

We recommend the Department of Finance and Administration develop monitoring controls to identify unapproved changes to an approved purchase order or install controls to require the purchase order be re-approved when the payment vendor, the items to be purchased, the delivery address or the account coding is changed.

FS-05-06 Payroll Position Maintenance

As noted in the previous audit, Management at the Department of Finance and Administration, Office of Personnel Management, had not adequately documented the procedures performed to ensure that positions created and maintained within AASIS are in compliance with legislative acts. Also, Department of Finance and Administration employees who are not responsible for establishing or maintaining payroll positions had the ability to create and change payroll positions. Payroll positions recorded in AASIS should agree with all payroll positions established by State of Arkansas appropriation acts. Additionally, the ability to establish or maintain payroll positions in AASIS should be limited to only those individuals required to perform these functions. Failure to adequately monitor payroll positions and allow excessive access to position control maintenance increases the potential for misappropriation of assets through the creation of erroneous or fraudulent positions and related position data.

The Department of Finance and Administration indicated that it started documenting the formal procedures in July 2005 and that security was also changed in July 2005 to limit the number of Department of Finance and Administration staff with access to create or maintain a payroll position. However, these documentation procedures and security changes have not been tested as part of the audit process, since these changes were made after June 30, 2005.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2005**

FS-05-07 Electronic Warrants

As noted in the previous audit, the normal processing of electronic warrant data includes the creation of a file by AASIS that is electronically retrieved by Auditor of State personnel, who then transmit the file to the State's commercial bank. This file contains the authorization to pay State funds directly to the bank accounts of the payees listed on the warrant file.

Controls over the electronic warrant file were inadequate to ensure the integrity of the file after creation by the Department of Finance and Administration and the subsequent transmittal to Auditor of State and the State's commercial bank. An individual with access to the file could change a bank account number to one that the individual has control over and the change may not be detected in a timely manner. Additionally, without a method to define ownership/responsibility of the file, it could be difficult to determine if an unauthorized change took place at the State or at the commercial bank. This situation could result in the State being financially responsible for an error or fraud that was perpetrated at the commercial bank. Furthermore, there is no contract between the State and the commercial bank to define the responsibilities of each entity in the electronic warrant process.

To maintain proper internal control over the electronic warrant file, each recipient should verify the file's integrity. This verification would signify that the file has not been changed and that the recipient is assuming responsibility and ownership of the file.

The Department of Finance and Administration indicated that certain controls were implemented in October 2005 to help ensure that file integrity is maintained on the electronic warrant file from its creation by the Department of Finance and Administration until its receipt by the Auditor of State. These controls have not been tested as part of the audit process since the changes were made after June 30, 2005.

We recommend the Department of Finance and Administration, the Auditor of State and the State's commercial bank work together to monitor the current internal control over the electronic warrant process to assure that the file cannot be changed from creation until the warrants are processed by the bank. We further recommend the Department of Finance and Administration, the Auditor of State and the State's commercial bank enter into a contract that describes the responsibilities of each party, defines the procedures for processing error correction transactions, and requires the commercial bank be involved in the internal control over the electronic warrant process.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Federal Award Findings and Questioned Costs - Table of Contents

FEDERAL/STATE/EDUCATIONAL AGENCY NAME	STATE/EDUCATIONAL AGENCY IDENTIFICATION NUMBER	PAGE NUMBER
FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY		42
U.S. DEPARTMENT OF AGRICULTURE		
Arkansas Department of Health	645	44
U.S. DEPARTMENT OF JUSTICE		
Arkansas Department of Human Services	710	45
U.S. DEPARTMENT OF EDUCATION		
University of Arkansas at Pine Bluff	160	46
Southeast Arkansas College	691	47
Arkansas Department of Workforce Education - Arkansas Rehabilitation Services	520	48
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Arkansas Department of Health	645	50
Arkansas Department of Human Services	710	52
FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
University of Arkansas for Medical Sciences	150	65

Views of Responsible Officials and Planned Corrective Actions – Due to the status of the development of the corrective action plan at the time of the release date of this report, the auditee's views and planned corrective action plan is presented as a separate document.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY

FINDING NUMBER: 05-645-01
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
93.268 – Immunization Grants
93.283 – Centers for Disease Control and Prevention_ Investigations and Technical Assistance
QUESTIONED COSTS: None

ALLOWABLE COSTS/COST PRINCIPLES – The Agency failed to allocate payroll costs using an approved cost allocation plan. This was the result of the Agency's inability to interface their current cost allocation system with the Arkansas Administrative Statewide Information System (AASIS). Failure to allocate costs properly has lead to inaccurate reporting of grant expenditures to the federal cognizant agency and possible misuse or misappropriation of federal monies.

We recommend the Agency implement procedures to allocate payroll costs to the appropriate grant in accordance with an approved cost allocation plan.

FINDING NUMBER: 05-645-02
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
93.268 – Immunization Grants
93.283 – Centers for Disease Control and Prevention_ Investigations and Technical Assistance
QUESTIONED COSTS: \$44,085

ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES – As a result of various tests performed on selected programs administered by the Arkansas Department of Health, it was noted that the Agency was unable to provide supporting documentation for thirty-seven (37) of the two hundred fifty (250) administrative-type expenditures selected for review. The unsupported disbursements, which must be considered questioned costs, total \$44,085 and represent 21% of the total value of expenditures selected for testing (\$210,768). The total of these types of expenditures for the selected programs was \$10,670,130.

We recommend the Agency review its existing policy concerning record retention and implement procedures to ensure that all supporting documentation is properly maintained.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	05-710-01
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services 10.551 – Food Stamps (Food Stamp Cluster) 93.558 – Temporary Assistance for Needy Families 93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	None

ACCESS SECURITY CONTROLS – Terminated employees were again noted as active on Arkansas' Networked System for Welfare Eligibility and Reporting (ANSWER) application security master. ANSWER is an Agency database used to maintain client information. Seventeen (17) former Department of Human Services (DHS) employees' had active access to ANSWER.

We again recommend the Agency strengthen controls over the removal of employee access to the DHS network and establish procedures to ensure access to Agency subsystems is also removed for terminated employees.

External Internet protocol port scans discovered seven (7) new high severity vulnerabilities/exploits that could allow a remote user to connect to a machine on the ANSWER server and exploit these vulnerabilities for malicious use.

We again recommend the Agency review all allocated Internet protocols for vulnerabilities and block or disable any ports not deemed secure or that pose potential risk.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF AGRICULTURE

FINDING NUMBER: 05-645-03
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: None

CASH MANAGEMENT – The Agency has maintained an excessive cash balance associated with the 2002 and 2001 federal grants, which have both expired. The amount of cash in the State treasury at June 30, 2005 was \$103,257 and \$56,878, respectively.

We recommend the Agency review the Cash Management Improvement Act (CMIA) agreement and establish procedures to ensure federal funds are disbursed in a timely manner.

FINDING NUMBER: 05-645-04
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: None

ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS – The Agency failed to follow program guidelines for client processing standards and food instrument issuance. Our testing at five (5) local health units revealed sixteen (16) incomplete applications for WIC assistance and five (5) instances where an increased risk appointment had not been scheduled for high-risk participants on the Nutritional Screening Form. In addition, we noted four (4) instances of food instruments being issued without the signature of the eligible participant. These conditions indicate a weakness in the ability to properly safeguard assets and ensure program eligibility, which could lead to the misuse and misappropriation of those assets.

We again recommend the Agency continue to provide additional training and supervision to employees at local health units.

FINDING NUMBER: 05-645-05
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: None

INADEQUATE INTERNAL CONTROLS – The Agency's failure to implement supervisory review of journal entries to ensure federal funds drawn are coded to the correct Treasury fund in AASIS has led to posting errors totaling \$140,912. The Agency subsequently identified one (1) error in the amount of \$131,909. However, the Agency failed to properly code the correction in the Automated Standard Application for Payments (ASAP) system, which is the U.S. Department of the Treasury Financial Management Services payment system. A correcting entry for the identified error is no longer needed in AASIS.

We recommend the Agency establish procedures to ensure supervisory review of AASIS and ASAP entries.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF JUSTICE

FINDING NUMBER:	05-710-02
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	16.540 – Juvenile Justice and Delinquency Prevention_Allocation to States
QUESTIONED COSTS:	\$124,086

ALLOWABLE COSTS/COST PRINCIPLES - Inadequate supervisory review of disbursements, breakdown in internal controls and inadequate segregation of duties in the Juvenile Justice and Delinquency Prevention (JJDP) program of the Division of Youth Services (DYS) led to disbursements of unauthorized federal subgrants totaling \$120,000. Cheryl Moten, Juvenile Justice Specialist for DYS, approved and disbursed \$125,460 to the Little Angels, Inc., a non-profit organization. The Arkansas Coalition for Juvenile Justice (Coalition) approved only \$5,460 for this organization. The Coalition functions as an advisory board for DYS and assists in the review of federal subgrant applications. In addition, the Agency identified unallowable travel charges totaling \$4,086 made on a credit card assigned to Ms. Moten. Ms. Moten was terminated on October 7, 2004. The Agency deducted \$3,307 from her final payroll and annual leave payout. At the end of audit fieldwork, the remaining balance of \$779 was due the Agency for unallowable travel payments. The Federal Bureau of Investigation is currently investigating the unauthorized federal subgrant.

We recommend the Agency strengthen internal controls regarding supervisory review of disbursements, segregation of duties and training within the JJDP program.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF EDUCATION

FINDING NUMBER: 05-160-01
STATE/EDUCATIONAL AGENCY: University of Arkansas at Pine Bluff
CFDA NUMBER: 84.038 - Federal Perkins Loan Program_Federal Capital Contributions
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

AWARD LETTERS - Our examination of award letters for six (6) students disclosed the following:

- The award letters for four (4) students did not state the correct cost of attendance.
- The award letters for three (3) students were not updated with the correct amount of aid the students received. However, these students did receive the correct financial aid awards.

We recommend the University properly document financial aid awards and maintain documents supporting awards.

FINDING NUMBER: 05-160-02
STATE/EDUCATIONAL AGENCY: University of Arkansas at Pine Bluff
CFDA NUMBER: 84.038 - Federal Perkins Loan Program_Federal Capital Contributions
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

COHORT DEFAULT RATE - For the fifth consecutive year, the University, again, did not receive a Federal Capital Contribution (FCC) because their cohort default rate of 41.66% exceeded the allowable rate of 25%.

We again recommend the University establish procedures to lower the University's cohort default rate to an acceptable level.

FINDING NUMBER: 05-160-03
STATE/EDUCATIONAL AGENCY: University of Arkansas at Pine Bluff
CFDA NUMBER: 84.032 - Federal Family Education Loans
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

LOAN LIMITS - Our examination of six (6) students who received Federal Family Education Loans disclosed two (2) students exceeded loan limits. One (1) student received subsidized loans for the academic year in the amount of \$8,000 which exceeded the subsidized loan limit of \$5,500 by \$2,500. One (1) student received both subsidized and unsubsidized loans for the academic year in the amount of \$11,375, which exceeded the aggregate limit of \$10,500 by \$875.

We recommend the University implement internal controls to ensure students are not allowed to exceed yearly loan limits.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 05-160-04
STATE/EDUCATIONAL AGENCY: University of Arkansas at Pine Bluff
CFDA NUMBER: 84.032 – Federal Family Education Loans
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

REFUND OF LOAN PROCEEDS - Our examination of six (6) students who received refunds of Federal Family Education Loans disclosed one (1) student's loan proceeds were not posted to their account within the prescribed time frame nor was their refund check disbursed within the prescribed time frame.

We recommend the University post loan proceeds and issue refund checks within the prescribed time frame.

FINDING NUMBER: 05-691-01
STATE/EDUCATIONAL AGENCY: Southeast Arkansas College
CFDA NUMBER: 84.007 – Federal Supplemental Educational Opportunity Grants
84.032 – Federal Family Education Loans
84.033 – Federal Work-Study Program
84.063 – Federal Pell Grant Program
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

RETURN OF TITLE IV FUNDS – The examination of the calculation of the return of Title IV assistance for one (1) student, who withdrew from classes, disclosed the College incorrectly calculated the student should return \$874 when the correct amount that should be returned was \$1,138, a difference of \$264.

We recommend the College examine all 2004-05 returns to Title IV criteria for accuracy and make necessary corrections.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 05-520-01
STATE/EDUCATIONAL AGENCY: Department of Workforce Education – Arkansas Rehabilitation Services
CFDA NUMBER: 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
QUESTIONED COSTS: None

ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES – Client case files support vocational rehabilitation services and aid provided by the Agency. Fifty-nine (59) case files located in twelve (12) local offices throughout the State were selected for review. The following deficiencies identified during our review were also identified in prior years:

- Seven (7) files did not determine eligibility of the client within 60 days of the date of application or contain the appropriate extension of the eligibility period.
- Regulations require the counselor to amend the individual's plan for employment when the changes are substantial. Twelve (12) files did not contain these amendments.
- Clients must present evidence that they have applied for financial assistance for institutions of higher education before they can receive assistance using Vocational Rehabilitation funds. Six (6) files did not contain the required financial assistance documentation.
- Seven (7) files did not contain a re-assessment of financial need when there were changes in the individual's financial situation.
- Twenty-three (23) of the files did not contain invoices to support the authorization for payment.
- Counselors are required to seek three (3) bids on purchases over \$1,000 and receive approval from the Chief of Field Services. There were sixteen (16) files with purchases over \$1,000 that did not contain the appropriate approvals or bids.
- Eight (8) of the files received services that did not appear necessary for the individual to reach their employment goal.
- Twenty-two (22) files contained case narratives that were not updated at least every 90 days.
- Program regulations require that a local medical consultant review and approve any physical restorative services. Six (6) files did not contain the required review.
- Seven (7) files exceeded the \$4,500 limit on training expenses for the twelve-month period.
- Six (6) files did not contain the appropriate supporting documentation for maintenance payments.
- A new policy introduced in November 2004 requires counselor's to verify the individual's income by obtaining W-2's, tax returns, or other documentation of income. Nine (9) of the files reviewed did not contain the required supporting documentation.

We recommend the Agency continue to develop procedures to ensure compliance with program regulations and improve the quality of documentation contained in client case files.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 05-520-02
STATE/EDUCATIONAL AGENCY: Department of Workforce Education – Arkansas Rehabilitation Services
CFDA NUMBER: 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
QUESTIONED COSTS: \$17,556

ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES – Thirty (30) expenditures were reviewed in order to determine that costs were properly charged to the program in accordance with applicable federal guidelines.

- Arkansas Rehabilitation Services (ARS) has a contract with National Park Community College (NPCC) for an instructor for Adult Basic Education classes at the Hot Springs Rehabilitation Center. The contract required NPCC to bill the Agency an agreed upon rate for each hour actually worked. The contract also provided for a predetermined number of allowable hours. NPCC billed the Agency at a rate obtained by dividing the allowable hours by the number of months in the contract period. The instructor's work schedule was changed which reduced the total annual hours worked. NCPP failed to adjust their billing resulting in an overpayment for FY2005 of \$10,634. Additional review also indicated an overpayment of \$6,922 in FY2004.
- Program regulations require all payments to be supported by the appropriate documentation prior to payment for services. The Agency did not obtain and review the supporting documentation required for three (3) selected payments associated with two (2) of their contracts prior to the payment for services.
- Program regulations require all payments be properly charged as to account, amount and period. Four (4) of the expenditures selected for testing were charged to an incorrect expense account.

We recommend the Agency develop procedures to ensure all requirements of contracts and grant agreements have been properly supported and reviewed prior to payment for services. We also recommend the Agency review expenditures to ensure they comply with program regulations and have been properly charged as to account, amount, and period.

FINDING NUMBER: 05-520-03
STATE/EDUCATIONAL AGENCY: Department of Workforce Education – Arkansas Rehabilitation Services
CFDA NUMBER: 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
QUESTIONED COSTS: \$442,592

REPORTING – The Agency is required to submit a quarterly report (SF-269) to the Department of Education that shows the total expenses for Vocational Rehabilitation Services. These expenses support the amounts that the Agency is reimbursed by the Department of Education. The Agency received \$442,592 for the year in reimbursements from Social Security Administration for expenses for clients that qualify for the Social Security Insurance and Social Security Disability Insurance programs. The Agency also reported these expenses for reimbursement for the Vocational Rehabilitation Services program.

We recommend the Agency develop procedures to ensure all information submitted to the Department of Education is fairly presented, accurate and complete.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING NUMBER: 05-645-06
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.268 – Immunization Grants
QUESTIONED COSTS: None

ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS – The testing at five (5) of the ninety-five (95) local health units revealed fourteen (14) instances where management did not follow program guidelines related to client eligibility and client record keeping.

We again recommend the Agency establish procedures to ensure client immunization records are properly maintained and required immunization record information is completed.

FINDING NUMBER: 05-645-07
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.268 – Immunization Grants
QUESTIONED COSTS: \$28,442

PERIOD OF AVAILABILITY OF FEDERAL FUNDS - Adequate internal controls were not in place to ensure that funds were spent for expenses incurred during the period of availability. Invoices totaling \$28,442 were paid for goods and/or services that were received prior to the beginning of the grant period before funds became available. The Agency failed to pay for these expenses of a continuing federal program out of the appropriate grant year.

We recommend the Agency establish procedures to ensure program funds are spent for expenses incurred within the period of availability. Additionally, the Agency should contact the federal cognizant agency for guidance in correcting the spending problem disclosed above.

FINDING NUMBER: 05-645-08
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.268 – Immunization Grants
QUESTIONED COSTS: None

REPORTING – The Agency's failure to perform a reconciliation between the Immunization Grants Financial Report and the PSC 272 Federal Cash Transaction Report resulted in expenditures being understated by \$579,950 on the PSC 272.

We recommend the Agency implement additional review procedures to ensure accurate reporting to the federal cognizant agency.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 05-645-09
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.283 – Centers for Disease Control and Prevention_
Investigations and Technical Assistance
QUESTIONED COSTS: None

PERIOD OF AVAILABILITY OF FEDERAL FUNDS – The Agency's continued failure to establish internal controls for the Public Health Preparedness and Response for Bioterrorism Grant resulted in expenditures totaling \$123,775 for the 2004-2005 grant being charged in error to the 2003-2004 grant.

We again recommend the Agency establish internal controls to limit expenditures of federal funds to obligations occurring within the period of availability of the grant.

FINDING NUMBER: 05-645-10
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.283 – Centers for Disease Control and Prevention_
Investigations and Technical Assistance
QUESTIONED COSTS: None

REPORTING – The Agency failed to submit the final FS-269A Financial Status Reports for the 2003 – 2004 Epidemiology and Laboratory Capacity for Infectious Diseases Grant. The FS-269A is prepared annually and a final report is due one year after the grant expires. The Epidemiology and Laboratory Capacity for Infectious Diseases Grant final report was due March 31, 2005. Failure to file federal reports in a timely manner could lead to misrepresentation and disallowance of federal expenditures.

We recommend the Agency establish internal controls to enable preparation and submission of financial status reports as required in the grant agreements.

FINDING NUMBER: 05-645-11
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.777 – State Survey and Certification of Health Care Providers and Suppliers
(Medicaid Cluster)
QUESTIONED COSTS: None

REPORTING – The Agency failed to identify federal draws to the corresponding grants on the PMS-272 quarterly reports for the State Survey and Certification of Health Care Providers and Suppliers program. The OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires entities to "Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received." The Agency is drawing all federal monies on one letter of credit without properly identifying draws for individual grants.

We recommend the Agency establish internal controls and provide training to employees to ensure that federal monies are properly identified to the appropriate grant.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 05-710-03
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.044 – Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers
93.045 – Special Programs for the Aging_Title III, Part C_Nutrition Services
93.053 – Nutrition Services Incentive Program (Aging Cluster)
93.558 – Temporary Assistance for Needy Families
93.575 – Child Care and Development Block Grant
93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)
93.568 – Low-Income Home Energy Assistance
93.569 – Community Services Block Grant
93.658 – Foster Care_Title IV-E
93.667 – Social Services Block Grant

QUESTIONED COSTS: Unknown

PERIOD OF AVAILABILITY OF FEDERAL FUNDS – Due to the Agency's failure to establish adequate internal controls to separately identify federal grant awards in AASIS, disbursement activity could not be identified to specific grant awards. As a result, we were unable to determine if an obligation for a disbursement was within the period of availability parameters. Therefore, compliance with period of availability could not be determined.

We recommend the Agency establish proper internal control procedures to separately identify disbursement activity in AASIS to specific federal grant awards.

FINDING NUMBER: 05-710-04
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.044 – Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers
93.045 – Special Programs for the Aging_Title III, Part C_Nutrition Services
93.053 – Nutrition Services Incentive Program (Aging Cluster)

QUESTIONED COSTS: None

SUBRECIPIENT MONITORING – The Agency failed to monitor subrecipients as required by 45 CFR 1321.11 which states that policies be developed to address how the Agency will monitor the performance of all programs and activities initiated under Part 1321_Grants to State and Community Programs on Aging for quality and effectiveness. The Agency developed policies but did not conduct annual assessments of the subrecipients as required for the 2004 or 2005 fiscal years.

We recommend the Agency establish and implement procedures to perform annual assessments on all subrecipients. According to the Division of Aging and Adult Services, the Division plans to begin performing assessments in January 2006.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	05-710-05
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	\$49,486

ALLOWABLE COSTS/COST PRINCIPLES - During our review of payments representing supportive services we noted:

- One (1) transportation provider, Brock Transportation, over billed for two (2) Transitional Employment Assistance (TEA) recipients between July 1, 2004 and June 30, 2005. Based upon our request, the Office of Chief Counsel performed a review of all payments to Brock Transportation. The review determined that Brock Transportation was overpaid \$29,852. The overpayment occurred because the provider billed mileage driven from their headquarters to the client's home. According to the memorandum of agreement, the provider can bill the actual miles between the client's home and the assigned work location. Additionally, the provider billed a higher per mile rate than the rate specified in the memorandum of agreement.
- Seventy-five (75) client case files containing transportation assistance payments were selected from the Work Information System Exchange (WISE) database to determine if payments were made in accordance with the Agency's TEA policy manual. Our examination revealed that transportation payments for four (4) clients totaling \$17,086, were extended past the receipt of the client's first paycheck and the case file contained no documentation to support the extension. According to the TEA policy manual, section 3410, "persons who are employed will be expected to arrange and pay for their transportation expenses to and from work from their paychecks. Transportation payments or reimbursements may be provided to a newly hired TEA client until he or she has received his or her first full paycheck."
- One (1) client received \$1,693 of vehicle down payment assistance and was not employed. According to the TEA policy manual to be eligible for vehicle down payment assistance, "the client must be a current TEA recipient with employment or employed former TEA recipient within the first twelve (12) months of case closure due to employment."
- One (1) client received educational assistance of \$855 after failing to complete a previous TEA funded course of study. A valid reason for the client failing to complete the course was not noted in the case file. According to the TEA policy manual "Once a course of study has been approved and begun, TEA funds will not be used to pay for a new course of study if the client does not complete the prior course unless the caseworker determined there was a valid reason for the non-completion."

We recommend the Agency strengthen employee training and develop procedures to ensure adherence to existing policy regarding supportive services payments. In addition, the Agency should contact the cognizant federal agency regarding recovery of the funds disbursed to Brock Transportation.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	05-710-06
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	None

CASH MANAGEMENT – As the result of the Agency's inadequate internal controls regarding bank account activity and the recording of transfers, the following deficiencies were noted:

- As stated in the previous three (3) audit reports, the Agency has struggled to reduce the cash balances in the Electronics Benefits Transfer (EBT) bank account and the TEA Employment Services and Employment and Training (E&T) Jobs bank account. Although the Agency did reduce cash balances at the end of fiscal year 2004, by end of fiscal year 2005, cash balances were again excessive increasing by \$604,995 to \$6,465,473 at June 30, 2005.
- The Agency again failed to return interest totaling \$65,590, which was earned on federal deposits on four (4) bank accounts in fiscal year 2005. In addition, the Agency has failed to return interest earned totaling \$19,450 for fiscal year 2004 and \$85,040 during the two (2) year period.
- The Agency is not performing reconciliations between the expenditures reported on the TANF financial reports with the disbursements recorded in the Work Information System Exchange (WISE) checking account. An unreconciled difference of \$393,894 exists for the year ended June 30, 2005. The Agency began adjusting the WISE system for voided checks in fiscal year 2005, however, there appears to have been an accumulated difference from prior years. Without the reconciliation, adjustments to expenditures are not being made for accurate reporting.
- The Agency is not performing a reconciliation between the disbursements recorded in the WISE database with the disbursements recorded in the WISE checking account. An unreconciled difference of \$208,637 existed for the year ended June 30, 2005. Without the reconciliation, inappropriate disbursements could be made and not detected in a timely manner.

We recommend the Agency establish adequate internal controls and procedures for cash management. In addition, the Agency should establish reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are adequately safeguarded and federal reports reconcile to supporting records.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	05-710-07
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

ELIGIBILITY – One hundred eighty seven (187) clients' case files covering ten (10) counties were selected for review from cash assistance payments in the Arkansas Client Eligibility System (ACES) to determine whether clients were eligible to receive benefit payments in accordance with the Agency's TEA manual.

Our examination revealed the following discrepancies:

- According to the TEA policy manual, section 2261, "Enrollment and satisfactory attendance will be verified with the school, and documented in the case record, in those cases where it is reported that one or more children in the family has failed to enroll or attend school regularly. Such reports may come from any of several sources including, but not limited to, the school system locally, courts, system-generated reports supplied by the state Department of Education, etc. Satisfactory attendance is defined in accordance with the school's definition of attendance." Eleven (11) client case files lacked verification of school age children attending school.
- According to the TEA policy manual, section 2262, "Proof of current immunizations of all pre-school-age children will be requested prior to approval of the application. If such proof is provided, the case record will be documented accordingly or a copy of the immunization record filed in the record. If any pre-school-age children are in need of immunizations, the application may be approved if all other eligibility requirements are met but the adult, or minor parent, will be advised that the children must receive the needed immunizations and proof that they have must be provided no later than thirty (30) days from the date the application is approved." Thirteen (13) client case files lacked current immunization records for preschool age children.
- According to the TEA policy manual, section 2210, "the non-SSI child(ren) must be under 18 years of age and must live in the home of a parent or other adult caretaker who is in a specified degree of relationship to the child." The application process for a TEA client involves verifying age and relationship. Twelve (12) client case files did not contain adequate documentation to verify relationship between a minor child and the case head.
- According to the TEA policy manual, section 2213, "The worker will verify that the child(ren) are living with the parent or other relative. Acceptable methods of verification include: collateral statement form DCO-76, completed by a friend or neighbor showing the child as a household member (primary type)." Also, according to TEA Manual 4130, "an eligible child must be living in the home in order for a family to continue to be eligible for TEA. Family members must continue to live in the home with the child for continued individual eligibility." Three (3) client case files provided an incomplete collateral statement; six (6) client case files provided an outdated collateral statement; and five (5) client case files didn't contain any collateral statements to verify the existence of a child in the home.
- According to the TEA policy manual, section 2230, "An individual who has been found guilty of or has pleaded guilty or nolo contendere to any state or federal offense classified as a felony by the law of the jurisdiction involved, and which has as an element of the offense, the distribution or manufacture of a controlled substance is ineligible for TEA benefits. This provision applies only to offenses occurring after July 1, 1997." The Agency includes a question on the TEA application, (also known as the client declaration statement), where a client must check "yes" or "no" concerning whether they have been convicted of a felony for a controlled substance. Twelve (12) client case files did not contain a correctly completed client declaration statement, three (3) client case files contained outdated client declaration statements, three (3) client case files contained no client declaration statements and one (1) client case file lacked any action by the Agency upon learning the client had been convicted of a felony for manufacture or distributing a controlled substance.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	05-710-07 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

- According to the TEA policy manual, section 2400, all able-bodied adult family members are required to work or participate in work activities which are designed to lead to employment. In addition, all minor parents, including a minor parent whose child is excluded for payment due to the family cap provision, are required to participate in educational activities as their work participation requirement. Limited exceptions to this are stated in the TEA policy manual, section 2430. All adult clients receiving cash assistance not exempt or deferred from work activities, are required to complete employment and educational assessments. These assessments assist the caseworker in determining the client's level of training and/or education for placement in the work force. Our examination revealed the following: one (1) client case file did not contain an employment plan, one (1) client case file did not contain verification of a completed TEA skills, employability and intake assessment, eleven (11) client case files did not contain a Test of Basic Adult Education (TABE) scores, four (4) client case files did not contain a learning needs/disability screening and four (4) client case files did not contain complete information on work activity hours.

We recommend the Agency review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen current record retention practices in county offices.

FINDING NUMBER:	05-710-08
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

SPECIAL TESTS AND PROVISIONS – CHILD SUPPORT NON-COOPERATION - The Office of Child Support Enforcement (OCSE) notifies the Agency of client non-compliance with program requirements concerning child support through the use of an OCSE -1650 notification form. A review of seventy-four (74) OCSE - 1650 notifications for the year ended June 30, 2005 revealed eight (8) client cases were not properly sanctioned as required.

According to Arkansas law, child support rights are automatically assigned to the Department of Human Services when an individual accepts TANF assistance. Clients are required to cooperate with OCSE in seeking child support payments and/or establishing paternity. Failure to properly sanction cases involving non-cooperation with program requirements is the result of poor case management, which could result in an overpayment of cash assistance benefits to non-cooperative clients.

We recommend the Agency establish and upgrade procedures to monitor the OCSE-1650 notifications and adhere to established sanction policies concerning child support non-cooperation. The Agency developed and implemented a Corrective Compliance Plan (CCP) completed October 2005, that automatically applies system sanctions upon receipt of electronic sanction requests from the Office of Child Support Enforcement.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	05-710-09
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	\$3,850

SPECIAL TESTS AND PROVISIONS – LIFE SKILLS CLASS - According to the TANF program guide provided by the U.S. Department of Health and Human Services, recipient agencies may provide classes for new, unskilled, and semi-skilled workers to teach new skills or enhance existing skills in order to improve their chances of job retention and advancement. During the year ended June 30, 2005, the Arkansas Department of Human Services (DHS) achieved this objective by providing a six (6) week life skills class to Transitional Employment Assistance (TEA) clients through three (3) faith based organizations in Pulaski County. Two (2) of the faith based organizations, Promiseland Ministries, Inc. and The Hope Center, have an agreement with DHS which allows for a reimbursement of \$600 per client, a \$25 intake fee for each TEA recipient referred to the organization and up to six (6) \$75 follow-up fees after the client has completed the class. The other organization, The Church at Rock Creek, operated the class on an expense reimbursement basis. A review of payments to the organizations revealed:

- Thirty-five (35) duplicate intake fees totaling \$875 were paid for clients who never enrolled in the life skills classes. Twenty-nine (29) intake fees were paid to Promiseland Ministries, Inc. and six (6) were paid to The Hope Center totaling \$725 and \$150 respectively.
- Eleven (11) intake fees totaling \$275 were paid for clients who had already completed the life skills classes. Two (2) were paid to Promiseland Ministries, Inc. and nine (9) were paid to The Hope Center totaling \$50 and \$225 respectively.
- Intake fees totaling \$225 were paid for nine (9) clients who received referrals to both Promiseland Ministries, Inc. and The Hope Center.
- Four (4) follow-up fees for one (1) client were paid to both Promiseland Ministries, Inc. and the Hope Center totaling \$300.
- Five (5) follow-up fees totaling \$375 were paid to The Hope Center in excess of the six (6) allowable as stated in the agreement.
- Life skills class tuition for three (3) clients was paid to The Hope Center and to Promiseland Ministries, Inc. resulting in questioned costs of \$1,800.
- Adequate documentation was not provided to the Agency to support the reimbursements made to The Church at Rock Creek. During the audit, we requested all supporting documentation regarding the six (6) week period we tested from The Church at Rock Creek. Supporting documentation in several instances was not adequate to determine items purchased and some purchases appeared excessive. Because the Agency had not established formal policies and guidelines for the life skill classes, no questioned costs could be determined.

We recommend the Agency strengthen internal controls related to the various provisions of the life skills classes. In addition, the Agency should establish formal policies and guidelines to ensure all payments made to faith based organizations providing life skills classes for TEA clients are based upon a contract or other adequate supporting documentation. We also recommend the Agency seek advice from the Agency's federal cognizant agency regarding recovery of the above identified questioned costs.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 05-710-10
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: \$3,172

SPECIAL TESTS AND PROVISIONS – RENT AND UTILITY PAYMENTS - Eight (8) client case files were selected from supportive services payments reported in the WISE system to determine whether rent and/or utility assistance payments were made in accordance with the Agency's TEA Manual. Our examination discovered that a security deposit along with the first months rent totaling \$1,560, was paid for three (3) clients. According to the TEA policy manual, section 3420.1, "assistance with rent and utilities is not considered an allowable supportive service expense. Rent and utilities are basic living expenses for which the monthly cash grant is intended and are not solely associated with a work activity. However, on a rare occasion under an emergency situation, assistance with rent and/or utilities may be provided on a one-time basis when it is determined the assistance is necessary for the individual to participate in an assigned work activity or to accept or retain employment. In addition, the individual requesting the assistance must provide verification of an eviction and/or shut off notice." Three (3) client case files of the eight (8) tested revealed that no eviction or shutoff notice was provided before making the rent or utility payment totaling \$712. Also, one (1) file contained duplicate rent and deposit payments totaling \$900.

We recommend the Agency develop procedures to ensure adherence to policy regarding rent and utility assistance payments.

FINDING NUMBER: 05-710-11
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: Unknown

SPECIAL TESTS AND PROVISIONS – WORK ACTIVITY NON-COMPLIANCE - According to the TEA policy manual, all able-bodied adult family members receiving cash assistance are required to work or participate in job search activities. One hundred fifty two (152) clients were reviewed for compliance with required work activities. Ten (10) of the clients were not properly sanctioned for failure to comply with assigned work activities.

We recommend the Agency properly monitor client case files for non-compliance regarding work requirements or job search activities and apply the necessary sanctions when applicable.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 05-710-12
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.568 – Low-Income Home Energy Assistance
QUESTIONED COSTS: \$29,366

CASH MANAGEMENT - Audit procedures revealed that \$29,366 was transferred from the Low Income Home Energy Assistance Program (LIHEAP) checking account without Agency authorization during the time period March 11, 2003 to August 5, 2004. Inadequate communication between LIHEAP bookkeepers and bank reconciliation personnel within the Office of Financial Management enabled a bank employee to make inappropriate transfers of these funds without detection by Agency employees. The program custodial bank has refunded the total amount of unauthorized transfers and the Federal Bureau of Investigation is currently investigating this matter.

We recommend the Agency strengthen procedures regarding reconciliations and the communication and subsequent follow-up on unusual items noted.

FINDING NUMBER: 05-710-13
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.568 – Low-Income Home Energy Assistance
QUESTIONED COSTS: None

CASH MANAGEMENT - The Agency failed to draw federal funds designated for non-administrative purposes within the requirements of 31 CFR 205.33. The regulations require the Agency minimize the time between draws and the payout of those funds for assistance program purposes. Funds are being drawn infrequently during the year in lump sums, which has caused large balances to accumulate in the program's treasury fund as well as its bank account. The Agency's noncompliance with prescribed cash management procedures resulted in the Low-Income Home Energy Assistance Program checking account having a balance of \$1,038,943 and the related treasury account of the program having a balance of \$2,303,570.

We recommend the Agency strengthen internal controls by implementing policies and procedures that ensure compliance with regulations.

FINDING NUMBER: 05-710-14
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.568 – Low-Income Home Energy Assistance
QUESTIONED COSTS: None

MATCHING, LEVEL OF EFFORT, EARMARKING – According to 45 CFR 96.88, the grantee may not spend over 10% of the total grant, less incentive awards, for planning and administration. A review of the 2004 grant expenditures revealed the Agency had surpassed the allowable percentage by \$90,286.

We recommend the Agency establish internal controls to ensure all earmarking requirements are met.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 05-710-15
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.568 – Low-Income Home Energy Assistance
QUESTIONED COSTS: None

REPORTING - An error was found in the method used to calculate program expenditures reported by the Agency. Transfers totaling \$11,050,000 were reported as expenditures in the cost allocation system. Actual expenditures, as reported in the LIHEAP bank account, totaled \$10,617,507. As a result of this error, expenditures were overstated in the Agency's cost allocation system by \$432,493. The Agency's cost allocation system is used to provide information for reporting to oversight units and for various management decisions and should only include actual expenditures.

We recommend the Agency strengthen accounting controls by changing the computation process of cost allocation to include actual expenditures in lieu of transfers.

FINDING NUMBER: 05-710-16
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.569 – Community Services Block Grant
QUESTIONED COSTS: None

REPORTING - The Agency failed to submit a final SF-269A Financial Status Report for the 2003 grant in a timely manner as required by 45 CFR 96.30 (b)(3). The SF-269A is required to be prepared annually with a final report due one year after the grant expires. The final report for the 2003 grant was due December 31, 2004 but due to an Agency oversight was not submitted until November 21, 2005.

We recommend the Agency establish procedures to ensure timely preparation and submission of required financial reports.

FINDING NUMBER: 05-710-17
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.575 – Child Care and Development Block Grant
93.596 – Child Care Mandatory and Matching Funds of the Child
Care and Development Fund
(CCDF Cluster)
QUESTIONED COSTS: Unknown

ALLOWABLE COSTS/COST PRINCIPLES – Between January 1, 2005 and October 31, 2005, the Division of Child Care and Early Childhood Education identified sixteen (16) cases of possible provider fraud totaling \$60,622 and one hundred ninety two (192) cases of possible client fraud totaling \$305,583. These cases have been turned over to the Agency's Office of Chief Counsel for review. Of these cases, six (6) provider cases were closed reflecting provider liabilities totaling \$40,697 and seventy (70) client cases were closed reflecting client liabilities totaling \$94,248. The remainder await further investigation or administrative hearings. According to Agency staff, the transactions identified in these cases predominately occurred during fiscal year 2005 and the subsequent period.

We recommend the Agency continue to strengthen internal controls and implement policies and procedures necessary to identify fraudulent activity.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 05-710-18
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CASH MANAGEMENT -- The Agency failed to make cash draws for Medicaid assistance payments, payroll expenditures, and administrative (non-payroll) costs in accordance with the Treasury-State Agreement. According to the Treasury-State Agreement, draws for direct program expenditures (medical assistance payments) are to be made following the estimated clearance technique. While the Agency is calculating the draw amounts correctly, the draws are being made earlier than allowed in the Agreement. Also, according to the Treasury-State Agreement, draws for payroll expenditures are to be made based upon the estimated clearance technique, and the draws for non-payroll administrative expenditures are to be drawn based on the pro-rated draws on payday technique. The Agency is calculating payroll draws based upon estimated payroll expenditures rather than actual payroll expenditures and is drawing the funds earlier than allowed in the Treasury-State Agreement.

We recommend the Agency implement procedures to ensure that funds are drawn based upon the guidelines set forth in the Treasury-State Agreement.

FINDING NUMBER: 05-710-19
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

ELIGIBILITY - The results of testing of two hundred fifty six (256) recipients for the proper determination of eligibility revealed the following deficiencies:

- The Agency failed to deny Medicaid coverage to four (4) clients who were ineligible for the Medical Assistance Program as specified by eligibility requirements stated in the State of Arkansas, Department of Human Services, Medical Services Program Manual.
- The Agency failed to maintain documentation of the verification of the fifty-three (53) clients' social security numbers. According to 42 CFR 435.910, the Agency is required to verify the social security number of each client.
- The Agency failed to perform annual redeterminations of eligibility for twenty-eight (28) clients. According to 42 CFR 435.916, the Agency is required to redetermine Medicaid eligibility at least every 12 months.

We recommend the Agency review and strengthen current record retention practices in county offices and train personnel on requirements of the program.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 05-710-20
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: \$1,760

PROCUREMENT, SUSPENSION AND DEBARMENT – According to 42 CFR 1002.203, the Agency is required to exclude certain providers in order to receive federal financial participation. Each month, Electronic Data Systems (EDS) provides the Medicaid Field Audit Unit (MFAU) with an electronic file containing a list of providers that have been excluded from participating in the Medicaid program. MFAU is responsible for investigating matches that arise between excluded providers and Medicaid payments to determine if payments are being made to providers that should be excluded. A review of the listing revealed the Agency made payments totaling \$1,760 to an excluded provider.

We recommend the Agency strengthen internal control procedures used to identify excluded providers.

FINDING NUMBER: 05-710-21
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: \$70,529

SPECIAL TESTS AND PROVISIONS – ARKIDS A & B - The Agency's failure to establish adequate internal controls regarding closure of ARKids A & B cases upon the recipients' nineteenth (19th) birthday resulted in paid claims for forty-eight (48) ineligible ARKids A & B recipients totaling \$70,529.

We recommend the Agency establish procedures to ensure that ARKids A & B cases are closed in a timely manner upon the recipient's nineteenth (19th) birthday.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 05-710-22
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: \$38,747

SPECIAL TESTS AND PROVISIONS – ELIGIBILITY/PAYMENTS FOR SERVICES AFTER DATE OF DEATH - The Agency has implemented a process of electronically matching social security numbers of Medicaid recipients with social security numbers of persons with a date of death recorded in the Arkansas Department of Health's Vital Statistics database. The Agency provides the exception listing of matched records to each county office. The county office staff is responsible for recording the date of death in the Arkansas Client Eligibility System (ACES). Historic death data from January 1, 2000 to May 26, 2005 was obtained from the Arkansas Department of Health and compared to a listing of recipients considered Medicaid eligible in ACES as of May 26, 2005. The comparison revealed 1,114 people listed as Medicaid eligible in ACES who were deceased. The Medicaid Management Information System (MMIS) uses eligibility data in ACES to determine if the client is eligible for services.

In addition, we discovered five hundred sixty three (563) Medicaid recipients for whom services were paid for a date of service after the date of death as recorded in the Arkansas Department of Health's Vital Statistics database totaling \$38,747.

We recommend the Agency establish internal control policies and procedures to ensure dates of death are recorded in ACES accurately and in a timely manner. The Agency should also provide additional training and supervision to employees at county offices.

FINDING NUMBER: 05-710-23
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: \$186,374

SPECIAL TESTS AND PROVISIONS – PAYMENTS FOR SERVICES AFTER INCARCERATION DATE – Using computer assisted analysis techniques, we discovered sixty-four (64) Medicaid recipients for whom services were paid for a date of service after the recipient was incarcerated in a State correctional facility totaling \$186,374. The failure to properly monitor and annually redetermine the eligibility of a recipient could result in the misappropriation of Medicaid funds.

We recommend the Agency establish internal controls and procedures to prevent payments for services for ineligible Medicaid recipients.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 05-710-24
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

SPECIAL TESTS AND PROVISIONS – PROVIDER ELIGIBILITY - The results of testing of seventy (70) providers for the proper determination of eligibility revealed the following deficiencies:

- Four (4) provider files could not be located by Electronic Data Systems (EDS). Payments for these providers totaled \$2,535.
- One (1) provider was not approved by the Centers for Medicare and Medicaid Services (CMS) and as a result should not have been approved to participate in the Medicaid program as a Prosthetic Service provider. However, for fiscal year 2005, no payments were made to this provider.

We recommend the Agency establish adequate control procedures to ensure that EDS is following proper procedures for determining if a provider is eligible to participate in the Medicaid program.

FINDING NUMBER: 05-710-25
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

MEDICAID SYSTEM – PROGRAM CHANGE CONTROLS - Adequate internal control over computer systems should provide reasonable assurance that activities related to the development, acquisition and maintenance of the operating system and application software, including changes to the software, are authorized, tested, reviewed, approved, and implemented. Electronic Data Systems maintains the Medicaid Management Information System for the State of Arkansas. Electronic Data Systems had not implemented proper program change procedures and related internal control over these change procedures at the Auburn Hills Michigan Tandem location as evidenced by system administrators placing their own changes into production without a managerial post-implementation review.

Failure to implement proper change control procedures with adequate internal control increases the risk of:

- Misappropriation of assets.
- Misstatement of the State's financial records, including the Medicaid program records, and the State's financial statements.
- Inappropriate creation, modification or disclosure of State data.
- Accidental or intentional circumvention of State policies and procedures.

Audit testing indicated that compensating controls had been subsequently implemented to reduce the risk of material misstatement of the State's financial statements.

We recommend the Agency work with Electronic Data Systems to ensure that proper program change control procedures are implemented at the Auburn Hills Michigan Tandem location.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING NUMBER:	05-150-01
STATE/EDUCATIONAL AGENCY:	University of Arkansas for Medical Sciences
CFDA NUMBER:	Various – Research and Development Cluster
QUESTIONED COSTS:	\$1,621

ALLOWABLE COSTS/COST PRINCIPLES – In a sample of thirty-five (35) expenditures, two (2) expenditures did not comply with applicable cost principles. In one (1) instance, the University of Arkansas for Medical Sciences (UAMS) charged an allowable cost relating to a subsequent grant period to an earlier grant period that was not yet closed. The other expenditure benefited three (3) consecutive grants years but was fully allocated to the initial grant year.

We recommend UAMS review expenditures charged to grants to ensure compliance with applicable cost principles.



SCHEDULE OF PRIOR AUDIT FINDINGS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY

FINDING NUMBER: 04-01
STATE/EDUCATIONAL AGENCY: All State Agencies
CFDA NUMBER: All Federal Programs
QUESTIONED COSTS: None

CONDITION:

REPORTING - On July 1, 2001, the State implemented the Arkansas Administrative Statewide Information System (AASIS) as the official accounting system for State government. From the early stages of planning, design and implementation, AASIS was intended to provide for a centralized accounting of all federal awards, including the necessary program accountability for federal award revenues and expenditures. If AASIS was utilized as planned, management of the State could produce the Schedule of Expenditures of Federal Awards (the Schedule) and ensure that the Schedule was based upon information contained within the State's official accounting system. Currently, the Chief Fiscal Officer of the State does not mandate that Agencies use AASIS as the primary federal award accounting system to provide for an accounting of federal program revenues and expenditures. As a result, most Agencies are accounting for federal program transactions using various alternative methods. The Schedule is prepared by requiring each Agency to complete an information data form for each federal award. This information is compiled and the Schedule is produced. Under this method, federal program expenditures frequently do not reconcile to AASIS and data on several programs was initially omitted by the Agencies. The failure to maintain an accurate centralized accounting of federal programs within the State's accounting system could lead to errors and inconsistencies in federal award financial reporting.

RECOMMENDATION:

Develop AASIS as the primary federal award accounting system and ensure that all state Agencies are effectively utilizing AASIS in order to accurately prepare the Schedule of Expenditures of Federal Awards.

CURRENT STATUS:

The State will begin design of the reporting structure to be used within AASIS in the fall of fiscal year 2006. This will require that legacy systems with certain State agencies, colleges and universities be configured to report certain information currently not maintained in their systems. Implementation of the reporting from AASIS will begin with fiscal year 2007. Also, the State will take responsibility for preparation of the Schedule of Expenditures of Federal Awards for the year ended June 30, 2006.

FINDING NUMBER: 04-645-01
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
93.268 - Immunization Grants
93.283 - Centers for Disease Control and Prevention_ Investigations and Technical Assistance
QUESTIONED COSTS: None

CONDITION:

ALLOWABLE COSTS/COST PRINCIPLES - The Agency failed to allocate payroll costs using an approved cost allocation plan. This was the result of the Agency's inability to interface their current cost allocation system with the Arkansas Administrative Statewide Information System (AASIS). Failure to allocate costs properly has lead to inaccurate reporting of grant expenditures to the federal cognizant agency and possible misuse or misappropriation of federal monies.

RECOMMENDATION:

Implement procedures to allocate payroll costs to the appropriate grant in accordance with an approved cost allocation plan.

CURRENT STATUS:

As noted in findings 05-645-01, 03-645-01 and 02-645-01, the Agency again failed to allocate payroll costs. However, the Agency became a division of the Arkansas Department of Health and Human Services (DHHS) on August 12, 2005. DHHS is currently working to incorporate the Agency's payroll costs into the approved DHHS cost allocation plan.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 04-710-01
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 10.551 – Food Stamps
(Food Stamp Cluster)
93.558 – Temporary Assistance for Needy Families
93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION #1:

ACCESS SECURITY CONTROLS – Terminated employees were noted as active on Arkansas' Networked System for Welfare Eligibility and Reporting (ANSWER) application security master. ANSWER is an Agency database used to maintain client information. Four (4) terminated Department of Human Services (DHS) employees' had network access removed but still had active access to the ANSWER application.

RECOMMENDATION:

Strengthen controls over the removal of employee access to the DHS network and establish procedures to ensure access to Agency subsystems is also removed for terminated employees.

CURRENT STATUS:

As noted in finding 05-710-01, the Agency has not successfully implemented adequate controls to ensure access to Agency subsystems is denied to terminated employees.

CONDITION #2:

Thirteen (13) of eighty-one (81) non-DHS employees were noted on the active security master.

RECOMMENDATION:

Establish a process to periodically review all non-DHS user accounts to ensure only authorized individuals have the ability to access applications.

CURRENT STATUS:

As noted in finding 05-710-01, terminated employees were noted as active on Arkansas' Networked System for Welfare Eligibility and Reporting (ANSWER) application security master.

CONDITION #3:

External Internet protocol port scans discovered vulnerabilities/exploits available that could allow a remote user to connect to a machine and exploit these vulnerabilities for malicious use. Our scans resulted in the enumeration of two (2) user ID's and passwords that could be used to gain or expand unauthorized access to the system.

RECOMMENDATION:

Review all allocated Internet protocols for vulnerabilities and block or disable any ports not deemed secure or that pose potential risk.

CURRENT STATUS:

As noted in finding 05-710-01, new high severity vulnerabilities/exploits were discovered.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	04-710-02
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	10.551 – Food Stamps (Food Stamp Cluster) 93.558 – Temporary Assistance for Needy Families 93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	None

CONDITION:

DATA INTEGRITY CONTROLS – Social security numbers are not being validated in a timely manner within ANSWER. Individuals can apply for federal assistance without possessing a social security number. However, they are required to obtain a social security number in a reasonable amount of time. During the interim, a temporary number known as a PUSED0 number is used. Once the individual receives a social security number, it is required to be provided to the caseworker for entry and validation in the system. An examination of client benefit data using computer-assisted techniques revealed 15,293 PUSED0 numbers ninety (90) days or older.

RECOMMENDATION:

Establish procedures requiring caseworkers to verify an applicant's social security number in a timely manner as well as resolve mismatches received from the Social Security Administration involving invalid social security numbers. We also recommend the caseworkers have access to an on-line real time system to validate social security number information.

CURRENT STATUS:

The ANSWER team has developed a process to revise the SSN enumeration process to ensure pseudo SSN are sent to SSA for verification each month until a real SSN is returned. When a correct SSN is matched, a record should not be added to WPIC or any report, unless the enumeration code changes. However, as of September 30, 2005, this process has not been implemented by the Agency.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 03-01
STATE/EDUCATIONAL AGENCY: All State Agencies
CFDA NUMBER: All Federal Programs
QUESTIONED COSTS: None

CONDITION:

REPORTING - On July 1, 2001, the State implemented the Arkansas Administrative Statewide Information System (AASIS) as the official accounting system for State government. From the early stages of planning, design and implementation, AASIS was intended to provide for a centralized accounting of all federal awards, including the necessary program accountability for federal award revenues and expenditures. If AASIS was utilized as planned, management of the State could produce the Schedule of Expenditures of Federal Awards (the Schedule) and ensure that the Schedule was based upon information contained within the State's official accounting system. Currently, the Chief Fiscal Officer of the State does not mandate that Agencies use AASIS as the primary federal award accounting system to provide for an accounting of federal program revenues and expenditures. As a result, most Agencies are accounting for federal program transactions using various alternative methods. The Schedule is prepared by requiring each Agency to complete an information data form for each federal award. This information is compiled and the Schedule is produced. Under this method, federal program expenditures frequently do not reconcile to AASIS and data on several programs was initially omitted by the Agencies. The failure to maintain an accurate centralized accounting of federal programs within the State's accounting system could lead to errors and inconsistencies in federal award financial reporting.

RECOMMENDATION:

Develop AASIS as the primary federal award accounting system and ensure that all state Agencies are effectively utilizing AASIS in order to accurately prepare the Schedule of Expenditures of Federal Awards.

CURRENT STATUS:

The State will begin design of the reporting structure to be used within AASIS in the fall of fiscal year 2006. This will require that legacy systems with certain State agencies, colleges and universities be configured to report certain information currently not maintained in their systems. Implementation of the reporting from AASIS will begin with fiscal year 2007. Also, the State will take responsibility for preparation of the Schedule of Expenditures of Federal Awards for the year ended June 30, 2006.

FINDING NUMBER: 03-710-01
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: All Federal Programs
QUESTIONED COSTS: None

CONDITION:

ACTIVITIES ALLOWED OR UNALLOWED - The cost allocation system used by the Department of Human Services to allocate expenditures to the various federal programs was not reconciled to the Arkansas Administrative Statewide Information System (AASIS). This is an internal weakness that could contribute to federal expenditures being incorrectly reported. Reasonable assurance does not exist to conclude that allowed expenditures were reported to the correct federal programs.

RECOMMENDATION:

Reconcile all expenditures used in the cost allocation system to AASIS, the State's official accounting system.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF AGRICULTURE

FINDING NUMBER: 04-645-02
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: None

CONDITION:

ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS – The Agency did not follow program guidelines related to client eligibility and food instrument issuance. Our testing of five (5) of the ninety-five (95) local health units revealed ten (10) instances that reflected inadequate internal controls over food instrument issuance and lack of documentation to support client eligibility. These conditions indicate a weakness in the ability to properly safeguard assets and ensure program eligibility, which could lead to the misuse and misappropriation of those assets.

RECOMMENDATION:

Provide additional training and supervision to employees at local health units and establish procedures to ensure client records are properly maintained.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-710-03
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 10.558 – Child and Adult Care Food Program
QUESTIONED COSTS: \$23,187

CONDITION:

ALLOWABLE COSTS/COST PRINCIPLES – Accurate data is not being maintained on current job duties and positions for Child and Adult Care Food Program (CACFP) employees. Eight (8) employees' salaries were directly charged to CACFP. Audit testing revealed the Agency incorrectly coded one (1) employee's salary totaling \$23,187 to CACFP that should have been processed through the cost allocation system.

RECOMMENDATION:

Implement adequate internal controls and procedures to track and update current job duties, positions and personnel coding within AASIS.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

FINDING NUMBER: 03-645-01
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: None

CONDITION:

ALLOWABLE COSTS/COST PRINCIPLES - The Agency failed to allocate payroll costs using an approved cost allocation plan. This was the result of the Agency's inability to interface their current cost allocation system with the Arkansas Administrative Statewide Information System (AASIS). Failure to allocate costs properly has lead to inaccurate reporting of grant expenditures to the federal cognizant agency and could result in misuse or misappropriation of federal monies.

RECOMMENDATION:

Implement procedures to allocate payroll costs to the appropriate grant in accordance with an approved cost allocation plan.

CURRENT STATUS:

As noted in findings 05-645-01, 04-645-01 and 02-645-01, the Agency again failed to allocate payroll costs. However, the Agency became a division of the Arkansas Department of Health and Human Services (DHHS) on August 12, 2005. DHHS is currently working to incorporate the Agency's payroll costs into the approved DHHS cost allocation plan.

FINDING NUMBER: 03-645-02
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: \$81,000

CONDITION:

ACTIVITIES ALLOWED OR UNALLOWED - The test of transfers for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) revealed management was not following the federal requirements contained in Title 7, CFR 246.16(f), which state that funds allocated for food must be expended to purchase supplemental foods for participants or to redeem food instruments for that purpose. Funds allocated for food costs of \$81,000 were transferred from the federal year 2002 food account (FHD8400) to the federal year 2001 Nutrition Services and Administrative (NSA) account (FHD1200) without meeting the exceptions permissible under the supplement for food costs converted to NSA costs. The agency's failure to implement program requirements could result in sanctions taken by the Food and Nutrition Service (FNS).

RECOMMENDATION:

Comply with applicable federal program requirements.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

FINDING NUMBER: 03-645-03
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: \$640,559

CONDITION:

PERIOD OF AVAILABILITY OF FEDERAL FUNDS - The test of transfers for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) revealed management was not following federal requirements, which stipulates a set amount of monies be utilized for the spend-forward option. The spend-forward option allows a state agency to spend Nutrition Services and Administrative (NSA) funds up to an amount equal to one percent of its total WIC formula grant for NSA costs of the following Federal fiscal year. For the 2003 Federal fiscal year the one percent (1%) maximum amount allowable for transfer was \$131,441, however the agency made two (2) transfers totaling \$772,000 between grant years thereby exceeding the one percent (1%) limit by \$640,559. The agency's failure to implement program requirements could result in sanctions taken by the Food and Nutrition Service (FNS).

RECOMMENDATION:

Comply with federal program requirements.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 03-645-04
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: None

CONDITION:

ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS – Management did not follow program guidelines related to food instrument issuance and safeguarding. Our testing of five (5) of the ninety-four (94) local health units revealed twelve (12) instances that reflected inadequate internal controls over food instruments. These conditions indicate a weakness in the ability to properly safeguard assets, which could lead to the misuse and misappropriation of those assets.

RECOMMENDATION:

Provide appropriate supervision to monitor internal controls concerning inventory compliance with Federal guidelines and provide additional training to employees at local health units.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

FINDING NUMBER: 03-710-08
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 10.553 – School Breakfast Program
10.555 – National School Lunch Program
10.556 – Special Milk Program for Children
10.559 – Summer Food Service Program for Children
(Child Nutrition Cluster)
QUESTIONED COSTS: None

CONDITION:

REPORTING - The Agency is not performing adequate reconciliations between the cost allocation system and the Child Nutrition Financial Reports. The Agency's reconciliations are incomplete and do not adequately explain reconciling items between the two reports. An adequate number of qualified personnel are not assigned to performing these reconciliation responsibilities.

RECOMMENDATION:

Establish and implement adequate reconciliation procedures to properly account for federal expenditures reported in the cost allocation system to the federal expenditures reported in the Child Nutrition Financial Reports submitted to the United States Department of Agriculture, Food Nutrition Service (USDA, FNS). In addition, an adequate number of qualified personnel should be allocated to perform these responsibilities.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 02-645-01
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: None

CONDITION:

ALLOWABLE COSTS/COST PRINCIPLE - The Agency failed to allocate payroll costs in accordance with the approved cost allocation plan. This was the result of the Agency's inability to interface their current cost allocation system with the Arkansas Administrative Statewide Information System (AASIS). Failure to allocate costs properly has lead to inaccurate reporting of grant expenditures to the federal cognizant agency and possible misuse or misappropriation of federal monies.

RECOMMENDATION:

Implement procedures to allocate payroll costs to the appropriate grant in accordance with the approved cost allocation plan.

CURRENT STATUS:

As noted in findings 05-645-01, 04-645-01 and 03-645-01, the Agency again failed to allocate payroll costs. However, the Agency became a division of the Arkansas Department of Health and Human Services (DHHS) on August 12, 2005. DHHS is currently working to incorporate the Agency's payroll costs into the approved DHHS cost allocation plan.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

FINDING NUMBER: 02-710-08
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 10.553 – School Breakfast Program
10.555 – National School Lunch Program
10.556 – Special Milk Program for Children
10.559 – Summer Food Service Program for Children
(Child Nutrition Cluster)
QUESTIONED COSTS: None

CONDITION:

REPORTING – The Agency failed to perform reconciliations between the cost allocation system and the Child Nutrition Financial Reports submitted to the United States Food and Drug Administration, Food Nutrition Services (USDS, FNS).

In addition, estimated expenditures were reported on the quarterly reports due to problems with statewide conversion to the Arkansas Accounting Statewide Information System (AASIS). Although approval was obtained from the federal authorities at the time the reports were completed, almost two (2) fiscal years have passed since the original reports were issued.

Failure to reconcile the expenditures and update estimates to actual expenditures results in misstatement of expenditures in reporting to the USDA, FNS.

RECOMMENDATION:

Implement procedures to ensure proper reporting of expenditures on financial reports. In addition, an adequate number of qualified personnel should be allocated to perform these responsibilities.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 01-415-05
STATE/EDUCATIONAL AGENCY: Arkansas State Forestry Commission
CFDA NUMBER: 10.664 – Cooperative Forestry Assistance
QUESTIONED COSTS: \$4,898

CONDITION:

PERIOD OF AVAILABILITY OF FEDERAL FUNDS - Department of Agriculture 7 CFR Part 3016.23 states where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period. The Agency requested and received reimbursement for expenditures occurring after the grant award expiration date of September 30, 2001. Expenditures occurring after September 30, 2001 totaled \$9,796. Because the award cost sharing percentage was 50%, the Agency received excess reimbursement of \$4,898 for expenditures occurring after the grant award expiration date.

RECOMMENDATION:

Contact the grantor Agency for guidance concerning the excess reimbursement of \$4,898 and that future reimbursement requests be based on Agency's costs incurred during the grant period.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL EMERGENCY MANAGEMENT AGENCY

FINDING NUMBER:	02-995-01
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Emergency Management
CFDA NUMBER:	83.544 – Public Assistance Grants
QUESTIONED COSTS:	\$148,436

CONDITION:

SPECIAL TESTS AND PROVISIONS – PROJECT ACCOUNTING - Our test of disaster assistance payments relating to the December 2000 ice storm revealed that the Agency made overpayments to Lonoke, Sharp and Ouachita counties in the amounts of \$1,986, \$115,186 and \$31,264, respectively. In addition, the Agency made a disaster assistance payment to the City of Greers Ferry totaling \$52,811 without the appropriate supporting documentation. This grant was designated as a "small project" by the Agency; however "small project" grants for the federal fiscal year ending September 30, 2002 are limited to a cost threshold of \$52,000. Small and large project grants have different requirements for supporting documentation.

The December 2000 ice storm disaster was by far the largest disaster, in terms of costs, in the history of the State. Federal funds totaling \$174,366,729 were obligated and disbursed to 534 applicants. The volume of requests, the complexity of multi-million dollar projects and the Agency's lack of an employee experienced in the Public Assistance Grants program contributed to inaccurate and improperly documented disbursements to subrecipients.

RECOMMENDATION:

Continue to seek recovery of overpayments to Lonoke, Sharp and Ouachita counties. In addition, the Agency should continue to review files supporting payments made for the December 2000 ice storm disaster to ensure that all payments were calculated accurately and are supported by the appropriate documentation. The Agency should ensure that it has sufficient staff adequately trained to manage the Public Assistance Grants program, especially in times of large disasters.

CURRENT STATUS:

Corrective action has been taken on two (2) of the three (3) overpayments to counties. In January 2004, Lonoke County repaid the entire \$1,986. In November 2004, Ouachita County submitted additional expenditures of \$21,084 that were approved by FEMA and repaid the remaining balance of \$10,180.

Sharp County also submitted additional expenditures of \$27,115 that were approved by FEMA, reducing their overpayment to \$88,071. On November 9, 2004, ADEM officials and the Sharp County judge met and came to an agreement to allow the county to repay the overpayment over four (4) years.

In April of 2005, Sharp County made their first payment of \$20,000, leaving a balance of \$68,071 for the year ended June 30, 2005.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF EDUCATION

FINDING NUMBER: 04-160-01
STATE/EDUCATIONAL AGENCY: University of Arkansas at Pine Bluff
CFDA NUMBER: 84.038 – Federal Perkins Loan Program_Federal Capital Contributions
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

CONDITION:
COHART DEFAULT RATE – The University, again, did not receive a Federal Capital Contribution (FCC) because their cohort default rate of 50.44% exceeded the allowable rate of 25%.

RECOMMENDATION:
Establish procedures to lower the University's cohort default rate to an acceptable level.

CURRENT STATUS:
As noted in findings 05-160-02, 03-160-01, 02-160-06 and 01-160-05, the University's cohort default rate is above 25%.

FINDING NUMBER: 04-520-01
STATE/EDUCATIONAL AGENCY: Department of Workforce Education – Arkansas Rehabilitation Services
CFDA NUMBER: 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
QUESTIONED COSTS: None

CONDITION:
ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES – Client case files support vocational rehabilitation services and aid provided by the Agency. Sixty (60) case files located in six (6) local offices throughout the State were selected for review. The following deficiencies identified during our review were also identified in prior years:

- Eighteen (18) of the files did not contain invoices to support the authorization for payment.
- Twenty-eight (28) case narratives were not updated at least every 90 days.
- Counselors are required to seek three (3) bids on purchases over \$1,000 and receive approval from the Chief of Field Services. There were six (6) files with purchases over \$1,000 that did not contain the appropriate approvals or bids.
- Program regulations require that a title agreement must be filed to document that title to any tools or equipment purchased for a client will remain with the Agency until the client has been rehabilitated. Fourteen (14) files with tool or equipment purchases did not contain the title agreement.
- Seven (7) files were closed as "Rehabilitated" when the employment achieved did not benefit from Vocational Rehabilitation services.
- Three (3) files were considered possible conflicts of interest. One (1) of these files, a counselor's spouse, could not be located for review. Payments for services on behalf of the client/spouse totaled \$195.

RECOMMENDATION:
Continue to develop procedures to ensure compliance with program regulations and improve the quality of documentation contained in client case files

CURRENT STATUS:
As noted in findings 05-520-01 and 03-520-01, case file deficiencies are still in existence.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 04-520-02
STATE/EDUCATIONAL AGENCY: Department of Workforce Education – Arkansas Rehabilitation Services
CFDA NUMBER: 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
QUESTIONED COSTS: \$5,341

CONDITION:

ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES – A review of case files in the West Memphis office revealed Ms. Chelsea Brown, a former counselor, was responsible for misuse of funds totaling \$5,341. Ms. Brown resigned from the Agency, and moved out-of-state prior to the discovery of the misuse of funds. Three (3) payments were inappropriately made to Ms. Brown's family members on behalf of two (2) clients, and an additional three (3) payments were inappropriately made for products for three (3) other clients. All five (5) clients subsequently denied receiving the products or services. This matter was reported to the Prosecuting Attorney on April 19, 2004 and to Arkansas State Police on June 8, 2004.

RECOMMENDATION:

Continue to strengthen internal controls and implement policies and procedures necessary to identify fraudulent activity within the program.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-520-03
STATE/EDUCATIONAL AGENCY: Department of Workforce Education – Arkansas Rehabilitation Services
CFDA NUMBER: 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
QUESTIONED COSTS: None

CONDITION:

REPORTING – The Agency must submit client service data to U. S. Department of Education - Rehabilitation Services Administration (USDOE – RSA). This data is used by RSA to identify deficiencies in the program and ensure that the Agency has complied with required performance indicators. One of these performance indicators is the percentage of cases closed where the client was not successfully rehabilitated (status 28). In March 2004, the Chief of Field Services sent a memo to all District Managers that prohibited counselors from closing cases to status 28. Two (2) out of sixty (60) files selected for review were not appropriately closed as a result of this memo. The number and type of case closures reported to RSA under these circumstances do not fairly present the Agency's operations. Submittal of inaccurate and incomplete information to RSA may prevent the identification of deficiencies in the program and Agency operations that effect client services.

RECOMMENDATION:

Develop procedures to ensure that all information submitted to Rehabilitation Services Administration is fairly presented, accurate and complete.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 04-710-04
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
QUESTIONED COSTS: None

CONDITION:

MATCHING, LEVEL OF EFFORT, EARMARKING – The State failed to meet the level of effort requirement for the federal fiscal year ended September 30, 2003. Federal regulations require the State maintain total expenditures from non-federal sources at a level not less than total expenditures for the fiscal year two years prior to the previous fiscal year. Each Agency of the State is analyzed individually when determining level of effort compliance and an Agency determined to be out of compliance is penalized dollar for dollar. The Arkansas Department of Human Services – Services for the Blind was not in compliance with level or effort requirements and was penalized \$2,053.

RECOMMENDATION:

Develop procedures to ensure all federal requirements related to level of effort are satisfied.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 03-160-01
STATE/EDUCATIONAL AGENCY: University of Arkansas at Pine Bluff
CFDA NUMBER: 84.038 – Federal Perkins Loan Program_Federal Capital
Contributions
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

CONDITION:

COHORT DEFAULT RATE – The University, again, did not receive a Federal Capital Contribution (FCC) because their cohort default rate of 44.44% exceeded the allowable rate of 25%.

RECOMMENDATION:

Establish procedures to lower the University's cohort default rate to an acceptable level.

CURRENT STATUS:

As noted in findings 05-160-02, 04-160-01, 02-160-06 and 01-160-05, the University's cohort default rate is above 25%.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 03-520-01
STATE AGENCY: Department of Workforce Education – Arkansas Rehabilitation Services
CFDA NUMBER: 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
QUESTIONED COSTS: \$4,218

CONDITION:

ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES – Client case files support vocational rehabilitation services aid provided by the Agency. Sixty-eight (68) case files located in six (6) local offices throughout the State were selected for audit testing. As noted in previous reviews, there was a lack of documentation supporting payments made on behalf of clients in the case files. Of the sixty-eight (68) cases reviewed, twenty (20) files did not contain invoices to support the authorization for payment and thirty (30) case narratives were not updated at least every 90 days.

During the Agency's follow up of client case file deficiencies noted in the previous audit, an employee, Ms. Carla Becker, was placed on probation. As a response to her probation, she resigned her position with the Agency. Subsequently, the Agency implemented a new procedure of conducting a comprehensive review of counselors' files upon their termination or transfer to another area within the Agency. The Agency's review of Ms. Becker's files noted misuse of funds, and the matter was reported to the Arkansas State Police and United States Attorney's Office in August 2003. Upon completion of the Arkansas State Police investigation, Ms. Becker has been formally charged in the District Court of Independence County, Arkansas with three (3) felony counts of theft of public benefits totaling \$1,885 and five (5) misdemeanor counts of theft of public benefits for \$614. She was also charged with twenty (20) misdemeanor counts of falsifying business records for an additional \$1,718. The total amount for all charges is \$4,217. Bond was set at \$3,000, which was met by Ms. Becker on January 30, 2004.

RECOMMENDATION:

Enforcement of the Agency's procedures by supervisory staff upon the counselors regarding the maintenance of proper documentation in client case files.

CURRENT STATUS:

As noted in findings 05-520-01 and 04-520-01, case file deficiencies are still in existence.

FINDING NUMBER: 02-160-06
STATE/EDUCATIONAL AGENCY: University of Arkansas at Pine Bluff
CFDA NUMBER: 84.038 – Federal Perkins Loan Program_Federal Capital Contributions
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

CONDITION:

COHORT DEFAULT RATE - The University did not receive a Federal Capital Contribution (FCC) because their cohort default rate of 59.61% exceeded the allowable rate of 25%.

RECOMMENDATION:

Establish procedures to lower the University's cohort default rate to an acceptable level.

CURRENT STATUS:

As noted in findings 05-160-02, 04-160-01, 03-160-01 and 01-160-05, the University's cohort default rate is above 25%.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 01-160-05
STATE/EDUCATIONAL AGENCY: University of Arkansas at Pine Bluff
CFDA NUMBER: 84.038 - Federal Perkins Loan Program_Federal Capital Contributions
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

CONDITION:
COHORT DEFAULT RATE - The University did not receive a Federal Capital Contribution (FCC) because their cohort default rate of 40.47% exceeded the allowable rate of 25%.

RECOMMENDATION:
Establish procedures to lower the University's cohort default rate to an acceptable level.

CURRENT STATUS:
As noted in findings 05-160-02, 04-160-01, 03-160-01 and 02-160-06, the University's cohort default rate is above 25%.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING NUMBER: 04-645-03
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.268 – Immunization Grants
QUESTIONED COSTS: None

CONDITION:

ALLOWABLE COSTS/COST PRINCIPLES – Competitive bids were not solicited during the procurement of preprinted immunization folders costing \$11,539 in violation of Ark. Code Ann. 19-11-234.

RECOMMENDATION:

Implement policies and procedures necessary to ensure that State Purchasing Laws are followed.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-645-04
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.268 – Immunization Grants
QUESTIONED COSTS: None

CONDITION:

CASH MANAGEMENT – The Agency is drawing federal monies on one letter of credit without maintaining the records necessary to identify federal draws to the corresponding grants.

RECOMMENDATION:

Properly identify federal draws to individual grants by reconciling between the total amounts drawn and the amounts calculated to be drawn per grant.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-645-05
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.268 – Immunization Grants
QUESTIONED COSTS: None

CONDITION:

REPORTING – The Agency failed to report expenditures totaling \$110,273 on the SFC-272 Quarterly Federal Cash Transaction Reports for the 2004 fiscal year.

RECOMMENDATION:

Implement additional review procedures to ensure accurate reporting to the federal cognizant agency.

CURRENT STATUS:

Although this specific instance has been corrected, as noted in finding 05-645-08, the Agency again failed to accurately report expenditures to the federal cognizant agency.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-645-06
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.268 – Immunization Grants
QUESTIONED COSTS: None

CONDITION:

ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS – The testing of five (5) of the ninety-five (95) local health units revealed five (5) instances where management did not follow program guidelines related to client eligibility and client record keeping.

We also tested records at a private clinic and found that eligibility screening documentation was not retained as required per the Annual Provider Enrollment Form.

RECOMMENDATION:

Establish procedures to ensure that client immunization records are properly maintained, that required Immunization Record information is completed, and that private sector providers properly maintain documentation on eligibility screening.

CURRENT STATUS:

As noted in finding 05-645-06, the Agency again failed to establish procedures to ensure applicable records are properly completed, maintained and safeguarded.

FINDING NUMBER: 04-645-07
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.283 – Centers for Disease Control and Prevention_
Investigations and Technical Assistance
QUESTIONED COSTS: None

CONDITION:

PERIOD OF AVAILABILITY OF FEDERAL FUNDS – Management's failure to establish internal controls for the Public Health Preparedness and Response for Bioterrorism Grant resulted in expenditures totaling \$65,851 for the 2003-2004 grant being charged in error to the 2001-2003 grant.

RECOMMENDATION:

Establish internal controls to limit expenditures of federal funds to obligations occurring the period of availability of the grant.

CURRENT STATUS:

As noted in finding 05-645-09, the Agency continues to charge expenditures to the incorrect grant due to the lack of adequate internal control procedures.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-645-08
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.283 – Centers for Disease Control and Prevention_
Investigations and Technical Assistance
QUESTIONED COSTS: None

CONDITION:

REPORTING – Management did not file the final FS-269A Financial Status Reports for the 2001-2003 Public Health Preparedness and Response for Bioterrorism Grant and the 2002-2003 Support State Oral Disease Prevention Grant. The FS-269A is prepared annually and a final report is due one year after the grant expires. The Public Health Preparedness and Response for Bioterrorism Grant final report was due August 30, 2004; the final report for Support State Oral Disease Prevention Grant was due June 30, 2004. Failure to file federal reports in a timely manner could lead to misrepresentation and disallowance of federal expenditures.

RECOMMENDATION:

Establish internal controls to enable preparation and submission of financial status reports as required in the grant agreements.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-645-09
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.777 – State Survey and Certification of Health Care Providers and Suppliers
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

REPORTING – Numerous requests were made for documentation related to the portion of this program under the direction of the Arkansas Department of Health. The documentation requested included PMS-272 reports and follow-up on a prior year issue. The Finance Office failed to provide the required documentation as requested in a timely manner.

RECOMMENDATION:

Provide necessary documentation when requested in a timely manner.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-710-05
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: \$198,987

CONDITION:

ALLOWABLE COSTS/COST PRINCIPLES – During a routine monthly reconciliation of the Temporary Employment Assistance (TEA) checking account, Agency employees discovered numerous unauthorized electronic transfers and three (3) inappropriate checks disbursed from the account to a credit card company, public utilities and various retailers. We determined the total amount of unauthorized disbursements that occurred between June 15, 2004 and September 1, 2004 to be \$198,987. As of January 26, 2005, all but \$3,332 had been recovered by the Agency. At the end of audit fieldwork, an investigation was being conducted by the Arkansas State Police and the Federal Bureau of Investigation.

RECOMMENDATION:

Establish procedures to ensure only authorized disbursements occur within the TEA checking account.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-710-06
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: \$4,847

CONDITION:

ALLOWABLE COSTS/COST PRINCIPLES – A review of supportive services payments maintained in the WISE system revealed eight (8) clients had received assistance for medical services totaling \$4,847. The medical services included a root canal, dental examinations, dentures, extractions and prescriptions. Federal regulations prohibit funds from being used to provide medical services other than pre-pregnancy family planning services.

RECOMMENDATION:

Strengthen employee training and establish monitoring procedures to ensure compliance with existing policies.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-710-07
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: None

CASH MANAGEMENT - The Agency's inadequate internal controls regarding bank account activity and the recording of transfers revealed the following deficiencies:

CONDITION #1:

The Agency's continued failure to perform a reconciliation between actual expenditures for cash assistance benefits and the funds drawn for those benefits again resulted in an overdraw of federal funds in the amount of \$651,235.

RECOMMENDATION:

Establish adequate internal controls and procedures for implementing required cash management policies. In addition, the Agency should establish reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are adequately safeguarded and federal reports reconcile to supporting records.

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

As stated in the previous two (2) audit reports, the Agency has struggled to reduce the cash balances in the Electronics Benefits Transfer (EBT) bank account and the TEA Employment Services and Employment and Training (E&T) Jobs bank account. Although the Agency did reduce the cash balances at the end of fiscal year 2004 by \$2,360,716, excessive cash balances still exist.

RECOMMENDATION:

Establish adequate internal controls and procedures for implementing required cash management policies.

CURRENT STATUS:

As noted in findings 05-710-06, 03-710-11, 02-710-09 and 01-710-04, the Agency continues to fail to establish adequate internal controls to reduce cash balances.

CONDITION #3:

The Agency again failed to return interest totaling \$25,960, which was earned on federal deposits on four (4) bank accounts.

RECOMMENDATION:

Establish adequate internal controls and procedures for implementing required cash management policies.

CURRENT STATUS:

As noted in findings 05-710-06, 03-710-11 and 01-710-04, the Agency again failed to return interest earned on federal deposits.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	04-710-07 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	None

CONDITION #4:

The Agency is not performing reconciliations between the expenditures reported on the TANF financial reports with the disbursements recorded in the Work Information System Exchange (WISE) checking account. An unreconciled difference of \$444,653 exists for the year ended June 30, 2004. It is estimated the TANF financial reports have over reported expenditures by \$279,089 for FY04. This overage is due to voided checks within the WISE system which are not being reported on the TANF financial reports. Without the reconciliation, adjustments to expenditures are not being made for accurate reporting.

RECOMMENDATION:

Establish adequate internal controls and procedures for implementing required cash management policies. In addition, the Agency should establish reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are adequately safeguarded and federal reports reconcile to supporting records.

CURRENT STATUS:

As noted in finding 05-710-06, the Agency has not established adequate reconciliation procedures to provide assurance that federal reports are reconciled to supporting records.

CONDITION #5:

The Agency is not performing a reconciliation between the disbursements recorded in the WISE database with the disbursements recorded in the WISE checking account. An unreconciled difference of \$149,313 exists for the year ended June 30, 2004. Without the reconciliation, inappropriate disbursements could be made and not detected in a timely manner.

RECOMMENDATION:

Establish adequate internal controls and procedures for implementing required cash management policies. In addition, the Agency should establish reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are adequately safeguarded and federal reports reconcile to supporting records.

CURRENT STATUS:

As noted in findings 05-710-06 and 03-710-11, the Agency has not established adequate reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are properly safeguarded.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	04-710-08
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

ELIGIBILITY - Two hundred twenty-five (225) client case files covering eight (8) counties were selected for review for cash assistance payments in the Arkansas Client Eligibility System (ACES) to determine whether clients were eligible to receive benefit payments in accordance with the Agency's TEA manual. Our examination revealed the following discrepancies:

CONDITION #1:

Three (3) client case files did not contain a completed application. An application is required when a request for assistance is made.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

Eleven (11) client case files did not contain adequate documentation to verify kinship between a minor child and the case head, as required by the Agency's TEA manual.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

As noted in findings 05-710-07, 03-710-12 and 02-710-10, client case files continue to fail to contain adequate documentation to redetermine various eligibility requirements.

CONDITION #3:

Two (2) client case files did not contain an Income Eligibility budget, as required by the Agency's TEA manual.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	04-710-08 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

CONDITION #4:

Three (3) client case files did not contain documentation that a minor-parent had successfully completed or is attending high school or it's equivalent.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

CONDITION #5:

Thirteen (13) client case files did not contain Collateral Statements to verify the existence of a child in the home, as required by the Agency's TEA manual.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

As noted in findings 05-710-07 and 02-710-10, client case files continue to fail to contain adequate documentation to redetermine various eligibility requirements.

CONDITION #6:

Twenty (20) client case files did not contain documentation to verify that the client had not been convicted of a felony. In addition, one (1) ineligible client was approved and received cash assistance although supporting documentation clearly stated the client had been convicted of a felony drug possession after August 22, 1996.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

As noted in findings 05-710-07, 03-710-12 and 02-710-10, the Agency again failed to enforce existing policies and procedures with appropriate personnel to ensure compliance with the requirements of the TANF program.

CONDITION #7:

Twenty-seven (27) client case files did not contain a signed declaration of citizenship, or lawful alien status.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	04-710-08 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

CONDITION #8:

Nine (9) client case files did not contain a signed statement assigning child support rights over to the state.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

CONDITION #9:

All adult clients receiving cash assistance, not exempt or deferred from work activities, are required to complete employment and educational assessments. These assessments assist the caseworker in determining the client's level of training and/or education for placement in the work force. Our examination revealed the following: 1) fifty-five (55) client case files did not contain results of a Test of Basic Adult Education (TABE). 2) Fifteen (15) client case files did not contain documentation that the Learning Disability Screening was conducted, and 3) eight (8) client case files did not contain verification of a completed TEA Skills, Employability and Intake Assessment (DCO-1402).

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

As noted in findings 05-710-07 and 03-710-12, the Agency again failed to enforce existing policies and procedures with appropriate personnel to ensure compliance with the requirements of the TANF program.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-710-09
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: None

CONDITION:

REPORTING - The Agency's failure to perform a reconciliation between the TANF Financial Reports and the PSC 272 Federal Cash Transaction Report resulted in expenditures being understated by \$3,522,238 on the PSC 272.

RECOMMENDATION:

Establish adequate internal controls and reconciliation procedures for accurate reporting of federal funds.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-710-10
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: Unknown

CONDITION:

SPECIAL TESTS AND PROVISIONS – CHILD SUPPORT NON-COOPERATION - The Office of Child Support Enforcement (OCSE) notifies the Agency of client non-compliance with program requirements concerning child support through the use of an OCES-1650 notification form. A review of an OCES-1650 listing for the year ended June 30, 2004 for the eight (8) counties selected for testing revealed one hundred forty-seven (147) client cases were not sanctioned as required.

According to Arkansas law, child support rights are automatically assigned to the Department of Human Services when an individual accepts TANF assistance. Clients are required to cooperate with OCSE in seeking child support payments and/or establishing paternity. Failure to properly sanction cases involving non-cooperation with program requirements is the result of poor case management, which could result in an overpayment of cash assistance benefits to non-cooperative clients.

RECOMMENDATION:

Establish procedures to monitor the OCSE-1650 notifications and adhere to established sanction policies concerning child support non-cooperation.

CURRENT STATUS:

As noted in findings 05-710-08, 03-710-15 and 02-710-15, the Agency developed and implemented a Corrective Compliance Plan (CCP) effective October 2005. CCP automatically applies system sanctions upon receipt of electronic sanction requests from the Office of Child Support Enforcement.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	04-710-11
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

CONDITION:

SPECIAL TESTS AND PROVISIONS – LIFE SKILLS CLASS - The Arkansas Department of Human Services (DHS) entered into a contract with several organizations to provide Life Skills classes to Transitional Employment Assistance (TEA) recipients. According to the contract, the organization would receive a \$25 intake fee for each TEA recipient referred to the organization. If the recipient attended two (2) Life Skills classes the organizations would be paid \$600 for the Life Skills class and up to six (6) \$75 follow up fees after the client had completed the classes. A review of all payments to two (2) of the organizations revealed:

- One thousand one hundred thirty seven (1,137) \$25 intake fees were paid to the organizations during fiscal year 2004 for recipients who never enrolled in the life skills classes. Twenty (20) clients for whom a \$25 intake fee was paid and did not enroll in the life skills class were reviewed to determine if a sanction had been assessed for non-compliance with assigned work activities. The review revealed that fifteen (15) clients were not sanctioned. According to the Agency TEA Manual, "all able-bodied adult family members are required to work or participate in work activities which are designed to lead to employment." In addition according to the State Plan, "when it is determined that a person who is required to participate in work activities has failed to do so without good cause, a progressive sanction will be imposed."
- Three hundred twenty (320) duplicate intake fees were paid to the organizations for clients who never enrolled in the life skills classes.
- Forty-eight (48) \$75 follow up fees were paid with no evidence of the life skills class being completed.
- Forty-one (41) \$75 follow up fees were paid in excess of the allowed six (6) stated in the contract.
- Nine (9) recipients had tuition for two (2) Life Skills classes paid in fiscal year 2004.

RECOMMENDATION:

Evaluate and monitor the life skills classes and develop procedures to ensure appropriate guidelines are followed.

CURRENT STATUS:

As noted in finding 05-710-09, the Agency's failure to monitor the classes and develop guidelines has again resulted in an inefficient use of TANF funds.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-710-12
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: \$4,180

CONDITION:

SPECIAL TESTS AND PROVISIONS – RENT AND UTILITY PAYMENTS - Eighteen (18) client case files located in four (4) counties were selected from supportive services payments reported in the WISE system to determine whether rent and/or utility assistance payments were made in accordance with the Agency's TEA Manual.

Our examination revealed the following discrepancies:

- Five (5) client case files contained rent assistance in the form of a security deposit totaling \$1,450. According to the Agency's TEA manual, "Assistance with rent and utilities is not considered an allowable supportive service expense. Rent and utilities are basic living expenses for which the monthly cash grant is intended and are not solely associated with a work activity. However, on a rare occasion under an *emergency situation*, assistance with rent and/or utilities may be provided on a one-time basis when it is determined the assistance is necessary for the individual to participate in an assigned work activity or to accept or retain employment." Nothing in the client case file indicated an emergency situation existed.
- Five (5) client case files did not contain shut-off or eviction notices which is required by the Agency's TEA manual resulting in questioned costs of \$1,724.
- Five (5) client case files contained no documentation to support that a household budget was prepared prior to approving the rent or utility assistance payments. According to the Agency's TEA manual, "Prior to approving a rent or utility assistance payment, the TEA Case Manager and the client will complete a household budget to determine if the client will be able to continue to pay the current rent amount and utilities based on the individual's income and other expenses."
- Three (3) client case files did not contain supporting documentation for the rent or utility payments resulting in questioned costs of \$1,006.

RECOMMENDATION:

Develop procedures to ensure adherence to policy regarding rent and utility assistance payments.

CURRENT STATUS:

As noted in finding 05-710-10, the Agency failed to adequately monitor adherence to existing policy regarding rent and utility assistance payments.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	04-710-13
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	\$91,032

CONDITION:

SPECIAL TESTS AND PROVISIONS – TRANSPORTATION ASSISTANCE – One hundred seventeen (117) client case files containing transportation assistance payments were selected from the WISE system to determine if the payments were made in accordance with the Agency's TEA Manual. Our examination revealed the following discrepancies:

- One (1) client case file could not be located. Transportation assistance of \$3,250 had been paid on behalf of this client.
- Three (3) transportation providers did not have a signed DCO-1432 Memorandum of Agreement on file with the county office. One (1) transportation provider was allowed to enter into a verbal agreement with a county office. According to the Agency TEA manual, "when transportation is provided by individuals or entities, including relatives or friends of the client, the provider must enter into an agreement with the county via form DCO-1432, Memorandum of Agreement (MOA), to provide transportation services for TEA clients."
- Eleven (11) client case files did not contain documentation to support why transportation payments totaling \$64,597 were extended past the receipt of the client's first paycheck. Nine (9) of these client case files were located in the Pulaski-Jacksonville office. According to the Agency's TEA manual, "persons who are employed will be expected to arrange and pay for their transportation expenses to and from work from their paychecks. Transportation payments or reimbursements may be provided to a newly hired TEA client until he or she has received his or her first full paycheck."
- Nine (9) client case files did not contain adequate supporting documentation for the transportation payments totaling \$23,185.

In addition, the Agency's TEA manual states, "Payments which exceed a total of \$200 per month must be approved by the county administrator prior to being paid. Such payments will be allowed only when there is a direct connection between the excessive transportation expenses and whether the client will be able to accept or retain a job. Transportation payments or reimbursements will normally be made to employed persons only until the first paycheck has been received. It is expected that the client will make his or her own transportation arrangements. If the person does not have access to transportation, he or she will be encouraged to seek rides with family members or other persons at no cost. Persons who are employed will be expected to arrange and pay for their transportation expenses to and from work from their first paychecks." A review of the WISE system for fiscal year 2004 revealed that forty (40) clients received over \$4,000 each in transportation assistance totaling \$273,412 of which \$215,129 was in Pulaski county alone. Six (6) of these clients received transportation assistance over \$10,000 each with one (1) client receiving \$17,361. Audit testing revealed possible questionable practices that we referred to the Agency's internal audit department for further review.

RECOMMENDATION:

Strengthen employee training and develop procedures to ensure adherence to policy regarding transportation assistance payments.

CURRENT STATUS:

As noted in finding 05-710-05, the Agency should continue to strengthen employee training and also continue developing procedures necessary to reduce questioned costs in transportation assistance payments.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-710-14
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: \$12,500

CONDITION:

SPECIAL TESTS AND PROVISIONS – VEHICLE DOWN PAYMENT ASSISTANCE - Thirty (30) client case files located in eight (8) counties containing vehicle down payment assistance were selected from the WISE system to determine if payments were made in accordance with the Agency's TEA Manual.

Our examination revealed the following discrepancies:

- Ten (10) client case files did not contain a signed DCO-1410 Client Vehicle Assistance Agreement. According to the TEA policy manual, "the client must sign form DCO-1410, Client Vehicle Assistance Agreement."
- Seven (7) client case files did not contain a DCO-1409 TEA Household Income and Expense Worksheet. According to the TEA policy manual, "Prior to approving the down payment assistance, the case manager will determine if a client can afford the vehicle by calculating a household budget with the client using form DCO-1409, TEA Household Income and Expense Worksheet."

In addition, a review of all supportive services payments reported in the WISE system in fiscal year 2004 revealed questioned costs of \$12,500. Agency policy states that assistance with the down payment on a vehicle will not exceed 75% of the purchase price, up to a lifetime maximum of \$2,500. Five (5) clients received down payment assistance in excess of the lifetime maximum.

RECOMMENDATION:

Develop procedures to ensure adherence to policy regarding the approval process and lifetime maximum amount for vehicle down payment assistance.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-710-15
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: \$12,793

CONDITION:

SPECIAL TESTS AND PROVISIONS – VEHICLE REPAIR ASSISTANCE – A review of all supportive services payments representing vehicle repair assistance reported in the WISE system in fiscal year 2004 revealed questioned costs of \$12,793. Agency policy states repair costs will not exceed a vehicle's value by fifty percent (50%) or \$1,000 maximum. Twenty-nine (29) clients received vehicle repair assistance in excess of the \$1,000 limit totaling \$12,043. In addition, clients are responsible for paying the first \$25 of the repair cost. A review of seventy-two (72) payments for vehicle repairs revealed thirty (30) payments lacked the required \$25 co-pay totaling \$750.

RECOMMENDATION:

Strengthen employee training and develop procedures to ensure adherence to policy regarding vehicle repair assistance payments.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-710-16
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: Unknown

CONDITION:

SPECIAL TESTS AND PROVISIONS – WORK ACTIVITY NON-COMPLIANCE - According to State regulations for TANF, all able-bodied adult family members receiving cash assistance are required to work or participate in job search activities. If a client refuses to cooperate with these requirements, their benefits will be sanctioned by twenty-five (25%). Our review of two hundred twenty-five (225) client case files revealed that sixteen (16) clients were not in compliance with work requirements and no sanction was applied.

RECOMMENDATION:

Properly monitor client case files for non-compliance regarding work requirements or job search activities and apply the necessary sanctions when applicable.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-710-17
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.575 – Child Care and Development Block Grant
93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)
QUESTIONED COSTS: Unknown

CONDITION:

ALLOWABLE COSTS/COST PRINCIPLES – Between January 1, 2004 and December 31, 2004, the Division of Child Care and Early Childhood Education identified twenty-five (25) cases of possible provider fraud totaling \$189,132 and one hundred ninety-three (193) cases of possible client fraud totaling \$332,439. These cases have been turned over to the Agency's Office of Chief Counsel. Of these cases, four (4) provider cases were closed reflecting no provider liability and seventy (70) client cases were closed reflecting client liabilities totaling \$77,888. The remainder awaits further investigation or administrative hearings. According to Agency staff, the transactions identified in these cases predominately occurred during fiscal year 2004 and the subsequent period.

RECOMMENDATION:

Continue to strengthen internal controls and implement policies and procedures necessary to identify fraudulent activity within the program.

CURRENT STATUS:

As noted in finding 05-710-17, the Agency continues to strengthen internal controls and implement policies necessary to reduce fraudulent activity. The Agency has recently implemented the Kid Care system which is the computer system used to write authorizations and process childcare billing.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	04-710-18
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.658 – Foster Care_Title IV-E
QUESTIONED COSTS:	None

CONDITION:

ACTIVITIES ALLOWED OR UNALLOWED, ELIGIBILITY AND INTERNAL CONTROL – A test of monthly board payments was made to ensure that the correct amount was paid, the payment was allowable, and all eligibility requirements had been met in order for benefits to be paid. A payment is allowable only if all eligibility requirements are met for the child, as well as the foster parent. The test represented fifty (50) foster family homes. Supporting documentation for a criminal records check for forty-six (46) of the fifty (50) foster family homes could not be provided. The Agency is required to perform a criminal records check on foster home providers to determine if the provider satisfactorily meets all necessary requirements.

Prior to October 2003, the Agency would receive a criminal records check from the Arkansas State Police, generate a letter within the Foster Care Unit which stated the results of the check, then forward the letter to the county. The Agency would destroy the actual State Police document after one year. Beginning in October 2003, the actual State Police documentation is sent to the requesting party. Due to the new procedure, a test was performed on criminal records checks that were performed after October 2003 to ensure the procedure is being followed. The following was noted:

- The Agency was unable to provide State Police documentation for three (3) of the ten (10) homes tested.
- Also, we noted a lack of communication among the Foster Care Eligibility Unit, Office of Community Services and the county offices. The new procedure had not been forwarded to the Office of Community Services or county offices. As a result, they are unaware that they should be receiving and retaining the criminal records check documentation.

RECOMMENDATION:

Keep all records from the Arkansas State Police concerning a foster parent/family member's criminal records check. All supporting documentation should be retained until updated and new procedures should be communicated to all applicable offices.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-710-19
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

ELIGIBILITY - The results of testing of one hundred sixty (160) recipients for the proper determination of eligibility revealed the following deficiencies:

CONDITION #1:

Five (5) client case files could not be located by county office personnel.

RECOMMENDATION:

Review and strengthen the record retention practices in place in the county offices and train personnel on requirements of the program.

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

Thirty-three (33) client cases did not contain documentation verifying the social security number listed for the client.

RECOMMENDATION:

Review and strengthen the record retention practices in place in the county offices and train personnel on requirements of the program.

CURRENT STATUS:

As noted in findings 05-710-19 and 03-710-28, deficiencies in client case files continue to exist in various county offices throughout the State.

CONDITION #3:

Five (5) client case files did not contain documentation to confirm citizenship.

RECOMMENDATION:

Review and strengthen the record retention practices in place in the county offices and train personnel on requirements of the program.

CURRENT STATUS:

Corrective action taken.

CONDITION #4:

Three (3) case files did not contain a primary care physician for ARKids B.

RECOMMENDATION:

Review and strengthen the record retention practices in place in the county offices and train personnel on requirements of the program.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-710-19 (Continued)
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION #5:

Eight (8) client case files did not contain a signed Assignment of Rights to Medical Support/Third Party Liability form.

RECOMMENDATION:

Review and strengthen the record retention practices in place in the county offices and train personnel on requirements of the program.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-710-20
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

PROCUREMENT, SUSPENSION AND DEBARMENT – Each month, Electronic Data Systems (EDS) provides the Medicaid Field Audit Unit (MFAU) with an electronic file containing a list of providers that have been excluded from participating in the Medicaid program. MFAU is responsible for investigating matches that arise between excluded providers and Medicaid payments to determine if payments are being made to providers that should be excluded. As noted in the previous audit, MFAU was not able to open the electronic file and did not obtain the EDS information in another useable format. As a result, MFAU was prevented from investigating Medicaid payments made to excluded providers. MFAU is still not receiving the EDS file on a regular basis and is still experiencing problems with opening the file. Thus, MFAU is unable to investigate Medicaid payments made to excluded providers.

RECOMMENDATION:

Coordinate with EDS to obtain the provider information in a readable format to expedite the investigation of potential excluded providers that may be participating in the Medicaid program.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 04-710-21
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

SPECIAL TESTS AND PROVISIONS – ADP RISK ANALYSIS AND SYSTEM SECURITY REVIEW – According to 45 CFR 95.621, State Agencies must establish and maintain a program for conducting periodic risk analyses. The State Agency shall also review the Automatic Data Processing (ADP) security system involved in the administration of the United States Department of Health and Human Services programs on a biennial basis. The Agency's periodic ADP risk analysis and system security reviews continue to fail to adequately address the physical and data security operating procedures since no formal ADP risk analysis or security review has been conducted in at least two years. The SAS 70 review currently in place was conducted on Electronic Data Systems, the outside processor of Arkansas Medicaid claims, for the period covering March 1, 2003 – August 31, 2003. This review stated that it did not extend to reviewing procedures in effect at client organizations. No report was available for 2004.

RECOMMENDATION:

Design an ADP risk analysis and system security review to adequately address the physical and data security operating procedures.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-710-22
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

SPECIAL TESTS AND PROVISIONS – UTILIZATION AND PROGRAM INTEGRITY – The Medicaid Field Audit Unit (MFAU) at the Department of Human Services is not properly forwarding information on potential cases of fraud by Medicaid providers to the Medicaid Fraud Control Unit at the Office of the Attorney General. It is the responsibility of the MFAU to identify any potential cases of fraud and abuse in the Medicaid system through the testing of paid Medicaid claims and to forward information relating to potential cases of fraud to the Medicaid Fraud Control Unit. The Medicaid Fraud Control Unit at the Office of the Attorney General indicated that no cases were forwarded to them from the MFAU during calendar year 2004. According to the MFAU, no cases were referred to the Medicaid Fraud Control Unit at the Office of the Attorney General because they were involved in the completion of other projects. Failure to forward information on cases of potential fraud to the Medicaid Fraud Control Unit at the Office of the Attorney General for further review hinders the Medicaid investigative process.

RECOMMENDATION:

Improve communications with the Medicaid Fraud Control Unit of the Office of the Attorney General regarding the forwarding of information concerning possible instances of fraudulent activities by Medicaid providers.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 03-645-05
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse
QUESTIONED COSTS: \$350,571

CONDITION:

LEVEL OF EFFORT– Management did not meet the non-Federal expenditure level of effort by \$350,571 for the 2001 grant year as required by the Block Grant for Prevention and Treatment of Substance Abuse grant agreement and 45 CFR 96.134. The inability to maintain the required level of effort could result in loss of federal funds.

RECOMMENDATION:

Strengthen internal controls to ensure that all level of effort expenditures required by the laws, regulations, and provisions of the grant are properly budgeted and maintained.

CURRENT STATUS:

A response from the Substance Abuse and Mental Health Services Administration regarding the State's compliance with the 2001 MOE requirement is pending. The Agency maintains that each of the individual yearly expenditures in State fiscal years 2000 – 2004 exceed the highest required 2-year average for the years in question.

FINDING NUMBER: 03-645-08
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.777 – State Survey and Certification of Health Care Providers and Suppliers (Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

REPORTING – The Agency failed to report cash transactions totaling \$256,627 on the PMS-272 Quarterly Cash Transactions Reports during the 2003 fiscal year.

RECOMMENDATION:

Establish internal controls to ensure accurate reporting to the federal awarding agency.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	03-710-10
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	\$73,926

CONDITION:

ALLOWABLE COSTS/COST PRINCIPLES - Eighty (80) client case files located in five (5) counties were selected from supportive services payments reported in the WISE system to determine whether the payment was an allowable cost in accordance with the Agency's TEA Manual. Five (5) of the client case files could not be located during our county office visits.

Our examination also revealed the following discrepancies:

- In Miller County, six (6) clients received assistance totaling \$3,329 for dental services. Federal regulations prohibit funds from being used to provide medical services other than pre-pregnancy family planning services.
- In three (3) of the five (5) county offices selected for review, twenty-three (23) transportation payments totaling \$15,127, individually exceeded the \$200 maximum without documented approval from the County Administrator. In addition, supporting documentation for twenty (20) transportation payments totaling \$8,364 could not be located in the client case files. Also, five (5) transportation payments totaling \$7,535 were made after a client's case was closed.
- In Mississippi County, seven (7) vehicle down payments totaling \$17,500 were made on behalf of clients without supporting documentation that the client met the work requirements or was granted an exception by the Area Director. According to State policy, a client must be currently employed for sixty (60) days at the same job before vehicle down payment assistance can be granted.
- In three (3) of the five (5) counties selected for review, vehicle repairs in excess of the \$1,000 per vehicle maximum were paid to or on the behalf of fifteen (15) clients resulting in questioned costs of \$8,677.
- In four (4) of the five (5) counties selected for review, supporting documentation could not be located in twelve (12) client case files for vehicle repairs totaling \$13,394. In addition, a note in one (1) client case file revealed the client did not own a vehicle.

RECOMMENDATION:

Strengthen employee training and establish monitoring procedures to ensure compliance with existing policies.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	03-710-11
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	None

CONDITION #1:

CASH MANAGEMENT – The Agency failed to prepare a draw schedule of payroll/administrative costs according to the Cash Management Improvement Act (CMIA) agreement. The Agency's schedule for federal draws of payroll/administrative costs has not been updated since October 2000. The CMIA agreement requires that administrative draws be based on the current quarter's administrative grant divided by the number of payrolls processed during the period. The first draw of the following quarter is then adjusted to reflect any increase/decrease that may occur in the actual administrative expenses during the course of operations of the program during the quarter. The Agency failed to reconcile the administrative expenses to the Agency's accounting records and make the necessary adjustments on a quarterly basis as required by the CMIA agreement.

RECOMMENDATION:

Establish adequate internal controls and procedures for implementing required cash management policies.

CURRENT STATUS:

Corrective action taken.

In addition, the Agency's inadequate internal controls regarding bank account activity and the recording of transfers revealed the following deficiencies:

CONDITION #2:

The Agency's failure to perform a reconciliation between actual expenditures for cash assistance benefits and the funds drawn for those benefits resulted in an overdraw of federal funds in the amount of \$1,526,188.

RECOMMENDATION:

Establish reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are adequately safeguarded.

CURRENT STATUS:

Corrective action taken.

CONDITION #3:

The Agency's internal policy is to minimize the cash balance in the Electronic Benefits Transfer (EBT) bank account. During fiscal year 2002, the average month ending cash balance increased by \$627,921. In an attempt to reduce the EBT bank account cash balance, the Agency did not draw \$5,524,499 of federal funds to which the Agency was entitled in fiscal year 2003. However, for the 2003 fiscal year, the average month ending cash balance **increased** by \$833,290.

Upon further review of the EBT bank account it was noted that state and federal funds are commingled in the EBT bank account. Therefore, without proper segregation of state and federal funds, a determination cannot be made as to the proper utilization of these funds.

RECOMMENDATION:

Establish reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are adequately safeguarded.

CURRENT STATUS:

As noted in findings 05-710-06, 04-710-07, 02-710-09 and 01-710-04, the Agency continues to fail to establish adequate internal controls to reduce cash balances.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	03-710-11 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	None

CONDITION #4:

The Agency failed to return interest totaling \$58,787, which was earned on federal deposits on three (3) bank accounts.

RECOMMENDATION:

Establish reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are adequately safeguarded.

CURRENT STATUS:

As noted in findings 05-710-06, 04-710-07 and 01-710-04, the Agency again failed to return interest earned on federal deposits.

CONDITION #5:

The Agency is not performing a reconciliation between the disbursements recorded in the WISE database with the disbursements recorded in the WISE checking account. An unreconciled difference of \$315,624 exists for the year ended June 30, 2003. Without the reconciliation, inappropriate disbursements could be made and not detected in a timely manner.

RECOMMENDATION:

Establish reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are adequately safeguarded.

CURRENT STATUS:

As noted in findings 05-710-06 and 04-710-07, the Agency has not established adequate reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are properly safeguarded.

CONDITION #6:

The Agency incorrectly coded and recorded a \$6,000,000 transfer from the Child Care and Development Block Grant as revenue in AASIS.

RECOMMENDATION:

Establish reconciliation procedures to provide assurance that federal funds represented in Agency bank accounts are adequately safeguarded.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	03-710-12
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

ELIGIBILITY – One hundred sixty (160) client case files covering five (5) counties were selected for review from cash assistance payments reported in the ACES system to determine whether clients were eligible to receive benefit payments in accordance with the Agency's TEA Manual. Thirteen (13) of these client case files could not be located during our county office visits. Our examination revealed the following discrepancies:

CONDITION #1:

Nineteen (19) client case files did not contain adequate documentation to verify kinship between a minor child and the case head, as required by the Agency's TEA manual.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

As noted in findings 05-710-07, 04-710-08 and 02-710-10, client case files continue to fail to contain adequate documentation to redetermine various eligibility requirements.

CONDITION #2:

Twenty-five (25) client case files did not contain a Declaration of U.S. Citizenship or Satisfactory Immigration Status form (DCO-9), which is required by the Agency's TEA manual.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	03-710-12 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

CONDITION #3:

TEA cash assistance was provided to 14,347 adults during the year ended June 30, 2003. A list containing one hundred forty (140) of these adults was provided to the Arkansas State Police to check for convictions classified as a felony. The check revealed twenty-four (24) of the one hundred forty (140) adults or seventeen percent (17%) had convictions classified as a felony. According to program guidelines, the State may not provide assistance to any individual who is convicted under federal or State law of any offense which is classified as a felony involving the distribution or manufacturing of a controlled substance. From the information provided from the Arkansas State Police, we were unable to determine if the felony convictions involved would deem the clients ineligible to participate in the program. We feel the Agency should implement policies and procedures to provide assurance that only eligible clients receive benefits.

During the review of client case files and discussions with county office employees, it was determined the only Agency procedure for verifying felony status is obtained through a "yes/no" checkbox question on the TANF application or Client Declaration Statement. Although the checkbox question is adequate to meet legal requirements, we believe additional procedures should be performed to verify the client's response. Our review also noted ten (10) of the one hundred sixty (160) checkboxes were left blank and the Agency did not investigate further.

Clients are also required by policy to state in writing if they or any member of their household have been convicted of a felony involving a controlled substance. No such statements were found in any of the one hundred sixty (160) client case files reviewed.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

As noted in findings 05-710-07, 04-710-08 and 02-710-10, the Agency again failed to enforce existing policies and procedures with appropriate personnel to ensure compliance with the requirements of the TANF program.

CONDITION #4:

Four (4) client case files did not contain a complete application. An application is required when a request for assistance is made.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	03-710-12 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

CONDITION #5:

Fifteen (15) client case files did not contain a personal responsibility agreement, which details the responsibilities the client must comply with while receiving cash assistance.

The personal responsibility agreement also requires the adult caretaker or minor parent to ensure that school-age children attend school regularly. In twenty-two (22) client case files, no statement or verification that school-age children were attending school could be located.

In addition, the agreement requires preschool children receive the necessary immunizations. Proof of immunization must be requested prior to the approval of a client's application. During our review, seventeen (17) client case files did not contain proof of current immunization records.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

As noted in finding 05-710-07, the Agency failed to enforce existing policies and procedures with appropriate personnel to ensure compliance with the requirements of the TANF program.

CONDITION #6:

Eighteen (18) payee-only client case files did not contain adequate documentation confirming yearly evaluations were performed.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

CONDITION #7:

All adult clients receiving cash assistance, not exempt or deferred from work activities, are required to complete employment and educational assessments. These assessments assist the caseworker in determining the client's level of training and/or education for placement in the work force. Our examination revealed the following: 1) thirty-five (35) client case files did not contain results of a Test of Basic Adult Education (TABE), 2) twenty-seven (27) client case files did not contain documentation that the Learning Disability Screening was conducted, and 3) nine (9) client case files did not contain verification of a completed TEA Skills, Employability and Intake Assessment (DCO-1402).

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

As noted in findings 05-710-07 and 04-710-08, the Agency again failed to enforce existing policies and procedures with appropriate personnel to ensure compliance with the requirements of the TANF program.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	03-710-12 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

CONDITION #8:

Eleven (11) client case files did not contain a required employment plan. The employment plan is developed by the caseworker and the client and contains detailed instructions to assist the client in obtaining and retaining employment.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

CONDITION #9:

Two (2) ineligible clients were approved and received cash assistance although supporting documentation clearly stated the clients' incomes exceeded the income limit established in the TEA Manual. According to TEA state policy, a client meets the income requirement if their monthly income does not exceed \$223 per month. Only eighty percent (80%) of a client's eligible income is required to be included in the budget when making this determination.

RECOMMENDATION:

Review existing policies and procedures with appropriate personnel to ensure compliance with the eligibility requirements of the TANF program. In addition, we recommend the Agency strengthen record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 03-710-15
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: Unknown

CONDITION:

SPECIAL TESTS AND PROVISIONS - CHILD SUPPORT NON-COOPERATION – The Office of Child Support Enforcement (OCSE) notifies the Agency of client non-cooperation with program requirements concerning child support through the use of an OCSE-1650 notification form. A review of an OCSE-1650 listing for the year ended June 30, 2003 for the five (5) counties selected for testing revealed ninety-three (93) client cases were not sanctioned as required.

According to Arkansas law, child support rights are automatically assigned to the Department of Human Services when an individual accepts TANF assistance. Clients are required to cooperate with OCSE in seeking child support payments and/or establishing paternity. Failure to properly sanction cases involving non-cooperation with program requirements is the result of poor case management, which could result in an overpayment of cash assistance benefits to non-cooperative clients.

RECOMMENDATION:

Establish procedures to monitor the OCSE-1650 notifications and adhere to established sanction policies concerning child support non-cooperation.

CURRENT STATUS:

As noted in findings 05-710-08, 04-710-10 and 02-710-15, the Agency developed and implemented a Corrective Compliance Plan (CCP) effective October 2005. CCP automatically applies system sanctions upon receipt of electronic sanction requests from the Office of Child Support Enforcement.

FINDING NUMBER: 03-710-16
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: Unknown

CONDITION:

SPECIAL TESTS AND PROVISIONS – CHILD SUPPORT INFORMATION PROVIDED TO DHS – Monthly information in the form of an electronic file is sent from the Office of Child Support Enforcement (OCSE) to the Agency concerning changes in child support payments. The information contained in the electronic file is not being effectively utilized by the Agency to properly maintain data, which determines client eligibility. Eligibility has to be reevaluated when a client's income increases. If the information from OCSE is not effectively utilized, clients could continue to receive TANF assistance when they are no longer eligible.

RECOMMENDATION:

Develop procedures to efficiently disburse the information from OSCE concerning child support payments to the appropriate personnel in a timely manner.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 03-710-17
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: \$2,900

CONDITION:

SPECIAL TESTS AND PROVISIONS – EXCESS VEHICLE DOWN PAYMENT ASSISTANCE – A review of all supportive services payments reported in the WISE system in fiscal year 2003 revealed questioned costs of \$2,900. Agency policy states that assistance with the down payment on a vehicle will not exceed 75% of the purchase price, up to a lifetime maximum of \$2,500. Two (2) clients received down payment assistance in excess of the lifetime maximum.

RECOMMENDATION:

Develop procedures to ensure adherence to policy regarding the lifetime maximum amount for vehicle down payment assistance.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 03-710-18
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: Unknown

CONDITION:

SPECIAL TESTS AND PROVISIONS – WORK ACTIVITY NON-COMPLIANCE – According to State regulations for TANF, all able-bodied adult family members receiving cash assistance are required to work or participate in job search activities. If a client refuses to cooperate with these requirements, their benefits will be sanctioned by twenty-five (25%). Our review of one hundred sixty (160) client case files revealed the following:

- Thirteen (13) clients were not in compliance with work requirements and no sanction was being applied.
- Fifteen (15) client case files lacked adequate documentation preventing a determination from being made on whether the clients were in compliance with the work requirement or job search activities.

Failure to properly sanction cases involving non-cooperation with program requirements is the result of poor case management. In addition, an overpayment of cash assistance benefits to non-cooperative clients could occur.

RECOMMENDATION:

Properly monitor client case files for non-compliance regarding work requirements or job search activities and apply the necessary sanctions when applicable.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 03-710-24
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.658 – Foster Care_Title IV-E
QUESTIONED COSTS: None

CONDITION:

ELIGIBILITY – Supporting documentation for a criminal records check for thirty (30) of the forty (40) foster family homes represented in our examination could not be provided. The Agency is required to perform a criminal records check on foster home providers to determine if the provider satisfactorily meets all necessary requirements. A criminal records check must be performed on all individuals aged fourteen (14) and older living in the foster home. Each county provides the Agency with a listing of individuals requiring a criminal records check. The Agency is required to forward this listing to the Arkansas State Police where the criminal records check is performed. When the Agency receives notice from the Arkansas State Police stating the results, the Agency informs the county by letter. The Agency destroys the documentation received from the Arkansas State Police after one year. Due to this practice, the Agency was unable to supply documentation verifying that individuals met the criminal records check.

RECOMMENDATION:

Keep all records from the Arkansas State Police concerning a foster parent/family member's criminal records check. All supporting documentation should be retained until updated.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 03-710-28
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

ELIGIBILITY - The results of testing of one hundred sixty (160) recipients for the proper determination of eligibility revealed the following deficiencies:

CONDITION #1:

Eighteen (18) client case files could not be located by county office personnel.

RECOMMENDATION:

Review and strengthen the record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

Fifteen (15) client case files did not contain an Assignment of Rights to Medical Support/Third Party Liability form, which authorizes the release of medical information to the Agency or other third parties.

RECOMMENDATION:

Review and strengthen the record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 03-710-28 (Continued)
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION #3:

Fourteen (14) client case files did not contain a Cooperation in Child Support Enforcement form which is required to establish paternity and obtain medical support for each child who has a parent absent from the home.

RECOMMENDATION:

Review and strengthen the record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

CONDITION #4:

A review of the Agency's ACES database revealed an "800" number in use instead of an actual social security number for three (3) clients.

RECOMMENDATION:

Implement a social security number enumeration process to ensure only clients with valid social security numbers are determined eligible for benefits.

CURRENT STATUS:

As noted in finding 04-710-02, the ANSWER team has developed a process to revise the SSN enumeration process to ensure pseudo SSN are sent to SSA for verification each month until a real SSN is returned. When a correct SSN is matched, a record should not be added to WPIC or any report, unless the enumeration code changes. However, as of September 30, 2005, this process has not been implemented by the Agency.

CONDITION #5:

Fourteen (14) client case files did not contain sufficient documentation such as application forms, AR Kids re-evaluation forms, citizenship forms, copies of birth certificates and social security cards preventing a determination from being made as to the eligibility of those clients.

RECOMMENDATION:

Review and strengthen the record retention practices in place in the county offices.

CURRENT STATUS:

As noted in findings 05-710-19 and 04-710-19, deficiencies in client case files regarding maintaining documentation to support verification of social security numbers continues to exist in various county offices throughout the State.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 03-710-29
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

PROCUREMENT, SUSPENSION AND DEBARMENT – Each month, Electronic Data Systems (EDS) provides the Medicaid Field Audit Unit (MFAU) with an electronic file containing a list of providers that have been excluded from participating in the Medicaid program. MFAU is responsible for investigating matches that arise between excluded providers and Medicaid payments to determine if payments are being made to providers that should be excluded. During our review, it was noted that MFAU is not able to open the electronic file and does not obtain the EDS information in another useable format. As a result, MFAU is prevented from investigating Medicaid payments made to excluded providers.

RECOMMENDATION:

Coordinate with EDS to obtain the provider information in a readable format to expedite the investigation of potential excluded providers that may be participating in the Medicaid program.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 03-710-31
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

SPECIAL TESTS AND PROVISIONS – ADP RISK ANALYSIS AND SYSTEM SECURITY REVIEW – The Agency's periodic ADP risk analysis and system security reviews continue to fail to adequately address the physical and data security operating procedures. The review currently in place addresses whether the system has the operating elements required by the contract but does not address the security needs of the system.

RECOMMENDATION:

Design an ADP risk analysis and system security review to adequately address the physical and data security operating procedures.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 03-710-32
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

SPECIAL TESTS AND PROVISIONS – ADP RISK ANALYSIS AND SYSTEM SECURITY REVIEW – The Agency contracts with Electronic Data Systems (EDS) to process payments to providers of Medicaid services and operate the Medicaid Management Information System (MMIS) for the State of Arkansas. This program is highly dependant on extensive and complex computer systems that include internal controls for ensuring the proper payment of Medicaid benefits. A Statement on Auditing Standards (SAS) 70 *Service Organizations* examination signifies that a service organization has had its control objectives and control activities examined by an independent auditing firm. A formal report including the auditor's opinion ("Service Auditor's Report") is issued to the service organization at the conclusion of a SAS 70 examination. For the year ended June 30, 2003, a SAS 70 was issued on EDS. However, it did not include testing related to the Arkansas Medicaid program. Without such an examination, only minimal reliance can be placed on the internal controls within MMIS.

RECOMMENDATION:

Ensure proper controls are in place by requiring an annual SAS 70 examination on the MMIS.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 03-710-33
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

SPECIAL TESTS AND PROVISIONS – PAYMENTS FOR SERVICES AFTER DATE OF DEATH – The Agency has implemented a process of electronically matching social security numbers of Medicaid recipients with social security numbers of persons with a date of death recorded in the Arkansas Department of Health's vital statistics database. The Agency provides the exception listing of matched records to each county office. The county office staff is responsible for recording the date of death in the Arkansas Client Eligibility System (ACES). A test of twenty-eight (28) matched records revealed twenty (20) client records did not have a date of death enter into ACES and eight (8) dates of death were entered incorrectly. The Medicaid Management Information System (MMIS) uses eligibility data in ACES to determine if the client is eligible for services.

The lack of due care with respect to the entry of dates of death into ACES and data entry errors regarding names and social security numbers could result in the misappropriation of Medicaid funds.

RECOMMENDATION:

Review policies and procedures with appropriate county office personnel to ensure dates of death are accurately recorded.

CURRENT STATUS:

As noted in findings 05-710-22 and 02-710-45, the Agency has not implemented adequate internal control policies and procedures to ensure accurate and timely date of death data entry.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 03-710-34
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: \$74,008

CONDITION:

SYSTEM INTERNAL CONTROLS – Using computer assisted analysis techniques we discovered ninety-seven (97) transactions, totaling \$74,008, where Medicaid services were paid for a date of service after the date of death recorded in the Agency's Medicaid Management Information System (MMIS). The failure of the system to prevent these payments could result in the misappropriation of Medicaid funds.

RECOMMENDATION:

Implement necessary programming changes to MMIS to prevent payments for Medicaid services where the date of service is after the date of death recorded in MMIS.

CURRENT STATUS:

As noted in findings 05-710-22 and 02-710-46, the Agency has not implemented adequate internal control policies and procedures to ensure accurate and timely date of death data entry.

FINDING NUMBER: 02-645-07
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health
CFDA NUMBER: 93.777 – State Survey and Certification of Health Care Providers
and Suppliers
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

REPORTING – The Agency failed to identify federal draws to the corresponding grants on the PMS-272 quarterly reports for the State Survey and Certification of Health Care Providers and Suppliers program. The Agency is drawing all federal monies on one letter of credit without properly identifying draws for individual grants.

RECOMMENDATION:

Properly identify federal draws to individual grants.

CURRENT STATUS:

As noted in finding 05-645-12, the Agency continues to fail to properly identify federal draws to the corresponding grant on the PMS-272 quarterly reports.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 02-710-09
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: Unknown

CASH MANAGEMENT – The Agency failed to comply with certain terms and conditions of the Cash Management Improvement Act (CMIA) agreement between the State of Arkansas and the United States Treasury. Deficiencies in cash management activities include the following:

CONDITION #1:

A material difference of \$8,376,572 exists between the amount of federal funds received and the amount of federal funds expended as reported on the Federal Data Form by the Agency. The Agency was unable to satisfactorily explain the difference or provide evidence as to where the balance on hand may exist.

RECOMMENDATION:

Establish proper internal controls and procedures for cash management to minimize occurrence of these types of errors.

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

The Agency failed to comply with the CMIA agreement administrative draw procedures. The CMIA agreement requires that administrative draws be based on the current quarter's administrative grant divided by the number of payrolls processed during the period. The first draw of the following quarter is then adjusted to reflect any increase/decrease that may occur in the administrative expenses during the course of operations of the program during the quarter. The Agency failed to reconcile the administrative expenses to the Agency's accounting records and make the necessary adjustments on a quarterly basis as required by the CMIA agreement.

RECOMMENDATION:

Establish proper internal controls and procedures for cash management to minimize occurrence of these types of errors.

CURRENT STATUS:

Corrective action taken.

CONDITION #3:

A draw in the amount of \$11,400 was duplicated on the PSC 272 Federal Cash Transaction Report for the quarter ended December 31, 2001.

RECOMMENDATION:

Establish proper internal controls and procedures for cash management to minimize occurrence of these types of errors.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	02-710-09 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

CONDITION #4:

The Agency's internal policy is to minimize the cash balance in the EBT checking account. However, a review of the account revealed the average month ending cash balance during state fiscal year 2002 was \$2,283,355, an increase of \$627,921 from state fiscal year 2001. The Agency's failure to reconcile the cash assistance benefits paid to the Electronic Benefit Transfers (EBT) checking account continues to contribute to this problem.

Failure by the Agency to properly manage the program cash results in improper utilization of resources to provide client benefits.

RECOMMENDATION:

Establish proper internal controls and procedures for cash management to minimize occurrence of these types of errors.

CURRENT STATUS:

As noted in findings 05-710-06, 04-710-07, 03-710-11 and 01-710-04, the Agency continues to fail to establish adequate internal controls to reduce cash balances.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	02-710-10
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

ELIGIBILITY – An examination of two hundred six (206) client case files covering six (6) counties were reviewed to determine if benefit payments were made to eligible clients. Our examination revealed the following:

CONDITION #1:

The Agency does not perform adequate felony status verification procedures on TANF clients. According to federal guidelines, individuals convicted of felonies are ineligible to receive TANF benefits. During the review of client case files and discussions with county office employees, we determined the only Agency procedure for verifying felony status was obtained through a "yes/no" checkbox question on the TANF application. Our review noted some of the questions had been left unanswered.

Clients are also required to state in writing if they or any member of their household has been convicted of a felony involving a controlled substance. No statements concerning felony convictions were seen in any of the two hundred six (206) client case files reviewed. In Arkansas, the only felony convictions involving controlled substances that can prevent a client from receiving TANF is manufacturing or distributing.

RECOMMENDATION:

Establish adequate felony status verification procedures to ensure only eligible applicants receive TANF benefits.

CURRENT STATUS:

As noted in findings 05-710-07, 04-710-08 and 03-710-12, the Agency's procedures on verifying the felony status of a client continue to be inadequate.

CONDITION #2:

Twenty-two (22) client case files did not have proper documentation verifying the existence of a minor child in the household and proof of relationship to the payee. The required documentation for verification is a birth or hospital certificate. The certificate proves the age of the child and assist in determining if the caretaker is a qualified relative.

RECOMMENDATION:

Establish procedures to ensure the proper maintenance of client case files. Files should include all required data for eligibility determination and the respective benefit amounts.

CURRENT STATUS:

As noted in findings 05-710-07, 04-710-08 and 03-710-12, client case files continue to fail to contain adequate documentation to re-determine various eligibility requirements.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 02-710-13
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: \$53,746

CONDITION:

SPECIAL TESTS AND PROVISIONS – VEHICLE PURCHASE ASSISTANCE – A review of vehicle down payment disbursements from state fiscal years 2000 - 2002 revealed questioned costs of \$53,746. Agency policy states that assistance with the down payment on a vehicle will not exceed 75% of the purchase price, up to a lifetime maximum of \$2,500. Twenty-three (23) clients received down payment assistance in excess of the lifetime maximum.

RECOMMENDATION:

Develop procedures to ensure adherence to policy regarding the lifetime maximum amount for vehicle down payments. In addition, the Agency should properly maintain client case files to adequately document vehicle down payment transactions.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 02-710-15
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: Unknown

CONDITION:

SPECIAL TESTS AND PROVISIONS - CHILD SUPPORT NON-COOPERATION - A review of one hundred three (103) client case files was performed to determine compliance with the Agency's application of sanctions for client non-cooperation related to the child support requirements. The review revealed eighty-eight (88) client cases that were not properly sanctioned.

A list was obtained from the Office of Child Support Enforcement (OCSE) containing all OCSE-1650 notifications sent during the fiscal year under audit. An OCSE-1650 is notification of non-cooperation. The OCSE-1650 is sent to DHS county office case managers and the client is then subject to a sanction of not less than 25% of the cash assistance benefit or denial of future cash assistance benefits. However, our review revealed that consistent procedures do not exist for processing OCSE-1650 notifications or applying the mandatory child support non-cooperation sanctions.

Failure to properly sanction cases involving non-cooperation with program requirements is the result of poor management. In addition, an overpayment of cash assistance benefits to non-cooperative clients has occurred.

RECOMMENDATION:

Establish procedures to monitor the OCSE-1650 notifications and adhere to established sanction policies concerning child support non-cooperation.

CURRENT STATUS:

As noted in findings 05-710-08, 03-710-15 and 02-710-15, the Agency developed and implemented a Corrective Compliance Plan (CCP) effective October 2005. CCP automatically applies system sanctions upon receipt of electronic sanction requests from the Office of Child Support Enforcement.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 02-710-22
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.568 - Low Income Home Energy Assistance (LIHEAP)
QUESTIONED COSTS: None

CONDITION:

REPORTING – Information submitted by the Agency to prepare the Schedule of Expenditures of Federal Awards was inaccurate. Expenditures were overstated \$3,497,870 due to the recording of transfers as expenditures.

RECOMMENDATION:

Reconcile federal financial data to accounting records and separately identify the appropriate transfers.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 02-710- 39
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: Unknown

CONDITION:

TESTS OF MEDICAID CLAIMS – Five (5) providers of fourteen (14) providers selected for testing were not able to provide proper supporting documentation for Medicaid claims paid. The providers tested were selected based upon criteria established during an analytical review of all Medicaid providers. Guidelines in the Medicaid Provider Manual state that the provider is to maintain all supporting documentation to support Medicaid billings for a period of five (5) years.

RECOMMENDATION:

These instances will be reported to the Medicaid Field Audit Unit for possible further review and may be the subject of a future investigative report.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 02-710-41
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: Unknown

CONDITION:

ELIGIBILITY - The results of the testing of three hundred (300) recipients for the proper determination of eligibility revealed the following deficiencies:

- Office personnel could not locate eighteen (18) files out of fifty (50) files tested at the Pulaski Southwest office while the auditor was on site. These files were subsequently located and reviewed by the auditor at a later date with no exceptions noted.
- Seven (7) files out of fifty (50) files tested could not be located at the Faulkner County office.
- Personnel at the Saline County office could not locate two (2) files out of fifty (50) files selected for testing. These files were later located by office personnel and reviewed by the auditor with no exceptions noted.
- Six (6) files out of fifty (50) files tested at the Sebastian County office could not be located.
- One (1) file out of fifty (50) files tested at the Washington County office could not be located.
- According to county office personnel, thirteen (13) Medicaid eligibility files selected for testing had been transferred to other county offices. No written documentation noting the date and location of the transferred file was available.

RECOMMENDATION:

Review and strengthen the record retention practices in place in the county offices.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 02-710-42
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

ELIGIBILITY – Audit testing of Medicaid recipient case files revealed two (2) instances where the client's social security number recorded in the Arkansas Client Eligibility System (ACES) was incorrect. The copy of the client's social security card located in the file indicated that the client had a valid social security number, but it was not used.

RECOMMENDATION:

Review policies and procedures to ensure that information recorded in ACES is accurate.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 02-710-43
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

SPECIAL TEST AND PROVISIONS - ADP RISK ANALYSIS AND SYSTEM SECURITY REVIEW – The Agency's periodic ADP risk analysis and system security reviews do not adequately address the physical and data security operating procedures. The review system currently in place addresses whether the system has the operating elements required by the contract but does not address the security needs of the system.

RECOMMENDATION:

Design an ADP risk analysis and system security review to adequately address the physical and data security operating procedures.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 02-710-44
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

SPECIAL TESTS AND PROVISIONS – ADP RISK ANALYSIS AND SYSTEM SECURITY REVIEW – The Agency contracts with Electronic Data Systems (EDS) to process payments to providers of Medicaid services and operate the Medicaid Management Information System (MMIS) for the State of Arkansas. This program is highly dependant on extensive and complex computer systems that include internal controls for ensuring the proper payment of Medicaid benefits. For the year ended June 30, 2002, no Statement on Auditing Standards (SAS) 70 *Service Organizations* was conducted on EDS. A SAS 70 examination signifies that a service organization has had its control objectives and control activities examined by an independent auditing firm. A formal report including the auditor's opinion ("Service Auditor's Report") is issued to the service organization at the conclusion of a SAS 70 examination. Without such an examination, only minimal reliance can be placed on the internal controls within MMIS.

RECOMMENDATION:

Ensure proper controls are in place by requiring an annual SAS 70 examination on the MMIS.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 02-710-45
STATE AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: Unknown

CONDITION:

SPECIAL TESTS AND PROVISIONS – PAYMENTS FOR SERVICES AFTER DATE OF DEATH - The Arkansas Department of Health enters names, social security numbers, dates of death and other information from death certificates into a computer information system (WANG). Using social security numbers as the matching field we compared data in WANG to data in the Arkansas Department of Human Services' Medicaid Management Information System (MMIS). This analytical process detected 19,001 transactions recorded in MMIS in which Medicaid services were paid for a date of service after the date of death recorded as in WANG. We selected a sample of thirty (30) of these transactions and compared names and social security numbers recorded in MMIS to data recorded in WANG and to the information included on death certificates on file with the Arkansas Department of Health. Of the thirty (30) transactions examined, only thirteen (13), or 43%, of the transactions represented payments for dates of service after the actual date of death as correctly recorded in WANG. The remaining seventeen (17) transactions sampled revealed individuals with different names that have matching social security numbers in the two systems. These seventeen (17) transactions resulted from data entry errors into MMIS and WANG, a data entry error on a death certificate and spouses having the same social security numbers. Our interviews with Medicaid case workers revealed that the Arkansas Department of Human Services does not have any standard procedures to ensure the timely recording of dates of death. Case workers indicated in these interviews that dates of death were only entered when brought to their attention by a third party or when a case worker notes a recipient's name in the newspaper obituaries. The lack of due care with respect to the entry of dates of death into MMIS and data entry errors regarding names and social security numbers could result in the misappropriation of Medicaid funds.

RECOMMENDATION:

The Agency, in cooperation with the United States Social Security Administration and the Arkansas Department of Health, develop computer assisted analysis techniques to obtain dates of death from other systems, make timely entries of accurate information into MMIS and verify the accuracy of information recorded in MMIS. We also recommend procedures for the input of death certificate dates at the Arkansas Health Department be reviewed for accuracy.

CURRENT STATUS:

As noted in findings 05-710-22 and 03-710-33, the Agency has not implemented adequate internal control policies and procedures to ensure accurate and timely date of death data entry.

FINDING NUMBER: 02-710-46
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: \$159,896

CONDITION:

SYSTEM INTERNAL CONTROLS - Using computer assisted analysis techniques we discovered 1,977 transactions, totaling \$159,896, where Medicaid services were paid for a date of service after the date of death recorded in the Arkansas Department of Human Services' Medicaid Management Information System (MMIS). The failure of the system to prevent these payments could result in the misappropriation of Medicaid funds.

RECOMMENDATION:

Implement necessary programming changes to MMIS to prevent payments for Medicaid services where the date of service is after the date of death recorded in MMIS.

CURRENT STATUS:

As noted in findings 05-710-22 and 03-710-34, the Agency has not implemented adequate internal control policies and procedures to ensure accurate and timely date of death data entry.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER:	01-710-04
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	None

CASH MANAGEMENT – The Agency failed to comply with certain terms and conditions of the Cash Management Improvement Act agreement (Treasury-State agreement) between the State of Arkansas and the United States Treasury. Deficiencies in the cash management activities include the following:

CONDITION #1:

Recording discrepancies, miscalculations, and the Agency's failure to perform reconciliation between the cash assistance benefits paid and the Electronic Benefit Transfers (EBT) checking account resulted in unnecessary Federal draws. The Agency's internal policy is to minimize the cash balance in the EBT checking account, however, a review of the account revealed that the average month ending cash balance during the State fiscal year 2001 was \$2,574,036. Also, we noted that the Agency earned interest income totaling \$160,120 on the TANF checking accounts during State fiscal year 2001.

RECOMMENDATION:

Strengthen internal controls by implementing policies and procedures that ensure compliance with the Cash Management Improvement Act agreement. Also contact the federal funding agency of the above awards to determine the amount of State interest liabilities due the Federal government.

CURRENT STATUS:

As noted in findings 05-710-06, 04-710-07, 03-710-11 and 01-710-04, the Agency continues to fail to establish adequate internal controls to reduce cash balances.

CONDITION #2:

The Agency failed to comply with the Treasury-State agreement administrative draw procedures. The Treasury-State agreement requires that administrative draws be based on the current quarter's administrative grant divided by the number of payrolls processed during the period. The first draw of the following quarter is then adjusted to reflect any increase/decrease that may occur in the administrative expenses during the course of the operations of the program during the quarter. The Agency failed to reconcile the administrative expenses to the Agency's accounting records and make the necessary adjustments on a quarterly basis as required by the Treasury-State agreement.

RECOMMENDATION:

Strengthen internal controls by implementing policies and procedures that ensure compliance with the Cash Management Improvement Act agreement. Also contact the federal funding agency of the above awards to determine the amount of State interest liabilities due the Federal government.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 01-710-10
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: All Federal Programs
QUESTIONED COSTS: None

CONDITION:

FEDERAL AWARD RESPONSIBILITIES – The information submitted by the Agency to prepare the Schedule of Expenditures of Federal Awards was incomplete and inaccurate. The OMB Circular A -133, Audits of States, Local Governments, and Non-Profit Organizations, requires entities expending Federal awards to be able to provide reasonable assurance that the financial statements are reliable. The errors appear to have resulted from an inadequately trained staff and a lack of appropriate supervisory review.

RECOMMENDATION:

Reconcile all of the Federal award revenues and expenditures, on an individual program basis, to the Agency's official accounting records.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 01-710-16
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.777 – State Survey and Certification of Health Care Providers and Suppliers
93.778 – Medical Assistance Program
(Medicaid cluster)
QUESTIONED COSTS: None

CONDITION:

SPECIAL TEST AND PROVISIONS – AUTOMATED DATA PROCESSING (ADP) RISK ANALYSIS AND SYSTEM SECURITY REVIEW – The Agency's periodic ADP risk analysis and system review failed to include an evaluation of physical and data security operating procedures as required by 45 CFR section 95.621.

RECOMMENDATION:

Properly design the ADP risk analysis and system security review, to include an evaluation of physical and data security operating procedures.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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

FINDING NUMBER: 00-710-06
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
93.575 – Child Care and Development Block Grant
93.596 – Child Care Mandatory and Matching Funds of the Child
Care and Development Fund
(CCDF Cluster)
93.658 – Foster Care Title IV-E
93.659 – Adoption Assistance
93.777 – State Survey and Certification of Health Care Providers
and Suppliers
93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CONDITION:

REPORTING -- The Agency submitted incomplete and inaccurate information for its Federal programs on the Federal Award Data Forms provided by the Division of Legislative Audit to be used to prepare the Schedule of Expenditures of Federal Awards. The OMB Circular No.A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires entities expending Federal awards to be able to provide reasonable assurance that financial statements are reliable. The errors resulted from inadequately trained staff and a lack of appropriate supervisory reviews.

RECOMMENDATION:

Reconcile all of the Federal award revenues and expenditures, on an individual program basis, to the Agency's official accounting records on a timely basis.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 00-710-11
STATE/EDUCATIONAL AGENCY: Arkansas Department of Human Services
CFDA NUMBER: 93.777 – State Survey and Certification of Health Care Providers
and Suppliers
93.778 – Medical Assistance Program
(Medicaid cluster)
QUESTIONED COSTS: None

CONDITION:

SPECIAL TESTS AND PROVISIONS – ADP RISK ANALYSIS AND SYSTEM SECURITY REVIEW – The Agency has not established and maintained a program for conducting periodic risk analysis and security review of automated data processing systems used in the administration of Medicaid. Federal regulations require that state agencies establish and maintain a program for conducting periodic automated data processing risk analyses to ensure that appropriate, cost-effective safeguards are incorporated into new and existing systems.

RECOMMENDATION:

Establish and maintain a program for conducting periodic risk analysis and security review of automated data processing systems used in the administration of Medicaid. The Department should maintain reports on its biennial system security reviews together with pertinent supporting documentation.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING NUMBER: 04-395-01
STATE/EDUCATIONAL AGENCY: Arkansas Development Finance Authority
CFDA NUMBER: 14.239 – HOME Investment Partnerships Program
14.195 – Section 8 Housing Assistance Payments Program_Special Allocations
QUESTIONED COSTS: None

CONDITION:

INADEQUATE INTERNAL CONTROL - During the course of the audit, we noted that the internal control for payroll was insufficient in that two (2) part-time employees (occupying one (1) full-time position) have conflicting duties due to a lack of segregation of duties. Although the Authority has only one (1) full-time payroll position, segregation of accounting duties is an essential element of effective internal control, involving the separation of custody of assets from related recording and monitoring of transactions. Segregation of conflicting duties within the payroll department may be difficult because of the limited number of personnel. However, there are compensating controls management could implement to reduce the possibility of errors or fraud going undetected in the normal course of business.

RECOMMENDATION:

Limit, to the extent possible, performance of incompatible duties by individuals.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 03-395-01
STATE/EDUCATIONAL AGENCY: Arkansas Development Finance Authority
CFDA NUMBER: 14.239 – HOME Investment Partnerships Program
14.195 – Section 8 Housing Assistance Payments Program_Special Allocations
QUESTIONED COSTS: None

CONDITION:

INADEQUATE INTERNAL CONTROL - During the course of the audit, we noted that the internal control for payroll was insufficient in that two (2) part-time employees (occupying one (1) full-time position) have conflicting duties due to a lack of segregation of duties. Although the Authority has only one (1) full-time payroll position, segregation of accounting duties is an essential element of effective internal control, involving the separation of custody of assets from related recording and monitoring of transactions. Segregation of conflicting duties within the payroll department may be difficult because of the limited number of personnel. However, there are compensating controls management could implement to reduce the possibility of errors or fraud going undetected in the normal course of business.

RECOMMENDATION:

Limiting, to the extent possible, performance of incompatible duties by individuals.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

U.S. ENVIRONMENTAL PROTECTION AGENCY

FINDING NUMBER:	04-395/455-01
STATE/EDUCATIONAL AGENCY:	Arkansas Development Finance Authority Arkansas Soil and Water Conservation Commission
CFDA NUMBER:	66.458 – Capitalization Grants for State Revolving Funds
QUESTIONED COSTS:	None

CONDITION:

CASH MANAGEMENT – Federal grant receipts were not disbursed within three (3) days as required by federal guidelines. However, grant receipts were later disbursed in a manner consistent with the initial draw request.

RECOMMENDATION:

Take steps to ensure all federal cash receipts are disbursed within three (3) days to prevent noncompliance with federal guidelines.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING NUMBER: 04-150-02
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: Various – Research and Development Cluster
QUESTIONED COSTS: None

CONDITION:

SUBRECIPIENT MONITORING - Written procedures and adequate training of personnel in the area of subrecipient monitoring did not exist for the entire fiscal year to ensure subrecipients are appropriately monitored. As a result, there is a possibility that funds disbursed to subrecipients may not be expended in accordance with requirements of federal grants.

RECOMMENDATION:

Continue to develop appropriate policies and procedures to monitor subrecipients of federal funds and fully implement them in fiscal year 2005.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-150-03
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: Various – Research and Development Cluster
93.600 – Head Start
Various – Various non-major programs
QUESTIONED COSTS: None

CONDITION:

PROCUREMENT, SUSPENSION AND DEBARMENT – Prior to November 26, 2003, non-federal entities were required to obtain certifications from contractors receiving more than \$100,000 and all subrecipients that they are not debarred or prohibited from providing services under federal grants. Subsequent to November 26, 2003, non-federal entities may determine that the contractors and subrecipients are not debarred or suspended using the Excluded Parties List System (EPLS), obtaining certifications or adding a clause or condition to the covered transaction with the entity. Prior to November 26, 2003, UAMS verified significant contractors and all subrecipients and principal investigators were not debarred by checking the EPLS but did not obtain the required certifications.

RECOMMENDATION:

Adhere to current policy as it satisfies the compliance requirement as revised effective November 26, 2003.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

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

FINDING NUMBER: 04-150-04
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: Various – Research and Development Cluster
Various – Various non-major programs
QUESTIONED COSTS: None

CONDITION:

REPORTING – A sample of seven (7) research and development grants revealed a Financial Status Report (FSR) for three (3) grants were filed late and one (1) FSR was not yet filed. Follow-up inquiry also revealed several other FSR's for various grants were also filed late. As a result, federal regulators and grantors are unable to monitor the use of funds granted to UAMS.

RECOMMENDATION:

Prepare required FSR's in a timely manner.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 04-150-05
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: 93.600 – Head Start
QUESTIONED COSTS: None

CONDITION:

CRIMINAL BACKGROUND CHECKS – Head Start programs are required to obtain criminal background checks on all employees prior to making employment permanent. New employees of the UAMS Head Start program are subject to an initial ninety (90) day probationary period. UAMS Head Start policy states the probationary period is to be extended if the criminal background check is not received prior to the end of the initial probationary period. A sample of twenty-five (25) employees hired during fiscal year 2004 revealed one (1) employee criminal background check was not received prior to the end of the initial probationary period and documentation had not been maintained to prove the employee's probationary period had been extended.

RECOMMENDATION:

Develop a plan to expedite the receipt of criminal background checks on all UAMS Head Start program employees. In addition, UAMS Head Start should prepare and retain documentation of extended probationary periods for employees for whom receipt of criminal background checks have been delayed.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

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

FINDING NUMBER: 04-150-06
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: 93.600 – Head Start
QUESTIONED COSTS: Unknown

CONDITION:

EMPLOYMENT DOCUMENTS – Prior to a Head Start employee being considered a permanent hire, Head Start programs are required to obtain a signed declaration form disclosing criminal charges and arrests relating to child abuse and violent felonies. The declaration must also include verification of personal and employment references. UAMS Head Start did not consistently obtain the required documents prior to hiring employees. A sample of twenty-five (25) employees hired during fiscal year 2004 revealed one (1) employee declaration form was not completed until after the employee's hire date.

RECOMMENDATION:

Develop a plan for ensuring all required items are completed prior to an employee's hire date.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 03-150-04
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: Various - Research and Development Cluster
93.600 – Head Start
QUESTIONED COSTS: Unknown

CONDITION:

SUBRECIPIENT MONITORING - Written procedures and adequate training of personnel in the area of subrecipient monitoring does not exist to ensure that subrecipients are appropriately monitored. As a result, there is a possibility that funds disbursed to subrecipients may not be expended in accordance with requirements of federal programs.

RECOMMENDATION:

Develop appropriate policies and procedures to monitor subrecipients receiving federal funds.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

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

FINDING NUMBER: 03-150-08
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: Various – Research and Development Cluster
93.600 – Head Start
QUESTIONED COSTS: Unknown

CONDITION:

PROCUREMENT, SUSPENSION AND DEBARMENT - UAMS failed to establish procedures to verify that principal investigators or vendors are not debarred or prohibited. Written procedures and adequate training of personnel in the area of subrecipient monitoring do not exist to ensure that proper certifications are requested prior to the signing of contracts with the subrecipients. There is a possibility that grants could be rendered ineligible due to a debarred principal investigator or that funds may be disbursed to vendors or subrecipients who are not eligible to receive funding under federal grants.

RECOMMENDATION:

Develop procedures to ensure required certifications are received on a timely basis.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 03-150-09
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: Various – Research and Development Cluster
93.600 – Head Start
QUESTIONED COSTS: Unknown

CONDITION:

REPORTING - In a sample of ten (10) research and development grants for which a Financial Status Report (FSR) was due, eight (8) were filed late and two (2) were not filed. In a sample of six (6) Head Start grants for which a FSR was due, four (4) were filed late and two (2) were not filed.

RECOMMENDATION:

Consider whether staffing levels in the grants accounting department are adequate to prepare required reports in a timely manner.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

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

FINDING NUMBER: 03-150-11
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: 93.600 – Head Start
QUESTIONED COSTS: Unknown

CONDITION:

SPECIAL TEST AND PROVISIONS - Criminal background checks are required for all employees prior to hire. Out of the twenty-five (25) employees tested, six (6) of the employees' background checks had not been received. Head Start hires employees on a temporary basis, pending receipt of the background check. However, if the background check is delayed past 90 days, the employee will become a permanent employee even without receiving the required background check. Employees with an unknown criminal record could be hired to work in the Head Start program.

RECOMMENDATION:

Develop a plan for expediting the receipt of criminal background checks on all Head Start employees.

CURRENT STATUS:

Corrective action taken.

FINDING NUMBER: 02-150-04
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: Various – Research and Development Cluster
93.600 – Head Start
QUESTIONED COSTS: Unknown

CONDITION:

SUBRECIPIENT MONITORING - UAMS does not have policies or procedures for monitoring subrecipients of federal funds. Therefore, it is possible that funds disbursed to subrecipients may not be expended in accordance with requirements of federal grants.

RECOMMENDATION:

UAMS should develop appropriate policies and procedures to monitor subrecipients of federal funds

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

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

FINDING NUMBER:	02-150-09
STATE/EDUCATIONAL AGENCY:	University of Arkansas for Medical Sciences
CFDA NUMBER:	Various – Research and Development Cluster
	93.600 – Head Start
QUESTIONED COSTS:	Unknown

CONDITION:

REPORTING - In a review of twenty (20) research and development grants for which an FSR was due, nineteen (19) of the FSR's had not been completed or filed for grant year 2002. In a review of eight (8) Head Start grants for which an FSR was due, seven (7) of the FSR's had not been completed or filed for grant year 2002. In a review of four (4) FSR's filed during the year, including FSR's from prior grant years, amounts reported in the FSR's did not agree with UAMS' general ledger. As a result, federal regulators and grantors are unable to monitor the use of the funds granted to UAMS.

RECOMMENDATION:

UAMS should consider whether staffing levels in the Grants Accounting department are adequate to prepare required reports in a timely manner.

CURRENT STATUS:

Corrective action taken.