



Single Audit Report

***For the Year Ended
June 30, 2006***



STATE OF ARKANSAS
SINGLE AUDIT REPORT
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INDEPENDENT AUDITORS' REPORTS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas (the State) as of and for the year ended June 30, 2006, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 22, 2006. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the discretely presented component units, the University of Arkansas for Medical Sciences (a portion of the Higher Education Fund), the Construction Assistance Revolving Loan Fund (non-major enterprise fund) and the Other Revolving Loan Funds (non-major enterprise funds), as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. (discretely presented component units) were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, 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-06-01 through FS-06-05.

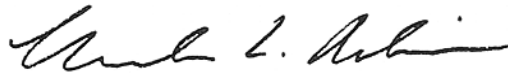
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being 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-06-01 and FS-06-02 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

A handwritten signature in black ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
December 22, 2006

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

The Honorable Mike Beebe, 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, 2006. 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.

State/Educational Agency	Program	Compliance Requirement	Finding Number
Department of Workforce Education - Arkansas Rehabilitation Services	CFDA 84.126 - Rehabilitative Services Vocational Rehabilitation Grants to States	Activities Allowed or Unallowed and Allowable Costs/ Cost Principles	06-520-01
Department of Education	CFDA 84.287 - Twenty-First Century Community Learning	Subrecipient Monitoring	06-500-03
Department of Health and Human Services	CFDA 93.558 - Temporary Assistance for Needy Families	Eligibility Reporting	06-710-10 06-710-11
	CFDA 93.778 - Medical Assistance Program	Special Test and Provisions	06-710-22

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, 2006. 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 39 through 58).

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 39 through 58).

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) 06-500-03, 06-710-10, 06-710-11 and 06-710-22 to be material weaknesses.

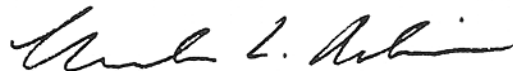
Schedule of Expenditures of Federal Awards

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 (the State) as of and for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the discretely presented component units, the University of Arkansas for Medical Sciences (a portion of the Higher Education Fund), the Construction Assistance Revolving Loan Fund (non-major enterprise fund) and the Other Revolving Loan Funds (non-major enterprise funds), as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

A handwritten signature in black ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
February 15, 2007, except for the
Schedule of Expenditures of Federal
Awards, dated December 22, 2006



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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	\$ 416,531,210	
State Administrative Matching Grants for Food Stamp Program	10.561	24,113,996	\$ 12,338
Total United States Department of Agriculture		440,645,206	12,338
Total FOOD STAMP CLUSTER		440,645,206	12,338
CHILD NUTRITION CLUSTER			
United States Department of Agriculture			
School Breakfast Program	10.553	951,117	
National School Lunch Program	10.555	118,432,565	116,307,189
Special Milk Program for Children	10.556	20,556	
Summer Food Service Program for Children	10.559	2,239,545	
Total United States Department of Agriculture		121,643,783	116,307,189
Total CHILD NUTRITION CLUSTER		121,643,783	116,307,189
EMERGENCY FOOD ASSISTANCE CLUSTER			
United States Department of Agriculture			
Emergency Food Assistance Program (Administrative Costs)	10.568	761,076	496,468
Emergency Food Assistance Program (Food Commodities)	10.569	2,832,681	2,054,174
Total United States Department of Agriculture		3,593,757	2,550,642
Total EMERGENCY FOOD ASSISTANCE CLUSTER		3,593,757	2,550,642
SCHOOLS AND ROADS CLUSTER			
United States Department of Agriculture			
Schools and Roads_ Grants to States	10.665	6,934,558	
Total United States Department of Agriculture		6,934,558	
Total SCHOOLS AND ROADS CLUSTER		6,934,558	
PUBLIC WORKS AND ECONOMIC DEVELOPMENT CLUSTER			
United States Department of Commerce			
Economic Adjustment Assistance	11.307	1,425,746	
Total United States Department of Commerce		1,425,746	
Total PUBLIC WORKS AND ECONOMIC DEVELOPMENT CLUSTER		1,425,746	
FISH AND WILDLIFE CLUSTER			
United States Department of the Interior			
Sport Fish Restoration	15.605	6,975,315	
Wildlife Restoration	15.611	3,493,827	
Total United States Department of the Interior		10,469,142	-
Total FISH AND WILDLIFE CLUSTER		10,469,142	-
EMPLOYMENT SERVICES CLUSTER			
United States Department of Labor			
Employment Service	17.207	6,670,050	
Disabled Veterans' Outreach Program (DVOP)	17.801	661,968	
Local Veterans' Employment Representative Program	17.804	815,130	
Total United States Department of Labor		8,147,148	
Total EMPLOYMENT SERVICES CLUSTER		8,147,148	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
WIA CLUSTER			
United States Department of Labor			
WIA Adult Program	17.258	\$ 19,560,159	\$ 7,425,260
WIA Youth Activities	17.259	8,032,145	6,931,864
WIA Dislocated Workers	17.260	4,581,025	7,241,119
Total United States Department of Labor		32,173,329	21,598,243
Total WIA CLUSTER		32,173,329	21,598,243
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
United States Department of Transportation			
Highway Planning and Construction	20.205	424,456,606	682,146
Total United States Department of Transportation		424,456,606	682,146
Total HIGHWAY PLANNING AND CONSTRUCTION CLUSTER		424,456,606	682,146
FEDERAL TRANSIT CLUSTER			
United States Department of Transportation			
Federal Transit_Capital Investment Grants	20.500	4,170,391	4,537,962
Federal Transit_Formula Grants	20.507	781,853	
Total United States Department of Transportation		4,952,244	4,537,962
Total FEDERAL TRANSIT CLUSTER		4,952,244	4,537,962
HIGHWAY SAFETY CLUSTER			
United States Department of Transportation			
State and Community Highway Safety	20.600	2,109,211	1,296,080
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	569,066	398,393
Safety Incentive Grants for Use of Seatbelts	20.604	344,675	55,578
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	241,988	17,914
Total United States Department of Transportation		3,264,940	1,767,965
Total HIGHWAY SAFETY CLUSTER		3,264,940	1,767,965
SPECIAL EDUCATION CLUSTER			
United States Department of Education			
Special Education_Grants to States	84.027	109,910,379	105,584,779
Special Education_Preschool Grants	84.173	5,495,824	5,265,260
Total United States Department of Education		115,406,203	110,850,039
Total SPECIAL EDUCATION CLUSTER		115,406,203	110,850,039
TRIO CLUSTER			
United States Department of Education			
TRIO_Student Support Services	84.042	6,026,525	
TRIO_Talent Search	84.044	2,390,985	
TRIO_Upward Bound	84.047	5,357,912	
TRIO_Educational Opportunity Centers	84.066	1,619,952	
TRIO_McNair Post-Baccalaureate Achievement	84.217	887,875	
Total United States Department of Education		16,283,249	
Total TRIO CLUSTER		16,283,249	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
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	\$ 3,676,109	\$ 3,494,699
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	5,837,996	5,567,325
Nutrition Services Incentive Program	93.053	1,927,713	1,927,713
Total United States Department of Health and Human Services		11,441,818	10,989,737
Total AGING CLUSTER		11,441,818	10,989,737
CCDF CLUSTER			
United States Department of Health and Human Services			
Child Care and Development Block Grant	93.575	40,427,519	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13,621,551	
Total United States Department of Health and Human Services		54,049,070	
Total CCDF CLUSTER		54,049,070	
MEDICAID CLUSTER			
United States Department of Health and Human Services			
State Medicaid Fraud Control Units	93.775	1,354,545	
Hurricane Katrina Relief	93.776	335,315	
State Survey and Certification of Health Care Providers and Suppliers	93.777	5,493,737	
Medical Assistance Program	93.778	2,148,667,054	
Total United States Department of Health and Human Services		2,155,850,651	
Total MEDICAID CLUSTER		2,155,850,651	
FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER			
Corporation for National and Community Service			
Foster Grandparent Program	94.011	331,750	
Total Corporation for National and Community Service		331,750	
Total FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER		331,750	
DISABILITY INSURANCE/SSI CLUSTER			
Social Security Administration			
Social Security_Disability Insurance	96.001	20,887,392	
Supplemental Security Income	96.006	157,131	
Total Social Security Administration		21,044,523	
Total DISABILITY INSURANCE/SSI CLUSTER		21,044,523	
HOMELAND SECURITY CLUSTER			
Department of Homeland Security			
State Domestic Preparedness Equipment Support Program	97.004	21,163,543	11,947,613
Homeland Security Grant Program	97.067	8,237,379	7,683,666
Total Department of Homeland Security		29,400,922	19,631,279
Total HOMELAND SECURITY CLUSTER		29,400,922	19,631,279

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER			
United States Department of Agriculture			
Agricultural Research_Basic and Applied Research	10.001	\$ 1,949,983	
Pass-Through from University of Tennessee	10.001	1,912	
Pass-Through from the Mid-Delta Community Consortium	10.001	20,745	
Pass-Through from Southern Regional Aquaculture Center	10.001	13,121	
Plant and Animal Disease, Pest Control, and Animal Care	10.025	37,041	
Grants for Agricultural Research, Special Research Grants	10.200	2,658,716	\$ 5,259
Pass-Through from Cornell University	10.200	7,958	
Pass-Through from Heifer International	10.200	4,199	
Pass-Through from Iowa State University	10.200	72,271	
Pass-Through from Louisiana State University	10.200	93	
Pass-Through from Ohio State University	10.200	4,730	
Pass-Through from Oklahoma State University	10.200	3,483	
Pass-Through from Southern Regional Aquaculture Center	10.200	83,407	
Pass-Through from University of California, Davis	10.200	966	
Pass-Through from University of Florida	10.200	22,810	
Pass-Through from University of Georgia	10.200	289,350	85,909
Pass-Through from University of Illinois	10.200	701	
Pass-Through from Virginia State University	10.200	3,678	
Cooperative Forestry Research	10.202	603,988	
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	3,200,650	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	1,636,511	
Grants for Agricultural Research_Competitive Research Grants	10.206	2,288,789	981,335
Animal Health and Disease Research	10.207	96,352	
Small Business Innovation Research			
Pass-Through from Mammoth Corporation	10.212	9,711	
Pass-Through from Soy Pectin, Inc	10.212	5,410	
1890 Institution Capacity Building Grants	10.216	391,011	10,000
Higher Education Challenge Grants	10.217	178,562	73,112
Initiative for Future Agriculture and Food Systems	10.302	620,444	340,361
Pass-Through from University of Georgia	10.302	17,902	
Integrated Programs	10.303	669,331	129,827
Pass-Through from Mississippi State University	10.303	37,241	
Pass-Through from Texas Cooperative Extension	10.303	96,399	
Pass-Through from North Carolina State University	10.303	31,299	
Homeland Security_Agricultural			
Pass-Through from University of Florida	10.304	56,544	
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	268,932	4,050
Crop Insurance	10.450	15,455	
Pass-Through from Southern Regional Aquaculture Center	10.450	16,538	
Community Outreach and Assistance Partnership Program	10.455	67,205	24,911
Meat, Poultry, and Egg Products Inspection	10.477	2,795	
Cooperative Extension Service	10.500	2,292,235	4,265
Forestry Research	10.652	430,204	
National Agricultural Library	10.700	531,766	78,683
Rural Business Enterprise Grants	10.769	105,020	
Soil and Water Conservation	10.902	42,202	29,237
Soil Survey	10.903	50,574	
Environmental Quality Incentives Program	10.912	11,739	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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)			
Technical Agricultural Assistance	10.960	\$ 5,820	
Pass-Through from OCI International	10.960	9,774	
Pass-Through from Partners of the Americas	10.960	10,764	
Scientific Cooperation and Research	10.961	12,486	
International Training_Foreign Participant	10.962	7,588	
Pass-Through from Oregon State University	10.962	19,206	
Other Department of Agriculture Research	N/A	527,418	\$ 173,000
Pass-Through from International Rice Research Institute	N/A	20,853	
Pass-Through from University of Florida	N/A	1,741	
Total United States Department of Agriculture		<u>19,565,623</u>	<u>1,939,949</u>
United States Department of Commerce			
Other Department of Commerce Research	N/A	6,986	
Total United States Department of Commerce		<u>6,986</u>	
United States Department of Defense			
Aquatic Plant Control	12.100	42,480	
Collaborative Research and Development	12.114	148,727	
Basic and Applied Scientific Research	12.300	266,395	
Pass-Through from College of William and Mary	12.300	47,327	
Pass-Through from Oklahoma State University	12.300	143,261	
Pass-Through from University of Illinois	12.300	37,019	
Military Medical Research and Development	12.420	254,822	
Pass-Through from New York University	12.420	14,562	
Basic Scientific Research	12.431	131,145	
Basic, Applied, and Advanced Research in Science and Engineering	12.630	136,265	
Air Force Defense Research Sciences Program	12.800	658,586	89,843
Pass-Through from International Technology Center	12.800	486,026	
Research and Technology Development	12.910	84,594	68,590
Other Department of Defense Research	N/A	3,157,730	
Pass-Through from Irvine Sensors Corporation	N/A	106,284	
Pass-Through from Lopez Garcia Group	N/A	37,864	
Pass-Through from Nanomaterials and Nanofabrication Laboratories	N/A	26,839	
Pass-Through from Q-Flex, Inc.	N/A	73,145	
Pass-Through from SFC Fluidics LLC	N/A	31,071	
Pass-Through from Sierra Nevada Corporation	N/A	34,033	
Pass-Through from Space Photonics, Inc.	N/A	123,685	
Pass-Through from Systran Federal Corporation	N/A	9,002	
Pass-Through from Universal Technology Corporation	N/A	79,267	
Pass-Through from University of Central Florida	N/A	29,161	
Pass-Through from University of South Carolina	N/A	112,017	
Total United States Department of Defense		<u>6,271,307</u>	<u>158,433</u>
United States Department of the Interior			
Cooperative Endangered Species Conservation Fund	15.615	10,044	
Wildlife Conservation and Appreciation	15.617	2,353	
Multi-State Conservation Grants	15.628	2,538	
Conservation Grants Private Stewardship for Imperiled Species	15.632	19,673	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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 the Interior (continued)			
Challenge Cost Share	15.642	\$ 8,056	
Assistance to State Water Resources Research Institutes	15.805	25,535	
Earthquake Hazards Reduction Program	15.807	42,250	
U.S. Geological Survey_Research and Data Collection	15.808	3,600	
National Spatial Data Infrastructure Cooperative Agreements Program	15.809	10,602	
Other Department of the Interior Research	N/A	232,212	\$ 1,394
Pass-Through from American View, Inc.	N/A	103,687	
Total United States Department of the Interior		<u>460,550</u>	<u>1,394</u>
United States Department of Justice			
Juvenile Accountability Incentive Block Grants	16.523	25,287	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	74,734	16,780
Pass-Through from University of Missouri	16.560	18,060	
Other Department of Justice Research	N/A	242,843	9,841
Pass-Through from Oklahoma City National Memorial Institute for the Prevention of Terrorism	N/A	<u>272,593</u>	<u>23,672</u>
Total United States Department of Justice		<u>633,517</u>	<u>50,293</u>
United States Department of Transportation			
University Transportation Centers Program	20.701	571,600	22,137
Other Department of Transportation Research	N/A	791,641	5,674
Pass-Through from Kimley Horn & Associates Inc.	N/A	16,733	
Pass-Through from National Academy of Sciences	N/A	<u>51,690</u>	
Total United States Department of Transportation		<u>1,431,664</u>	<u>27,811</u>
National Aeronautics and Space Administration			
Aerospace Education Services Program	43.001	21,986	
Pass-Through from Arkansas Space Grant Consortium	43.001	49,976	
Technology Transfer	43.002	21,188	
Other National Aeronautics and Space Administration Research	N/A	1,000,527	
Pass-Through from Arkansas Power Electronics Intl Inc.	N/A	20,876	
Pass-Through from Arkansas Space Grant Consortium	N/A	13,141	
Pass-Through from Baylor College of Medicine	N/A	32,649	
Pass-Through from Lynguent Inc.	N/A	2,866	
Pass-Through from Power Electronics Leveling Solutions LLC	N/A	<u>10,488</u>	
Total National Aeronautics and Space Administration		<u>1,173,697</u>	-
National Foundation on the Arts and the Humanities			
Promotion of the Humanities_Research	45.161	<u>20,980</u>	
Total National Foundation on Arts and the Humanities		<u>20,980</u>	
National Science Foundation			
Engineering Grants	47.041	1,525,095	49,398
Pass-Through from Arkansas Power Electronics Intl Inc.	47.041	13,342	
Pass-Through from Bio-Detection Instruments LLC	47.041	13,386	
Pass-Through from Mesolight LLC	47.041	26,018	
Pass-Through from Nanomaterials and Nanofabrication Laboratories	47.041	80,874	
Mathematical and Physical Sciences	47.049	1,272,469	
Pass-Through from University of South Florida	47.049	7,953	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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)			
Pass-Through from Johns Hopkins University	47.049	\$ 9,530	
Geosciences	47.050	575,698	\$ 61,738
Computer and Information Science and Engineering			
Pass-Through from University of Pennsylvania	47.070	39,906	
Biological Sciences	47.074	1,252,260	43,715
Pass-Through from Johns Hopkins University	47.074	1,663	
Social, Behavioral, and Economic Sciences	47.075	85,820	
Education and Human Resources	47.076	1,160,006	10,746
Other National Science Foundation Research	N/A	124,135	42,795
Pass-Through from American Sociological Association	N/A	4,821	
Pass-Through from Cornell University	N/A	1,121	
Pass-Through from Educause	N/A	42,607	7,987
Pass-Through from Mathematical Association of America	N/A	62,683	
Pass-Through from Nanomech LLC	N/A	7,687	
Pass-Through from Nanomaterials and Nanofabrication Laboratories	N/A	28,390	
Pass-Through from University of Oklahoma	N/A	489,553	
Pass-Through from Vegrandis LLC	N/A	5,215	
Total National Science Foundation		<u>6,830,232</u>	<u>216,379</u>
Department of Veterans Affairs			
Other Department of Veterans Affairs Research	N/A	<u>22,633</u>	
Total Department of Veterans Affairs		<u>22,633</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	30,013	
Environmental Protection Consolidated Research	66.500	90,717	
Pass-Through from University of Tulsa	66.500	133,396	
Office of Research and Development Consolidated Research/Training	66.511	73,369	
Greater Opportunities: Research Program	66.515	110,897	
Surveys, Studies, Investigations and Special Purpose Grants	66.606	82,812	
Pass-Through from University of Tulsa	66.606	76,053	49
Surveys, Studies, Investigations and Special Purpose Grants			
within the Office of the Administrator	66.610	29,500	
Other Environmental Protection Agency Research	N/A	585,081	
Pass-Through from Nanomaterials and Nanofabrication Laboratories	N/A	10,000	
Pass-Through from Parsons Engineering	N/A	68,724	
Pass-Through from Tri County Solid Waste District	N/A	12,052	
Total Environmental Protection Agency		<u>1,302,614</u>	<u>49</u>
United States Department of Energy			
Office of Science Financial Assistance Program	81.049	243,817	
Office of Environmental Cleanup and Acceleration	81.104	13,451	
Other Department of Energy Research	N/A	472,512	
Pass-Through from Georgia Institute of Technology	N/A	29	
Pass-Through from Gas Technology Institute	N/A	129,074	
Pass-Through from Honeywell Federal Manufacturing and Technology LLC	N/A	38,459	
Pass-Through from University of Kansas	N/A	31,020	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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 Energy (continued)			
Other Department of Energy Research (continued)			
Pass-Through from National Renewable Energy Laboratory	N/A	\$ 2,459	
Pass-Through from University of Tennessee	N/A	120,145	
Total United States Department of Energy		<u>1,050,966</u>	
United States Department of Education			
Fund for the Improvement of Postsecondary Education	84.116	856,036	
National Institute on Disability and Rehabilitation Research	84.133	711,422	
Education Research, Development and Dissemination			
Pass-Through from ACPA	84.305	1,262	
Improving Teacher Quality State Grants	84.367	38,368	
Other Department of Education Research			
Pass-Through from Colcord Public Schools, Oklahoma	N/A	2,873	
Pass-Through from Eufaula Public Schools, Oklahoma	N/A	3,084	
Pass-Through from Fairland Public Schools, Oklahoma	N/A	5,081	
Pass-Through from Greasy Public Schools, Oklahoma	N/A	3,210	
Pass-Through from Pocola Public Schools, Oklahoma	N/A	5,855	
Pass-Through from Whitefield Public Schools, Oklahoma	N/A	5,262	
Total United States Department of Education		<u>1,632,453</u>	-
United States Department of Health and Human Services			
Maternal and Child Health Federal Consolidated Programs	93.110	344,682	
Environmental Health	93.113	235,643	
Pass-Through from University of Pittsburg	93.113	107,080	
Applied Toxicological Research and Testing	93.114	255,335	
Human Genome Research	93.172	180,466	
Research Related to Deafness and Communication Disorders	93.173	207,514	
Pass-Through from University of Illinois	93.173	387	
Research on Healthcare Costs, Quality and Outcomes	93.226	7,269	
Mental Health Research Grants	93.242	553,868	
Pass-Through from University of Washington	93.242	25,467	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	347,598	
Pass-through from University of Alabama at Birmingham	93.243	5,202	
Poison Control Stabilization and Enhancement Grants	93.253	186,485	
Alcohol Research Programs	93.273	574,594	
Pass-Through from University of Alabama at Birmingham	93.273	6,140	
Pass-Through from University of Miami	93.273	30,592	
Drug Abuse and Addiction Research Programs	93.279	6,490,851	\$ 1,123,890
Pass-Through from Inflexion Therapeutics	93.279	149,859	
Pass-Through from Yale University	94.279	286,332	
Mental Health Research Career/Scientist Development Awards	93.281	183,095	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	309,779	
Pass-Through from University of Alabama at Birmingham	93.283	192	
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	737,767	46,449
Pass-Through from Nanomaterials and Nanofabrication Laboratories	93.286	17,216	
Pass-Through from Wake Forest University	93.286	3,324	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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)			
Nursing Research	93.361	\$ 1,568,634	\$ 57,701
National Center for Research Resources	93.389	8,333,501	1,015,416
Cancer Cause and Prevention Research	93.393	502,436	
Pass-Through from University of California at San Francisco	93.393	3,820	
Cancer Detection and Diagnosis Research	93.394	94,775	1,975
Cancer Treatment Research	93.395	4,856,328	
Pass-Through from DCV Technologies	93.395	17,925	
Pass-Through from National Childhood Cancer Foundation	93.395	27,192	
Pass-Through from National Surgical Adjuvant Breast and Bowel Program	93.395	98,843	
Pass-Through from Southwest Oncology Group	93.395	41,302	
Pass-Through from University of Pennsylvania	93.395	210,602	
Cancer Biology Research	93.396	1,339,556	
Pass-Through from Tulane University	93.396	(2,006)	
Cancer Research Manpower	93.398	133,735	
Cancer Control	93.399	123,339	
Pass-Through from University of California at San Francisco	93.399	7,758	
Temporary Assistance for Needy Families	93.558	742,421	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	486,964	
Cell Biology and Biophysics Research	93.821	244,432	
Heart and Vascular Diseases Research	93.837	834,674	16,500
Pass-Through from CW Optics, Inc.	93.837	(137)	
Pass-Through from University of Texas Medical Branch at Galveston	93.837	29,122	
Lung Diseases Research	93.838	604,545	88,643
Blood Diseases and Resources Research	93.839	669,220	
Pass-Through from University of Iowa	93.839	17,607	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	1,520,171	
Diabetes, Endocrinology and Metabolism Research	93.847	1,655,919	38,000
Pass-Through from University of Chicago	93.847	17,771	
Digestive Diseases and Nutrition Research	93.848	610,245	
Pass-Through from University of Vermont	93.848	261,279	
Kidney Diseases, Urology and Hematology Research	93.849	1,509,880	15,746
Pass-Through from Wake Forest University	93.849	32,752	
Pass-Through from University of California at San Francisco	93.849	25,467	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	3,919,812	191,782
Pass-Through from University of Alabama at Birmingham	93.853	20,594	
Pass-Through from Washington University	93.853	6,259	
Allergy, Immunology and Transplantation Research	93.855	1,332,041	118,380
Pass-Through from Duke Clinical Research Institute	93.855	37,622	
Pass-Through from Xenocept, Inc	93.855	31,980	
Microbiology and Infectious Diseases Research	93.856	2,820,459	522,351
Pass-Through from University of Medicine and Dentistry of New Jersey	93.856	45,989	
Pass-Through from University of Maryland	93.856	87,326	
Biomedical Research and Research Training	93.859	1,399,586	24,670
Pass-Through from Mayo Clinic	93.859	14,381	
Pass-Through from Weill Medical College of Cornell University	93.859	63,711	
Child Health and Human Development Extramural Research	93.865	998,731	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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)			
Pass-Through from University of Alabama at Birmingham	93.865	\$ 27,675	
Aging Research	93.866	7,387,351	\$ 567,442
Pass-Through from Beth Israel Deaconess Medical Center	93.866	43,916	
Pass-Through from Duke Clinical Research Institute	93.866	134,098	
Pass-Through from RTI, International	93.866	14,709	
Pass-Through from University of California	93.866	19,853	
Pass-Through from University of Washington	93.866	40,894	
Vision Research	93.867	975,874	
Medical Library Assistance	93.879	41,521	
Grants for Training in Primary Care Medicine and Dentistry	93.884	242,303	
Health Care and Other Facilities	93.887	277,916	
Resource and Manpower Development in the Environmental Health Sciences	93.894	187,640	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	366,128	
International Research and Research Training	93.989	271	
Bioterrorism Training and Curriculum Development Program	93.996	650,015	84,981
Other Department of Health and Human Services Research	N/A	25,356	
Pass-Through from American College of Radiology	N/A	15,000	
Pass-Through from Bio-Detection Instruments LLC	N/A	13,415	
Pass-Through from Case Western Reserve University	N/A	351,192	
Pass-Through from Cleveland Clinic Foundation	N/A	93,497	
Pass-Through from Federal Resources Network, Inc.	N/A	174,100	
Pass-Through from Houston Academy of Medicine - Texas Medical Center	N/A	9,121	
Pass-Through from Psychiatric Assessment Systems	N/A	51,615	
Pass-Through from Tennessee Department of Health	N/A	381	
Pass-Through from Tulane University	N/A	25,992	
Pass-Through from University of Alabama at Birmingham	N/A	62,470	
Pass-Through from University of Michigan	N/A	(151)	
Total United States Department of Health and Human Services		<u>59,877,452</u>	<u>3,913,926</u>
United States Department of Homeland Security			
Other Department of Homeland Security Research	N/A	14,433	
Total United States Department of Homeland Security		<u>14,433</u>	
Total RESEARCH AND DEVELOPMENT CLUSTER		<u>100,295,107</u>	<u>6,308,234</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER			
United States Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007	4,170,275	
Federal Family Education Loans	84.032	809,428,698	
Federal Work-Study Program	84.033	5,214,689	
Federal Perkins Loan Program_Federal Capital Contributions	84.038	14,651,181	
Federal Pell Grant Program	84.063	131,418,555	
Federal Direct Student Loans	84.268	467,977	
Total United States Department of Education		<u>965,351,375</u>	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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	\$ 4,371,265	
Nursing Student Loans	93.364	232,216	
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	135,506	
Total United States Department of Health and Human Services		<u>4,738,987</u>	
Total STUDENT FINANCIAL ASSISTANCE CLUSTER		<u>970,090,362</u>	
United States Department of Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	1,030,577	
Inspection Grading and Standardization	10.162	126,510	
Market Protection and Promotion	10.163	57,791	
Grants for Agricultural Research_Competitive Research Grants	10.206	51,131	\$ 20,000
State Mediation Grants	10.435	103,551	103,551
Rural Community Development Initiative	10.446	28,717	
Pass-Through from Alabama A & M University	10.446	(8,338)	
Pass-Through from Kentucky State University	10.446	26,374	
Pass-Through from Tuskegee University	10.446	36,222	
Community Outreach and Assistance Partnership Program	10.455	119,677	15,656
Pass-Through from Virginia State University	10.455	5,139	
Partnership Agreements to Develop Non-Insurance Risk Management Tools for Producers (Farmers)			
Pass-Through from Virginia State University	10.456	5,610	
Meat, Poultry, and Egg Products Inspection	10.477	49,352	
Cooperative Extension Service	10.500	8,133,324	
Pass-Through from Auburn University	10.500	21,245	
Pass-Through from Kansas State University	10.500	140,888	
Pass-Through from Texas Cooperative Extension	10.500	27,222	27,000
Pass-Through from University of Georgia	10.500	15,902	
Food Donation	10.550	12,464,906	12,464,906
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	51,872,959	
Child and Adult Care Food Program	10.558	29,129,990	
State Administrative Expenses for Child Nutrition	10.560	1,720,461	
WIC Farmers' Market Nutrition Program (FMNP)	10.572	85,511	
Senior Farmers Market Nutrition Program	10.576	87,744	87,744
Forestry Research	10.652	578,391	
Pass-Through from Ouachita National Forest	10.652	60	
Cooperative Forestry Assistance	10.664	3,980,592	10,000
Rural Cooperative Development Grants	10.771	8,741	
Pass-Through from Winrock International Institute for Agricultural Development	10.771	1,583	
Empowerment Zones Program	10.772	31,985	1,000
Soil and Water Conservation	10.902	515,135	336,981
Environmental Quality Incentives Program	10.912	64,742	64,742
Pass-Through from Clemson University	10.912	45,990	
Total United States Department of Agriculture		<u>110,559,684</u>	<u>13,131,580</u>

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Commerce			
Special American Business Internship Training Program	11.114	\$ 11,473	
Economic Development_Technical Assistance	11.303	161,228	
Manufacturing Extension Partnership	11.611	1,168,713	\$ 33,732
Other Department of Commerce	N/A	2,415	
Total United States Department of Commerce		<u>1,343,829</u>	<u>33,732</u>
United States Department of Defense			
Procurement Technical Assistance for Business Firms	12.002	303,323	
Flood Control Projects	12.106	13,448	
Payments to States in Lieu of Real Estate Taxes	12.112	619,257	
Collaborative Research and Development	12.114	41,435	
Basic and Applied Scientific Research	12.300	200,826	
Pass-Through from Academy of Applied Science	12.300	1,666	
Military Construction, National Guard	12.400	25,528,879	
National Guard Military Operations and Maintenance (O&M) Projects	12.401	36,644,339	
National Guard Civilian Youth Opportunities	12.404	1,430,488	
National Guard Drug Interdiction and Counter Drug Activities	12.405	12,781	
Military Medical Research and Development	12.420	72,468	
Mathematical Sciences Grants Program	12.901	134	
Research and Technology Development	12.910	75,631	
Other Department of Defense	N/A	147,504	
Pass-Through from National Center for Physical Acoustics at the University of Mississippi	N/A	11,467	
Pass-Through from Northrop Grumman	N/A	5,165	
Total United States Department of Defense		<u>65,108,811</u>	
United States Department of Housing and Urban Development			
Community Development Block Grants/State's Program	14.228	24,507,540	24,119,058
Emergency Shelter Grants Program	14.231	1,586,623	
Shelter Plus Care	14.238	993,309	
HOME Investment Partnerships Program	14.239	11,705,180	10,994,267
Housing Opportunities for Persons with AIDS	14.241	661,245	637,887
Opportunities for Youth_Youthbuild Program	14.243	294,796	
Fair Housing Assistance Program_State and Local	14.401	106,909	
Historically Black Colleges and Universities Program	14.520	377,727	
Other Department of Housing and Urban Development	N/A	9,126	
Total United States Department of Housing and Urban Development		<u>40,242,455</u>	<u>35,751,212</u>
United States Department of the Interior			
Indian Education_Higher Education Grant Program	15.114	50,504	
Cultural Resource Management	15.224	10,661	
Payments in Lieu of Taxes	15.226	7,942,087	
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	152,810	
Abandoned Mine Land Reclamation (AMLR) Program	15.252	1,515,402	
Endangered Species Conservation	15.612	47,180	
Cooperative Endangered Species Conservation Fund	15.615	40,852	
Clean Vessel Act	15.616	89,550	89,550
Sportfishing and Boating Safety Act	15.622	230,716	212,486
Wildlife Conservation and Restoration	15.625	40,159	

**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 the Interior (continued)			
Partners for Fish and Wildlife	15.631	\$ 7,318	
Landowner Incentive	15.633	229,076	
State Wildlife Grants	15.634	762,523	
Pass-Through from Nebraska Game and Parks Commission	15.634	3,565	
Challenge Cost Share	15.642	40,219	
U.S. Geological Survey_Research and Data Collection	15.808	159,770	
National Cooperative Geologic Mapping Program	15.810	49,730	
Historic Preservation Fund Grants-In-Aid	15.904	560,015	\$ 145,387
National Historic Landmark	15.912	14,595	
Outdoor Recreation_Acquisition, Development and Planning	15.916	917,239	754,812
Rivers, Trails and Conservation Assistance	15.921	1,501	
Other Department of the Interior			
Pass-Through from Nature Serve	N/A	38,894	
Total United States Department of the Interior		<u>12,904,366</u>	<u>1,202,235</u>
United States Department of Justice			
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	415,041	
Comprehensive Approaches to Sex Offender Management Discretionary Grant	16.203	48,591	
Juvenile Accountability Incentive Block Grants	16.523	666,252	271,528
Education and Training to End Violence Against and Abuse of Women with Disabilities	16.529	31,928	4,655
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	486,050	392,386
Missing Children's Assistance	16.543	154,571	
Victims of Child Abuse			
Pass-Through from National Court Appointed Special Advocate Association	16.547	44,287	
Title V_Delinquency Prevention Program	16.548	61,871	61,870
Part E_State Challenge Activities	16.549	89,600	89,600
State Justice Statistics Program for Statistical Analysis Centers	16.550	15,477	
National Criminal History Improvement Program (NCHIP)	16.554	493,349	
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	100,333	
Crime Victim Assistance	16.575	2,436,401	2,305,880
Crime Victim Compensation	16.576	1,328,221	
Edward Byrne Memorial Formula Grant Program	16.579	3,237,365	2,664,428
Edward Byrne Memorial State and Local Law Enforcement Assistance			
Discretionary Grants Program	16.580	204,292	
Drug Court Discretionary Grant Program	16.585	86,609	
Violence Against Women Formula Grants	16.588	1,556,201	1,295,855
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	6,125	
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	66,086	
Local Law Enforcement Block Grant Program	16.592	498,191	10,848
Residential Substance Abuse Treatment for State Prisoners	16.593	268,623	30,435
Community Prosecution and Project Safe Neighborhoods	16.609	76,027	
Public Safety Partnership and Community Policing Grants	16.710	1,620,301	
Police Corps	16.712	131,877	
Enforcing Underage Drinking Laws Program	16.727	337,254	288,735
Edward Byrne Memorial Justice Assistance Grant Program	16.738	56,530	
Other Department of Justice	N/A	1,086,069	
Total United States Department of Justice		<u>15,603,522</u>	<u>7,416,220</u>

**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 Labor			
Labor Force Statistics	17.002	\$ 877,275	
Compensation and Working Conditions	17.005	86,627	
Unemployment Insurance	17.225	38,661,585	\$ 593,501
Senior Community Service Employment Program	17.235	1,509,579	1,460,931
Trade Adjustment Assistance	17.245	2,853,484	
Employment Services and Job Training Pilots_Demonstrations and Research			
Pass-Through from Region Four Career Opportunities Partnership Council	17.249	5,020	
WIA Pilots, Demonstrations, and Research Projects	17.261	832,074	165,676
Pass-Through from Little Rock Workforce Investment Board	17.261	125,835	
Youth Opportunity Grants	17.263	97,588	
National Farmworker Jobs Program	17.264	311,208	
Consultation Agreements	17.504	972,631	
Mine Health and Safety Grants	17.600	80,532	
American Indian Center Scholarships	N/A	4,600	
Total United States Department of Labor		<u>46,418,038</u>	<u>2,220,108</u>
United States Department of State			
Professional Exchanges_Annual Open Grant	19.415	95,709	
Cooperative Grants	19.420	13,908	
Other Department of State	N/A	776	
Total United States Department of State		<u>110,393</u>	
United States Department of Transportation			
Airport Improvement Program	20.106	204,952	50,240
Highway Training and Education			
Pass-Through from South Carolina State University, NSTI	20.215	43,452	
Motor Carrier Safety	20.217	35,354	
National Motor Carrier Safety	20.218	3,280,841	
Performance and Registration Information Systems Management	20.231	31,838	
Commercial Driver License State Programs	20.232	5,501	
Federal Transit_Metropolitan Planning Grants	20.505	1,883,480	1,721,202
Formula Grants for Other Than Urbanized Areas	20.509	6,409,832	5,418,340
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	1,057,604	1,167,738
Job Access_Reverse Commute	20.516	947,177	862,306
Alcohol Open Container Requirements	20.607	7,188,950	
Pipeline Safety	20.700	253,470	
University Transportation Centers Program	20.701	13,448	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	154,138	26,246
Other Department of Transportation	N/A	351,249	
Total United States Department of Transportation		<u>21,861,286</u>	<u>9,246,072</u>
United States Department of Treasury			
Low-Income Taxpayer Clinics	21.008	95,920	
Total United States Department of Treasury		<u>95,920</u>	-
General Services Administration			
Donation of Federal Surplus Personal Property	39.003	3,453,915	
Election Reform Payments	39.011	7,093,448	
Total General Services Administration		<u>10,547,363</u>	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
National Aeronautics and Space Administration			
Aerospace Education Services Program	43.001	\$ 1,107,710	\$ 99,056
Pass-Through from University of Alabama	43.001	23,177	7,965
Pass-Through from Arkansas Space Grant Consortium	43.001	65,137	
Pass-Through from Jet Propulsion Laboratory	43.001	184,503	
Pass-Through from Harding University	43.001	49,264	
Other National Aeronautics and Space Administration	N/A	10,040	
Pass-Through from Arkansas Space Grant Consortium	N/A	12,233	
Total National Aeronautics and Space Administration		<u>1,452,064</u>	<u>107,021</u>
National Foundation on the Arts and the Humanities			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	34,570	
Promotion of the Arts_Partnership Agreements	45.025	486,166	
Promotion of the Humanities_Federal/State Partnership			
Pass-Through from Arkansas Humanities Council	45.129	45,973	
Promotion of the Humanities_Division of Preservation and Access	45.149	385	
Promotion of the Humanities_Professional Development	45.163	103,398	
Promotion of the Humanities_We the People	45.168	93,763	
Pass-Through from Arkansas Humanities Council	45.168	12,950	
Museums for America	45.301	17,964	
Grants to States	45.310	1,746,265	
Other National Foundation on the Arts and the Humanities	N/A	17,000	
Pass-Through from Fayetteville Evergreen Cemetery Association	N/A	2,292	
Total National Foundation on the Arts and Humanities		<u>2,560,726</u>	-
National Science Foundation			
Engineering Grants	47.041	86,146	37,588
Scientific Research Project Support	47.047	39,812	
Mathematical and Physical Sciences	47.049	246,555	
Geosciences	47.050	43,955	
Computer and Information Science and Engineering	47.070	29,532	
Biological Sciences	47.074	809,464	
Social, Behavioral, and Economic Sciences	47.075	3,520	
Education and Human Resources	47.076	1,518,949	
Polar Programs	47.078	52,976	
Other National Science Foundation	N/A	216,875	
Pass-Through from American Physics Society	N/A	57,528	
Total National Science Foundation		<u>3,105,312</u>	<u>37,588</u>
Small Business Administration			
Small Business Development Center	59.037	986,272	
Total Small Business Administration		<u>986,272</u>	-
Department of Veterans Affairs			
Grants to States for Construction of State Home Facilities	64.005	3,631,045	
Veterans State Domiciliary Care	64.014	210,512	
Veterans State Nursing Home Care	64.015	1,181,038	
Vocational Rehabilitation for Disabled Veterans	64.116	106,273	
All-Volunteer Force Educational Assistance	64.124	232,847	
Other Department of Veterans Affairs	N/A	66,449	
Total Department of Veterans Affairs		<u>5,428,164</u>	-

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
Environmental Protection Agency			
Air Pollution Control Program Support	66.001	\$ 818,527	
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	567,647	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	1,344,951	
State Public Water System Supervision	66.432	1,023,344	
State Underground Water Source Protection	66.433	34,065	
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	498	
Capitalization Grants for Clean Water State Revolving Funds	66.458	11,998,085	\$ 11,516,078
Nonpoint Source Implementation Grants	66.460	3,799,386	2,542,571
Regional Wetland Program Development Grants	66.461	185,120	
Water Quality Cooperative Agreements	66.463	126,307	101,484
Wastewater Operator Training Grant Program (Technical Assistance)	66.467	35,127	
Capitalization Grants for Drinking Water State Revolving Funds	66.468	17,327,747	15,151,644
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	80,297	
Water Protection Grants to the States	66.474	26,298	
Assessment and Watershed Protection Program Grants	66.480	28,748	28,748
Environmental Protection_Consolidated Research	66.500	(8,525)	
Greater Research Opportunities (GRO) Fellowships for Undergraduate/Graduate Environmental Study	66.513	7,248	
Surveys, Studies, Investigations and Special Purpose Grants	66.606	75,384	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	5,114	
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	533,732	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	66,236	
Pollution Prevention Grants Program	66.708	57,572	
Hazardous Waste Management State Program Support	66.801	791,377	
Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements	66.802	660,124	
State and Tribal Underground Storage Tanks Program	66.804	187,709	
Leaking Underground Storage Tank Trust Fund Program	66.805	412,543	
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements			
Pass-Through from Pulaski County Quorum Court	66.814	20,650	
State and Tribal Response Program Grants	66.817	319,943	
Environmental Education Grants	66.951	21,059	
Other Environmental Protection Agency	N/A	250,906	
Pass-Through from Illinois River Watershed Partnership	N/A	23,015	
Pass-Through from Santee Sioux Nation	N/A	47,195	
Total Environmental Protection Agency		<u>40,867,429</u>	<u>29,340,525</u>
United States Department of Energy			
State Energy Program	81.041	728,014	29,507
Weatherization Assistance for Low-Income Persons	81.042	2,106,744	2,106,410
State Energy Program Special Projects	81.119	97,000	97,000
Nuclear Energy Research, Development and Demonstration Pass-Through from Lawrence Livermore National Laboratory	81.121	18,028	
Other United States Department of Energy			
Pass-Through from Southern States Energy	N/A	7,248	
Total United States Department of Energy		<u>2,957,034</u>	<u>2,232,917</u>

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Education			
Adult Education_State Grant Program	84.002	\$ 5,827,238	\$ 3,999,506
Title I Grants to Local Educational Agencies	84.010	118,346,967	118,318,413
Migrant Education_State Grant Program	84.011	5,041,547	5,001,580
Title I Program for Neglected and Delinquent Children	84.013	75,000	
Undergraduate International Studies and Foreign Language Programs	84.016	31,925	
Overseas_Group Projects Abroad	84.021	64,500	
Higher Education_Institutional Aid	84.031	4,635,312	
Vocational Education_Basic Grants to States	84.048	12,870,906	8,356,412
Fund for the Improvement of Postsecondary Education	84.116	2,108,850	688,661
Pass-Through from Nicholls State University	84.116	144	
Pass-Through from Auburn University	85.116	2,346	
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	35,379,401	
Rehabilitation Long-Term Training	84.129	365,141	
Centers for Independent Living	84.132	119,230	
Migrant Education_Coordination Program	84.144	110,590	109,100
Migrant Education_College Assistance Migrant Program	84.149	381,781	
Business and International Education Projects	84.153	83,664	
Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind	84.160	91,825	
Independent Living_State Grants	84.169	243,211	
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	300,327	
Special Education_Grants for Infants and Families with Disabilities	84.181	4,909,319	1,816,711
Byrd Honors Scholarships	84.185	248,500	224,500
Safe and Drug-Free Schools and Communities_State Grants	84.186	4,198,680	4,038,286
Pass-Through from Russellville School District	84.186	64,905	
Supported Employment Services for Individuals with Severe Disabilities	84.187	361,644	
Bilingual Education_Professional Development	84.195	196,049	
Education for Homeless Children and Youth	84.196	456,697	430,637
Javits Gifted and Talented Students Education Grant Program	84.206	2,081	
Even Start_State Educational Agencies	84.213	1,917,856	1,760,506
Fund for the Improvement of Education	84.215	605,975	324,196
Pass-Through from Nettleton Public Schools	84.215	2,359	
Pass-Through from Little Rock School District	84.215	11,037	
Assistive Technology	84.224	551,926	
Pass-Through from Arkansas Rehabilitation Services	84.224	38,432	
Tech-Prep Education	84.243	1,260,943	231,822
Rehabilitation Training_Continuing Education	84.264	736,753	
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265	199,508	
Eisenhower Professional Development State Grants	84.281	15,425	
Charter Schools	84.282	1,100,000	1,100,000
Comprehensive Centers	84.283	4,365	
Twenty-First Century Community Learning Centers	84.287	8,540,259	8,239,322
Ready-To-Learn Television			
Pass-Through from Public Broadcasting Service	84.295	19,404	
State Grants for Innovative Programs	84.298	1,775,817	1,775,817
Parental Assistance Centers			
Pass-Through from Jones Center for Families	84.310	322,973	
Education Technology State Grants	84.318	3,379,779	3,369,779
Special Education_State Personnel Development	84.323	1,920,440	1,617,903

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
United States Department of Education (continued)			
Research in Special Education			
Pass-Through from University of Tennessee	84.324	\$ 30,022	
Special Education_Personnel Development to Improve Services and Results for Children with Disabilities	84.325	173,089	
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	429,888	\$ 322,890
Advanced Placement Program	84.330	103,011	
Grants to States for Incarcerated Youth Offenders	84.331	259,345	
Comprehensive School Reform Demonstration	84.332	1,809,331	1,809,331
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333	186,126	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	310,795	
Child Care Access Means Parents in School	84.335	20,186	
Teacher Quality Enhancement Grants	84.336	68,620	
Community Technology Centers	84.341	5,734	
Transition to Teaching	84.350	296,167	
Arts in Education			
Pass-Through from Very Special Arts	84.351	137	
Reading First State Grants	84.357	13,283,058	13,175,796
Rural Education	84.358	3,778,059	3,778,059
Voluntary Public School Choice	84.361	2,596,338	2,576,748
English Language Acquisition Grants	84.365	1,710,703	1,710,703
Mathematics and Science Partnerships	84.366	862,679	439,531
Improving Teacher Quality State Grants	84.367	29,343,951	28,529,704
Grants for State Assessments and Related Activities	84.369	3,432,552	
Statewide Data Systems	84.372	788,157	785,000
National Writing Project	84.928	139,846	
We the People: The Citizen and the Constitution			
Pass-Through from Center for Civic Education	84.929	40,812	
Hurricane Education Recovery	84.938	11,241,669	11,211,072
Other Department of Education	N/A	3,260,180	386,771
Pass-Through from Independent Living Research Utilization	N/A	45,845	
Pass-Through from National Council on Independent Living	N/A	41	
Pass-Through from Rogers School District	N/A	8,000	
Pass-Through from Texas Department of Assistive and Rehab Services	N/A	12,185	
Total United States Department of Education		<u>293,157,557</u>	<u>226,128,756</u>
National Archives and Records Administration			
National Historical Publications and Records Grants	89.003	1,508	
Total National Archives and Records Administration		<u>1,508</u>	
Delta Regional Authority			
Denali Commission Program	90.100	24,416	
Delta Regional Development	90.200	53,838	
Total Delta Regional Authority		<u>78,254</u>	-
United States Department of Health and Human Services			
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	54,301	
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	198,340	127,135

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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)			
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	\$ 215,478	\$ 206,761
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	401,481	144,962
Alzheimer's Disease Demonstration Grants to States	93.051	149,761	134,413
National Family Caregiver Support	93.052	1,656,992	1,588,391
Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure	93.065	346	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	283,734	283,734
Pass-Through from Mid-South Health Systems	93.104	45,290	
Model State-Supported Area Health Education Centers	93.107	511,987	
Maternal and Child Health Federal Consolidated Programs	93.110	635,706	17,100
Environmental Health	93.113	21,246	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	712,582	
Nurse Anesthetist Traineeships	93.124	6,769	
Emergency Medical Services for Children			
Pass-Through from Arkansas Children's Hospital	93.127	3,987	
Primary Care Services Resource Coordination and Development	93.130	166,303	
Injury Prevention and Control Research and State and Community Based Programs	93.136	204,448	20,460
Projects for Assistance in Transition from Homelessness (PATH)	93.150	285,928	285,814
Research Related to Deafness and Communication Disorders	93.173	1,024	
Nursing Workforce Diversity	93.178	239,558	
Disabilities Prevention	93.184	381,307	
Health Education and Training Centers	93.189	364,623	18,011
Quentin N. Burdick Program for Rural Interdisciplinary Training	93.192	238,660	
Telehealth Network Grants	93.211	192,921	
Family Planning_Services	93.217	3,553,450	64,991
Abstinence Education Program	93.235	519,483	501,662
Policy Research and Evaluation Grants	93.239	269,385	
State Capacity Building	93.240	191,797	
State Rural Hospital Flexibility Program	93.241	359,140	
Mental Health Research Grants	93.242	47,126	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1,009,002	39,378
Advanced Education Nursing Grant Program	93.247	204,720	
Universal Newborn Hearing Screening	93.251	58,686	
Healthy Communities Access Program	93.252	31,427	
State Planning Grants Health Care Access for the Uninsured	93.256	520,367	94,775
Rural Access to Emergency Devices Grant	93.259	152,451	
Occupational Safety and Health Program			
Pass-Through from University of Texas Health Center at Tyler	93.262	22,467	
Nurse Faculty Loan Program (NFLP)	93.264	3,072	
Immunization Grants	93.268	21,142,506	
Drug Abuse and Addiction Research Programs	93.279	70,141	8,641
Mental Health National Research Service Awards for Research Training Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.282	91,302	
	93.283	16,642,938	108,826
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	56,900	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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)			
Small Rural Hospital Improvement Grant Program	93.301	\$ 227,007	\$ 211,460
Advanced Education Nursing Traineeships	93.358	114,130	
Nurse Education, Practice and Retention Grants	93.359	76,280	
Nursing Research	93.361	172,180	
National Center for Research Resources	93.389	1,909,988	512
Cancer Cause and Prevention Research	93.393	692,266	117,088
Cancer Treatment Research	93.395	20,954	
Cancer Research Manpower	93.398	141,329	
Cancer Control			
Pass-Through from St. Louis University	93.399	16,014	
Food Safety and Security Monitoring Project	93.448	45,403	
Ruminant Feed Ban Support Project	93.449	44,264	
Promoting Safe and Stable Families	93.556	9,285,589	
Temporary Assistance for Needy Families	93.558	57,770,807	1,816,754
Family Support Payments to States_Assistance Payments	93.560	513,422	
Child Support Enforcement	93.563	28,570,837	
Refugee and Entrant Assistance_State Administered Programs	93.566	5,666	
Low-Income Home Energy Assistance	93.568	16,006,024	15,415,918
Community Services Block Grant	93.569	8,861,715	8,409,186
Community Services Block Grant_Discretionary Awards	93.570	78,261	
Pass-Through from National Youth Sports Corporation	93.570	119,205	
Pass-Through from National Youth Sports Program	93.570	6,696	
Community Services Block Grant Formula and Discretionary Awards Community			
Food and Nutrition Program	93.571	50,969	
State Court Improvement Program	93.586	212,118	8,642
Grants to States for Access and Visitation Programs	93.597	106,321	
Chafee Education and Training Vouchers Program (ETV)	93.599	327,296	
Head Start	93.600	6,829,161	28,290
Adoption Incentive Payments	93.603	335,126	
Voting Access for Individuals with Disabilities_Grants to States	93.617	77,800	77,800
Developmental Disabilities Basic Support and Advocacy Grants	93.630	923,491	
Developmental Disabilities Projects of National Significance	93.631	22,737	22,187
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	32,572	
Children's Justice Grants to States	93.643	275,627	
Child Welfare Services_State Grants	93.645	3,287,126	
Adoption Opportunities	93.652	588,977	
Foster Care_Title IV-E	93.658	25,825,576	265,734
Adoption Assistance	93.659	10,300,413	
Social Services Block Grant	93.667	11,282,312	8,289,015
Child Abuse and Neglect State Grants	93.669	359,357	
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	1,495,206	1,296,380
Chafee Foster Care Independence Program	93.674	1,155,555	
State Children's Insurance Program	93.767	79,333,039	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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)			
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	\$ 395,565	\$ 130,523
Medicare_Prescription Drug Coverage	93.770	3,954,664	
Medicare_Supplementary Medical Insurance	93.774	18,038	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1,060,321	124,091
Health Careers Opportunity Program	93.822	237,783	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	109,517	
Allergy, Immunology and Transplantation Research	93.855	10,781	
Microbiology and Infectious Diseases Research	93.856	76,180	
Biomedical Research and Research Training	93.859	52,656	
Child Health and Human Development Extramural Research	93.865	457,917	87,312
Aging Research	93.866	39,202	
Pass-Through from University of Texas at Dallas	93.866	25,481	
Pass-Through from Courtesy Associates	93.866	12,311	
Medical Library Assistance	93.879	6,085	
Grants for Training in Primary Care Medicine and Dentistry	93.884	177,571	
Health Care and Other Facilities	93.887	48,810	
National Bioterrorism Hospital Preparedness Program	93.889	5,494,888	2,358,813
Rural Health Care Services Outreach and Rural Health Network Development Program			
Pass-Through from Mid Delta Community Consortium	93.912	91,216	
Grants to States for Operation of Offices of Rural Health	93.913	128,264	
HIV Care Formula Grants	93.917	4,489,123	1,080,628
HIV Prevention Activities_Health Department Based	93.940	1,646,082	381,716
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	206,165	
Assistance Programs for Chronic Disease Prevention and Control	93.945	1,377,514	299,141
Trauma Care Systems Planning and Development	93.952	18,385	
Block Grants for Community Mental Health Services	93.958	3,923,184	3,820,846
Block Grants for Prevention and Treatment of Substance Abuse	93.959	13,301,488	11,541,014
Health Administration Traineeships Program	93.962	16,324	
Geriatric Education Centers	93.969	402,810	70,018
Family Planning_Service Delivery Improvement Research Grants			
Pass-Through from University of Alabama at Birmingham	93.974	45,259	
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	1,104,300	69,709
Mental Health Disaster Assistance and Emergency Mental Health	93.982	91,281	91,281
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	454,898	43,107
Pass-Through from Friends of Congressional Glaucoma Caucus	93.988	300	
Preventive Health and Health Services Block Grant	93.991	679,858	
Maternal and Child Health Services Block Grant to the States	93.994	6,634,791	
Bioterrorism Training and Curriculum Development Program	93.996	52,854	
Retiree Drug Subsidy Program	N/A	1,871,217	
Other Department of Health and Human Services	N/A	1,685,760	
Pass-Through from Decision Point, Inc	N/A	35,524	
Pass-Through from Ogilvy Public Relations	N/A	310	
Pass-Through from University of California	N/A	201,934	
Pass-Through from University of Kentucky	N/A	106,358	
Pass-Through from Western Interstate Commission for Higher Education	N/A	60,986	18,867
Total United States Department of Health and Human Services		<u>370,221,903</u>	<u>59,721,086</u>

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

CLUSTER NAME/Federal Grantor/Program Name/ Pass Through Entity	CFDA or Other Identifying #	Expenditures	Amounts Provided to Subrecipients
Corporation for National and Community Service			
State Commissions	94.003	\$ 199,065	
Learn and Serve America_School and Community Based Programs	94.004	214,331	\$ 163,455
AmeriCorps	94.006	1,930,344	1,539,630
Planning and Program Development Grants	94.007	32,661	10,998
Training and Technical Assistance	94.009	91,360	
Total Corporation for National and Community Service		<u>2,467,761</u>	<u>1,714,083</u>
United States Department of Homeland Security			
Pilot Demonstration or Earmarked Projects	97.001	159	
Boating Safety Financial Assistance	97.012	173,153	
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	1,939,750	1,861,494
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	146,713	145,780
Flood Mitigation Assistance	97.029	41,407	41,407
Crisis Counseling	97.032	158,301	
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	46,443,047	12,638,556
Hazard Mitigation Grant	97.039	993,091	812,048
Chemical Stockpile Emergency Preparedness Program	97.040	13,384,934	5,089,727
National Dam Safety Program	97.041	20,211	7,922
Emergency Management Performance Grants	97.042	1,326,268	548,236
State Fire Training Systems Grants	97.043	40,385	
Pre-Disaster Mitigation	97.047	54,559	20,000
Presidential Declared Disaster Assistance to Individuals and Households			
- Other Needs	97.050	291,877	
Emergency Operations Centers	97.052	966,193	
Competitive Training Grants	97.068	111,166	
Map Modernization Management Support	97.070	130,500	120,500
Hurricane Katrina Case Management Initiative Program	97.084	159,927	69,713
Other Department of Homeland Security	N/A	730,002	
Total United States Department of Homeland Security		<u>67,111,643</u>	<u>21,355,383</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 5,647,091,408</u>	<u>\$ 704,874,292</u>

STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

(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
DEPARTMENT OF WORKFORCE SERVICES		
Unemployment Insurance	17.225	\$ 38,661,585
ARKANSAS DEVELOPMENT FINANCE AUTHORITY:		
HOME Investment Partnerships Program	14.239	11,705,180
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	5,702,440
STATE OF ARKANSAS SAFE DRINKING WATER FUND:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	15,151,644
STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND:		
Capitalization Grants for State Revolving Funds	66.458	11,516,078
SOCIAL SECURITY DISABILITY DETERMINATION:		
Social Security_Disability Insurance	96.001	20,618,662
ARKANSAS STUDENT LOAN AUTHORITY:		
Student Loan Interest Subsidy and Special Allowance	84.032	478,438,264
UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES:		
Research and Development Cluster	Various	59,749,564
Model State-Supported Area Health Education Centers	93.107	511,987

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, 2006**

(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 \$15,505,959 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, 2006 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	\$ 14,651,181
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	4,371,265
93.364	Nursing Student Loans	232,216
	Total	<u>\$ 19,254,662</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, 2006

(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 \$467,977 for Direct and \$441,001,636 FFELP during the year ended June 30, 2006; 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 July 1, 2005, this amount is included in the schedule.

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, 2006, was \$202,452,000. Total disbursements for new loans for the year ended June 30, 2006, totaled \$25,610,000. Administrative costs associated with the program for the year ended June 30, 2006, totaled \$283,000.

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, 2006 was \$71,743,000. Total disbursements for new loans made during fiscal year 2006, totaled \$19,883,000. Administrative costs associated with the program for the year ended June 30, 2006, totaled \$91,000.

(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	\$ 12,464,906
10.569	Emergency Food Assistance Program	2,832,681
39.003	Donation of Federal Surplus Personal Property	3,453,915
93.268	Immunization Grants	16,443,185
	Total	<u>\$ 35,194,687</u>

STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

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

During fiscal year 2006, the State received cash rebates totaling \$22,060,758 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 397,411 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, 2006

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
	Schools and Roads Cluster:
10.665	Schools and Roads_Grants to States
12.112	Payments to States in Lieu of Real Estate Taxes
12.400	Military Construction, National Guard
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.239	HOME Investment Partnerships Program
	Fish and Wildlife Cluster:
15.605	Sport Fish Restoration
15.611	Wildlife Restoration
15.226	Payments in Lieu of Taxes
17.225	Unemployment Insurance
66.458	Capitalization Grants for Clean Water 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
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

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Identification of major programs: (continued)

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Assistance Cluster: (Continued)
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds
84.010	Title I Grants to Local Educational Agencies
	Special Education Cluster:
84.027	Special Education_Grants to States
84.173	Special Education_Preschool Grants
	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
84.287	Twenty-First Century Community Learning Centers
93.107	Model State-Supported Area Health Education Centers
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.659	Adoption Assistance
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.776	Hurricane Katrina Relief
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
	Disability Insurance/SSI Cluster:
96.001	Social Security_Disability Insurance
96.006	Supplemental Security Income
	Homeland Security Cluster:
97.004	State Domestic Preparedness Equipment Support Program
97.067	Homeland Security Grant Program
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Various	Research and Development Cluster

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

\$ 15,505,959

Auditee qualified as low-risk auditee?

____ Yes X no

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2006**

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-06-01 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 have a lack of personnel with sufficient formalized understanding and application of generally accepted accounting principles in a governmental environment.

Personnel at some agencies and institutions of higher education 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.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2006**

FS-06-02 Accounting for Tax Revenue

The process to receive and record tax revenue should have adequate controls to assure that all revenue is recorded properly.

Our review of the internal control over the receiving and recording of various tax revenues at the Department of Finance and Administration – Revenue Division, identified the following:

- Computer program changes were moved into production without sufficient management review to ensure adequate testing and authorization.
- The initial processing of tax return documents and taxpayers' checks was performed in an unlocked room. Additionally, the checks were transported within the building in an unsecured manner.
- There was no written contingency plan that addresses the agency's procedures in the event of a short-term or long-term interruption of computer service. Also, the agency maintained daily backup files in the same building as the computer system.
- Users whose employment had been terminated were not deactivated from the system in a timely manner.
- Password configuration settings were not structured to effectively reduce the risk of unauthorized access to the computer system.

Failure to properly implement controls could increase the risk of:

- Misappropriation of assets.
- Misstatement of the State's financial records and financial statements.
- Loss of the ability to process and account for tax revenues in a timely manner due to computer processing being hindered because of a disaster.
- Irrecoverable loss of various data, including tax return images, in the event of a disaster.

We recommend that the management of the Department of Finance and Administration strengthen internal control over the revenue receipting and recording process.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2006**

FS-06-03 Comprehensive Fraud Program

Management has the responsibility to develop policies and implement procedures to prevent, detect, and deter fraud.

The Department of Finance and Administration issued an *Anti Fraud and Code of Ethics Policy* in September 2005 for adoption by each agency. Agencies were then to conduct a risk assessment of their significant business processes to determine if the current system of internal control was sufficient to detect and deter fraud in a cost effective manner. Additionally, the Department of Finance and Administration offered instructional courses on internal control and fraud prevention, deterrence, and detection. The risk assessment process was to be completed by December 31, 2005; however, as of our audit fieldwork, some agencies had not completed the risk assessment process.

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

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

FS-06-04 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 in every agency 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 has requested the management of each AASIS user agency to perform a complete security role reassessment. As of our audit fieldwork, some agencies had not completed these reassessments.

We recommend that the Department of Finance and Administration provide assistance to those agencies to complete the security role reassessments and require routine, periodic reassessments.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2006**

FS-06-05 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. The 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.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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		40
U.S. DEPARTMENT OF AGRICULTURE		
Arkansas Department of Health and Human Services	710	41
U.S. DEPARTMENT OF EDUCATION		
University of Arkansas at Pine Bluff	160	43
Arkansas Department of Education	500	44
Arkansas Department of Workforce Education - Arkansas Rehabilitation Services	520	46
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Arkansas Department of Health and Human Services	710	47
Arkansas Department of Workforce Services	810	48
U.S. DEPARTMENT OF HOMELAND SECURITY		
Arkansas Department of Emergency Management	995	58

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, 2006**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY

FINDING NUMBER:	06-710-01
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health and Human Services,
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:	Unknown

ALLOWABLE COSTS/COST PRINCIPLES – The Agency failed to provide personnel activity reports or equivalent documentation approved by the cognizant Federal agency pursuant to OMB A-87 Attachment B for employees within the Division of Health expected to work on multiple activities. Consequently, the Agency failed to allocate payroll costs within the Division of Health using an approved cost allocation plan. This was the result of the Agency's inability to interface their current cost allocation coding structure with the recently merged Division of Health's legacy coding structure. 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.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF AGRICULTURE

FINDING NUMBER: 06-710-02
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: None

CASH MANAGEMENT– The Agency failed to spend Nutrition Services and Administration (NSA) funds up to an amount equal to three percent (3%) and amounting to \$1,708,573 of its total Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) formula grant for NSA costs during the grant period ended September 30, 2005. Finance personnel were not aware that the spend-forward funds were available to cover current year expenditures.

We recommend the Agency provide additional training to employees and establish procedures to ensure recurring supervisory review of cash draws.

FINDING NUMBER: 06-710-03
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: \$388,267

INADEQUATE INTERNAL CONTROLS– The Agency failed to establish adequate internal controls regarding cash draws of federal funds. The following weaknesses were identified:

- The Agency coded \$388,267 of expenditures to the WIC 2005 grant, but incorrectly paid for these costs with federal funds from the WIC 2006 grant. The Agency requested the funds after September 30, 2005, which was the end of the grant period for the 2005 grant. It is allowable to charge expenditures to a grant after the end of the grant period provided that the expenditures were obligated as of the end of the grant period. Prior to our audit, the Agency became aware that cash was drawn from the incorrect grant year and contacted the USDA. The Agency and USDA are working to resolve this issue.
- The Agency did not always consider the amount of cash on hand when requesting funds from the Federal Food Letter of Credit, in accordance with the Cash Management Improvement Act (CMIA) agreement and Agency procedures. The amount of cash held by the Agency increased during the course of each month because federal draws were typically only reduced at the end of the month instead of each time that a draw was made. The Agency has routinely paid interest to the federal government because of the excess cash on hand.
- The Agency did not always utilize available infant formula rebates prior to drawing down funds from the Federal Food Letter of Credit, as required by OMB Circular A-87. As a result, federal funds were drawn down and spent when funds from other sources were available.

We recommend the Agency provide additional training to employees and establish procedures to ensure an appropriate and recurring level of supervisory review of cash management activities.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

FINDING NUMBER: 06-710-04
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: \$181,437

PERIOD OF AVAILABILITY OF FEDERAL FUNDS– The Agency may charge costs to the grant resulting from obligations incurred during the grant's funding period. The testing of eighty-eight (88) disbursements revealed twelve (12) expenditures or 13.6% of the number of sampled items coded to the incorrect grant year totaling \$4,758. In addition, from October 1, 2005 through December 31, 2005, indirect costs of \$176,722 were charged to the incorrect grant year. The Agency was aware that cash was drawn from the incorrect grant year subsequent to September 30, 2005 and contacted the USDA. The Agency and the USDA are working to resolve the issue.

We recommend the Agency establish internal controls to ensure that expenditures are coded and charged to the correct grant year in order to limit obligation of federal funds to expenditures occurring within the period of availability of the grant.

FINDING NUMBER: 06-710-05
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS: None

REPORTING – The Addendum to WIC Financial Management and Participation Report (FNS-798A) is prepared annually to report Nutrition Services and Administration (NSA) expenditures by function, the method by which NSA expenditures were charged as indirect costs, and the method used to determine the indirect cost amount. Based on the examination of the 2005 FNS-798A, we were unable to fully reconcile the financial data on the FNS-798A to the accounting records. Both the Agency and the USDA were aware at the point of report submission that further reconciliation was warranted. Direct and indirect NSA costs were understated by \$159,410. The Agency is currently working with the USDA to submit revisions to the WIC 2005 reports.

We recommend that the Agency continue to work with the USDA to finalize the federal fiscal year 2005 reports and to resolve any issues involving the annual closeout report.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF EDUCATION

FINDING NUMBER: 06-160-01
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 nine (9) students again disclosed the award letter for one (1) student was not updated with the aid received by the student. However, the student did receive the correct financial aid award.

We recommend the University properly document financial aid awards.

FINDING NUMBER: 06-160-02
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 sixth consecutive year, the University, again, did not receive a Federal Capital Contribution (FCC) because their cohort default rate of 44.66% 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: 06-160-03
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 PROCEEDS - Our examination of seven (7) students who received Federal Family Education Loans again disclosed one (1) student's loan proceeds were not posted to their account within the prescribed time frame.

We recommend the University post loan proceeds within the prescribed time frame.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER:	06-500-01
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Education
CFDA NUMBER:	84.027 - Special Education Grants to States 84.173 - Special Education Preschool Grants (Special Education Cluster)
QUESTIONED COSTS:	None

INADEQUATE INTERNAL CONTROLS – The Agency was unable to provide explanations and/or documentation regarding the allocation of federal funds to local educational agencies in a timely manner. The Agency indicated that electronic files were lost due to a computer failure in April 2006. The normal procedures of the Agency related to backing up electronic data were not followed; therefore, documentation was not readily available. Adequate training of personnel and proper retention of records are crucial for ensuring that the administration of the program is appropriate and in compliance with regulations and guidelines established by the federal grantor.

We recommend the Agency strengthen controls to ensure that documentation is retained and available for audit purposes and that Agency personnel are adequately trained for the proper administration of the program.

FINDING NUMBER:	06-500-02
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Education
CFDA NUMBER:	84.027 - Special Education Grants to States (Special Education Cluster)
QUESTIONED COSTS:	Unknown

MATCHING, LEVEL OF EFFORT, EARMARKING – The federal grant award requires that a portion of the federal funds available for distribution to local educational agencies (LEA) be based upon (1) the relative numbers of children enrolled in public and private elementary and secondary schools within each LEA's jurisdiction and (2) the relative numbers of children living in poverty within the LEA. However, the Agency distributed \$2,326,050 to educational service cooperatives for preschool services based only upon the number of preschool children with disabilities. The Agency could not provide any authority or approval for its deviation from the distribution method prescribed in the applicable federal program regulations.

We recommend the Agency strengthen procedures to ensure that all distributions to local educational agencies are appropriate.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 06-500-03
STATE/EDUCATIONAL AGENCY: Arkansas Department of Education
CFDA NUMBER: 84.027 – Special Education_Grants to States
(Special Education Cluster)
84.323 – Special Education - State Personnel Development
84.326 – Special Education_Technical Assistance and
Dissemination to Improve Services and Results for Children with
Disabilities
QUESTIONED COSTS: \$46,577

ALLOWABLE COSTS/COST PRINCIPLES – Portions of federal awards received by the Agency were subsequently awarded or transferred to school districts which effectively acted as paying agents for the Agency.

- A review of selected federal award disbursements made by Jonesboro School District indicated questionable disbursements of \$12,704 and \$8,319 during the years ended June 30, 2006 and 2005, respectively, made to an individual who functioned as a grants administrator for the Special Education division of the Agency. The appropriateness of these disbursements could not be determined because detailed documentation was not provided as support for the disbursements.
- A review of selected federal award disbursements made by Cabot School District indicated questionable travel disbursements of \$2,350 and \$23,204 during the years ended June 30, 2005 and 2004, respectively, made to individuals who functioned as employees of the Special Education division of the Agency. The appropriateness of these disbursements could not be determined because of the lack of contracts or grant agreements between the Agency, district and individuals.

We recommend the Agency contact the federal grantor to determine if the transactions identified above, as well as other related disbursements from Special Education federal funds, were in compliance with allowable cost principles, as defined by OMB Circular A-87.

FINDING NUMBER: 06-500-04
STATE/EDUCATIONAL AGENCY: Arkansas Department of Education
CFDA NUMBER: 84.287 – Twenty-First Century Community Learning
Centers
QUESTIONED COSTS: \$139,000

SUBRECIPIENT MONITORING – The Agency failed to establish adequate controls to ensure that subrecipients accurately report activity. A test of financial reports from twenty-eight (28) subrecipients revealed that the “carryover” balances for twelve (12) subrecipients could not be recalculated and verified. Also, one (1) subrecipient, which received \$139,000 in the year ended June 30, 2006, failed to report any expenditure for the year and still received an additional payment of \$111,200 in the next fiscal year. Inadequate monitoring prevented the Agency from ensuring that federal funds were spent in accordance with program regulations.

We recommend the Agency establish and follow effective controls to monitor and evaluate the fiscal and programmatic needs of subrecipients to ensure that federal funds have been spent appropriately.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 06-520-01
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-two (52) case files located in nine (9) local offices throughout the State were selected for review. The following deficiencies identified during our review were also identified in prior years:

- Eleven (11) files did not determine eligibility of the client within 60 days of the date of application.
- Twenty-two (22) of the files did not contain all invoices to support the authorization for payment.
- Seventeen (17) files contained case narratives that were not updated at least every 90 days.

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.

FINDING NUMBER: 06-520-02
STATE/EDUCATIONAL AGENCY: Department of Workforce Education – Arkansas Rehabilitation Services
CFDA NUMBER: 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
QUESTIONED COSTS: None

REPORTING - The Agency is required to submit client service data the 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 2004, Agency management sent a memo to all District Managers that prohibited counselors from closing cases to status 28. Our review of one hundred twenty-two (122) files in the current year revealed that seventy-six (76) files had not been appropriately closed. 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 could effect the provision of services to clients.

We recommend the Agency develop procedures to ensure that 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, 2006**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING NUMBER:	06-710-06
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health and 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) 93.659 – Adoption Assistance 93.959 – Block Grant for Prevention and Treatment of Substance Abuse
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:	06-710-07
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health and Human Services
CFDA NUMBER:	93.283 – Centers for Disease Control and Prevention_ Investigations and Technical Assistance
QUESTIONED COSTS:	Unknown

ALLOWABLE COSTS/COST PRINCIPLES – The Agency collected excess indirect costs totaling \$36,549. The Agency incurred expenses for the Hurricane Katrina Relief Project and applied an allowable 10.9% indirect cost rate to those expenses. However, on June 22, 2006, the Agency received a \$335,315 reimbursement for a portion of those expenses from the Federal Emergency Management Agency (FEMA) and failed to adjust the indirect cost calculation accordingly.

We recommend the Agency adjust the indirect cost calculation for the Hurricane Katrina Relief Project and improve indirect cost calculation procedures to ensure accurate and timely reporting.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NUMBER:	06-710/810-08
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health and Human Services Arkansas Department of Workforce Services
CFDA NUMBER:	93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS:	\$3,038

ALLOWABLE COSTS/COST PRINCIPLES – Forty-seven (47) client case files containing vehicle down payment assistance information were selected for review from the Work Information System Exchange (WISE) database. Our examination revealed the following:

- According to the Transitional Employment Assistance (TEA) policy manual section 3415.1, “assistance with the down payment on a vehicle will not exceed 75% of the purchase price, up to a lifetime maximum of \$2,500.” One (1) client received two (2) vehicle down payments and two (2) sales tax assistance payments resulting in an overpayment of \$3,038.
- According to the TEA policy manual section 3415.2, “the client must provide proof of a valid driver's license.” Three (3) client case files tested had no proof of a valid driver's license.
- According to the TEA policy manual section 3415.2, “the client must be able to pay at least \$100 of the down payment prior to the purchase of the car.” One (1) client case file contained no evidence that the \$100 client down payment was paid.
- According to the TEA policy manual section 3415.2, “the client must sign form DCO-1410, Client Vehicle Assistance Agreement.” Six (6) client case files contained no signed form DCO-1410.
- According to the TEA policy manual section 3415.2, “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.” Four (4) client case files contained no form DCO-1409.
- According to the TEA policy manual section 3415.2, “the client's monthly payment on the vehicle cannot exceed \$200 per month, and the length of the loan agreement cannot exceed 36 months.” One (1) client case file contained no sales invoice showing the financing terms.

We recommend the Agencies continue to work together to strengthen employee training and develop procedures to ensure adherence to existing policy regarding supportive services payments. (Act 1705 of 2005 authorized the transfer of TANF grant awards to DWS).

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NUMBER: 06-710-09
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: None

CASH MANAGEMENT – As a result of the Agency's inadequate internal controls regarding bank account activity and the recording of transfers and as was stated in the previous four (4) audit reports, the Agency continues to struggle reducing cash balances in the Electronics Benefits Transfer (EBT) bank account. Although the Agency made an effort to reduce the bank balance in fiscal year 2005, the EBT account increased by \$158,184 to \$2,298,892 at June 30, 2006.

We recommend the Agency establish adequate internal controls and procedures for implementing required cash management policies.

FINDING NUMBER: 06-710/810-10
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
Arkansas Department of Workforce Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: Unknown

ELIGIBILITY – One hundred forty one (141) client case files covering six (6) 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 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." Twenty two (22) client case files provided outdated, incomplete or no collateral statements to verify the existence of a child in the home.
- 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, five (5) client case files did not contain verification of a completed TEA skills, employability and intake assessment, twenty (20) client case files did not contain a Test of Basic Adult Education (TABE) scores, five (5) client case files did not contain a learning needs/disability screening and two (2) client case files did not contain complete information on work activity hours.

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

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NUMBER: 06-710/810-11
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
Arkansas Department of Workforce Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: None

REPORTING – Our examination revealed that the Temporary Assistance for Needy Families (TANF) ACF-196 Financial Report and the PSC 272 Federal Cash Transaction Report were not in agreement for grant year 2006. Beginning October 1, 2005, the Arkansas Department of Workforce Services (DWS) assumed responsibility for these reports. For quarters ended December 31, 2005, March 31, 2006 and June 30, 2006, the PSC 272 report overstated expenditures by \$1,090,288, \$749,721 and \$9,655,138, respectively.

Although DWS has responsibility for the PSC 272 reports, we recommend the Arkansas Department of Health and Human Services continue to assist and train personnel.

FINDING NUMBER: 06-710-12
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: None

SPECIAL TESTING AND PROVISIONS - INCOME ELIGIBILITY AND VERIFICATION SYSTEM (IEVS) – The Agency's failure to implement supervisory review of IEVS resulted in our discovery of a lack of consistent IEVS policies and procedures in six (6) county offices visited. Information gathered with IEVS assists county office personnel in determining income eligibility. In five (5) of the six (6) counties visited, we noted inconsistent use of IEVS data and in one (1) county, personnel failed to use any of the IEVS information provided.

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

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NUMBER: 06-710/810-13
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
Arkansas Department of Workforce Services
CFDA NUMBER: 93.558 – Temporary Assistance for Needy Families
QUESTIONED COSTS: \$3,412

SPECIAL TESTS AND PROVISIONS – RENT AND UTILITY PAYMENTS – Five (5) client case files containing rent and utility assistance payments 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 policy manual. 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 five (5) tested revealed that no eviction or shutoff notice was provided before making the rent or utility payment totaling \$3,412. In addition, all five (5) client case files did not provide proof that a household budget was completed before the assistance was given. According to the TEA policy 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 based on the individual income and other expenses.

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

FINDING NUMBER: 06-710-14
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and 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 November 1, 2005 and November 30, 2006, the Division of Child Care and Early Childhood Education identified forty-four (44) cases of possible provider fraud totaling \$73,098 and two hundred thirty-six (236) cases of possible client fraud totaling \$456,068. These cases have been turned over to the Agency's Office of Chief Counsel for review. Of these cases, investigations on four (4) provider cases were completed reflecting provider overpayments totaling \$5,858 and investigations on forty-eight (48) client cases were finalized reflecting client overpayments totaling \$61,029. The remainder await further investigation or administrative hearings.

We recommend the Agency continue to strengthen internal controls and implement policies and procedures necessary to prevent fraudulent activity. In addition, we recommend the Agency provide adequate resources to properly investigate the reoccurring provider fraud caseload.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NUMBER:	06-710-15
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health and 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:	None

CASH MANAGEMENT – The Agency failed to make cash draws for payroll expenditures and administrative (non-payroll) costs in accordance with the Treasury-State Agreement. 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 instead made draws for actual expenditures at irregular intervals.

We recommend the Agency review and modify current procedures for implementing the Treasury-State Agreement. In addition, training should be provided to Agency personnel responsible for ensuring adherence to the Treasury-State Agreement.

FINDING NUMBER:	06-710-16
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health and Human Services
CFDA NUMBER:	93.659 – Adoption Assistance
QUESTIONED COSTS:	\$31,533

ACTIVITIES ALLOWED OR UNALLOWED AND ELIGIBILITY– The Agency failed to ensure an adoption assistance agreement was signed prior to the final decree of adoption. According to 45 CFR 1356.40, adoption assistance agreements must “be signed and in effect at the time or prior to the final decree of adoption.” Our testing revealed one (1) agreement signed approximately three (3) months after the decree of adoption resulting in questioned costs of \$31,533.

We recommend the Agency strengthen procedures to ensure all required information is obtained and documented in the adoption case files.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NUMBER: 06-710-17
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

ALLOWABLE COSTS AND COST PRINCIPLES – The Agency failed to refund the federal financial participation (FFP) portion of Medicaid payment checks totaling \$80,702 that were not cashed within one hundred eighty (180) days of issuance. According to 42 CFR 433.40, the Agency is required to refund the FFP for checks that were not cashed within one hundred eighty (180) days by adjusting the Quarterly Statement of Expenditures (CMS-64) report.

We recommend the Agency establish adequate control procedures to ensure Electronic Data Systems (EDS) is properly identifying stale dated checks and adjust the CMS-64 report accordingly.

FINDING NUMBER: 06-710-18
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

CASH MANAGEMENT – The Agency failed to make cash draws for payroll expenditures and administrative (non-payroll) costs in accordance with the Treasury-State Agreement. 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 using grant award amounts 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.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NUMBER:	06-710-19
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health and Human Services
CFDA NUMBER:	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$3,562

ELIGIBILITY - The results of testing of two hundred forty (240) recipients for the proper determination of eligibility revealed the following deficiencies:

- The Agency failed to deny Medicaid coverage to two (2) clients who were not eligible for the Medical Assistance Program resulting in claims paid totaling \$319.
- The Agency failed to close a case after the casehead was determined ineligible based on income resulting in claims paid totaling \$3,243.
- The Agency failed to maintain documentation showing that the SSN had been verified for thirty-five (35) clients, and for five (5) clients, the documentation of the SSN included in the case file did not match the SSN recorded in the eligibility system. 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-seven (27) clients. According to 42 CFR 435.916, the Agency is required to redetermine Medicaid eligibility at least every twelve (12) months.
- The Agency was unable to locate ten (10) client files. According to 42 CFR 435.913, the Agency is required to maintain documentation of the facts to support the Agency's determination of eligibility in each applicant's case record.

We recommend the Agency review and strengthen the record retention practices in place in the 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, 2006**

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

FINDING NUMBER:	06-710-20
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health and Human Services
CFDA NUMBER:	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$59,661

ELIGIBILITY - The Agency failed to take corrective action in accordance with 42 CFR 431.836 for three (3) of fifteen (15) cases selected for review on which the Quality Assurance unit (Medicaid Eligibility Quality Control System or MEQC) found errors. In one (1) case, the Quality Assurance Unit determined that the client was never eligible for Medicaid coverage. A total of \$59,661 in claims were paid for this recipient.

In addition, the Agency failed to submit appropriate documentation to report on the findings of errors detected by the Quality Assurance Unit for eight (8) of the fifteen (15) tested cases. According to the policies set forth by the Agency, county office personnel are to complete the specified documentation with thirty (30) days of receiving notice of the error found by the Quality Assurance Unit.

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

FINDING NUMBER:	06-710-21
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health and Human Services
CFDA NUMBER:	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$3,990

PROCUREMENT, SUSPENSION AND DEBARMENT – The Agency is required to exclude certain providers in accordance with 42 CFR 1002.203. Each month, Electronic Data Systems (EDS) provides the Program Integrity Unit with an electronic file containing a list of providers that have been excluded from participating in the Medicaid program. The Program Integrity Unit 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. Our review of provider payments revealed the Agency made payments to an excluded provider totaling \$3,990 that was not detected by the Program Integrity Unit.

We recommend the Agency enhance methods used to identify excluded providers.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NUMBER: 06-710-22
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 93.778 – Medical Assistance Program
(Medicaid Cluster)
QUESTIONED COSTS: None

SPECIAL TESTS AND PROVISIONS - The Agency did not reconcile and resolve social security number (SSN) discrepancies between the Arkansas Networked System for Welfare Eligibility and Reporting (ANSWER), which is the Agency's database used to maintain recipient information, and the Medicaid Management Information System (MMIS). According to 42 CFR 435.910, the Agency is required to verify the SSN of each Medicaid recipient. To be eligible for Medicaid assistance, recipients are required to have a valid SSN and provide their SSN to the District County Office (DOC), where recipient information is entered into ANSWER. In the absence of a valid SSN, the DOC assigns a pseudo number to recipients. We noted 7,893 recipient records on file in the MMIS where the SSN did not match the SSN in ANSWER. Of these 7,893 discrepancies, approximately 5,100 were pseudo numbers which had not been updated in MMIS.

We recommend the Agency establish internal control procedures to ensure the SSN in ANSWER and MMIS databases agree and pseudo numbers are updated.

FINDING NUMBER: 06-710-23
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse
QUESTIONED COSTS: \$92,623

ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES – The Agency incorrectly coded two (2) employees' salaries totaling \$92,623 to the Block Grants for Prevention and Treatment of Substance Abuse program that should have been processed through the cost allocation system.

We recommend the Agency strengthen internal controls and procedures to track and update current job duties, positions and personnel coding within AASIS to ensure proper allocation of personnel salaries.

FINDING NUMBER: 06-710-24
STATE/EDUCATIONAL AGENCY: Arkansas Department of Health and Human Services
CFDA NUMBER: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse
QUESTIONED COSTS: Unknown

MATCHING, LEVEL OF EFFORT, EARMARKING - The Agency failed to separately identify administrative and prevention program expenditures by grant award. As a result, we were unable to determine if earmarking requirements had been met.

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

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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

FINDING NUMBER:	06-710-25
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health and Human Services
CFDA NUMBER:	93.959 – Block Grants for Prevention and Treatment of Substance Abuse
QUESTIONED COSTS:	None

SPECIAL TESTS AND PROVISIONS - According to 45 CFR 96.136, "the State must provide for independent peer reviews which assess the quality, appropriateness, and efficacy of treatment services provided to individuals." Our review of the peer reviews revealed no documentation to support the reviewer's independence.

We recommend the Agency establish policies and procedures to include written and signed documentation of independence for personnel assigned to provider reviews.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF HOMELAND SECURITY

FINDING NUMBER:	06-995-01
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Emergency Management
CFDA NUMBER:	97.067 - Homeland Security Grant Program (Homeland Security Cluster)
QUESTIONED COSTS:	Unknown

MATCHING, LEVEL OF EFFORT, EARMARKING — The Agency failed to separately identify management and administrative expenditures by grant award. As a result, we were unable to determine if earmarking requirements had been met.

We recommend the Agency establish a system to identify expenditures by category for grant awards.



SCHEDULE OF PRIOR AUDIT FINDINGS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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 06-710-01, 04-645-01, 03-645-01 and 02-645-01 most sections of the Division of Health have been assessed and personnel have been interviewed to determine their level of participation in various federally sponsored reporting components for accurate inclusion in the Agency's cost allocation plan. The Agency's projected completion date remains July 1, 2007.

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

CONDITION:

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.

RECOMMENDATION:

Review existing policy concerning record retention and implement procedures to ensure that all supporting documentation is properly maintained.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	05-710-01
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 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.

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:

Unidentified users 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. Nineteen (19) unidentified active users were noted on the Answer security master. We were unable to locate and determine their employment status or location.

CONDITION #2:

ACCESS SECURITY CONTROLS – 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.

RECOMMENDATION:

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

CURRENT STATUS:

External Internet protocol port scans discovered six (6) 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.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

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 06-710-01, 05-645-01, 03-645-01 and 02-645-01 most sections of the Division of Health have been assessed and personnel have been interviewed to determine their level of participation in various federally sponsored reporting components for accurate inclusion in the Agency's cost allocation plan. The Agency's projected completion date remains July 1, 2007.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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. Unidentified users 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. Nineteen (19) unidentified active users were noted on the Answer security master. We were unable to locate and determine their employment status or location.

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, unidentified users 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. Nineteen (19) unidentified active users were noted on the Answer security master. We were unable to locate and determine their employment status or location.

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. External Internet protocol port scans discovered six (6) 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.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

Corrective action taken.

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION:

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.

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

Continue to provide additional training and supervision 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, 2006**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

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

CONDITION:

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.

RECOMMENDATION:

Establish procedures to ensure supervisory review of AASIS and ASAP entries.

CURRENT STATUS:

The Agency contacted the U.S. Department of Agriculture (USDA) on July 27, 2006 regarding correction of this entry. Future ASAP entries will be adjusted as agreed upon with USDA.

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 06-710-01, 05-645-01, 04-645-01 and 02-645-01 most sections of the Division of Health have been assessed and personnel have been interviewed to determine their level of participation in various federally sponsored reporting components for accurate inclusion in the Agency's cost allocation plan. The Agency's projected completion date remains July 1, 2007.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

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 06-710-01, 05-645-01, 04-645-01 and 03-645-01 most sections of the Division of Health have been assessed and personnel have been interviewed to determine their level of participation in various federally sponsored reporting components for accurate inclusion in the Agency's cost allocation plan. The Agency's projected completion date remains July 1, 2007.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION:

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.

RECOMMENDATION:

Strengthen internal controls regarding supervisory review of disbursements, segregation of duties and training within the JJDP program.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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.

In March of 2006, Sharp County made their second payment of \$20,000, leaving a balance of \$48,071 for the year ended June 30, 2006.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

CONDITION #1:

The award letters for four (4) students did not state the correct cost of attendance.

RECOMMENDATION:

Properly document financial aid awards and maintain documents supporting awards.

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

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.

RECOMMENDATION:

Properly document financial aid awards and maintain documents supporting awards.

CURRENT STATUS:

As noted in finding 06-160-01, a similar condition is reported.

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

CONDITION:

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%.

RECOMMENDATION:

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

CURRENT STATUS:

As noted in findings 06-160-02, 04-160-01, 03-160-01, 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, 2006**

U.S. DEPARTMENT OF EDUCATION (Continued)

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

CONDITION:

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.

RECOMMENDATION:

Implement internal controls to ensure students are not allowed to exceed yearly loan limits.

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

Post loan proceeds and issue refund checks within the prescribed time frame.

CURRENT STATUS:

As noted in finding 06-160-03, a similar condition is reported.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF EDUCATION (Continued)

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

CONDITION:

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.

RECOMMENDATION:

Examine all 2004-05 returns to Title IV criteria for accuracy and make necessary corrections.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION:

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.

RECOMMENDATION:

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

CURRENT STATUS:

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-520-01, case files continue to fail to contain adequate documentation.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION:

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.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF EDUCATION (Continued)

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

CONDITION:

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.

RECOMMENDATION:

Develop procedures to ensure all information submitted to the Department of Education is fairly presented, accurate and complete.

CURRENT STATUS:

Corrective action taken.

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:

COHORT 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 06-160-02, 05-160-02, 03-160-01, 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, 2006**

U.S. DEPARTMENT OF EDUCATION (Continued)

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:

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-520-01, case files continue to fail to contain adequate documentation.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF EDUCATION (Continued)

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

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

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-520-01, case files continue to fail to contain adequate documentation.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF EDUCATION (Continued)

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 06-160-02, 05-160-02, 04-160-01, 03-160-01 and 01-160-05, the University's cohort default rate is above 25%.

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 06-160-02, 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, 2006**

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

CONDITION:

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.

RECOMMENDATION:

Establish procedures to ensure client immunization records are properly maintained and required immunization record information is completed.

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION:

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.

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

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

CURRENT STATUS:

The Agency has not filed the required FS-269A Financial Status Report.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

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 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.

RECOMMENDATION:

Establish internal controls and provide training to employees to ensure that federal monies are properly identified to the appropriate grant.

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

Establish proper internal control procedures to separately identify disbursement activity in AASIS to specific federal grant awards.

CURRENT STATUS:

As noted in finding 06-710-06, the Agency has not established internal control procedures to separately identify disbursement activity.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

CONDITION:

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.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

CONDITION #1:

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.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

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."

RECOMMENDATION:

Strengthen employee training and develop procedures to ensure adherence to existing policy regarding supportive services payments.

CURRENT STATUS:

Corrective action taken.

CONDITION #3:

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."

RECOMMENDATION:

Strengthen employee training and develop procedures to ensure adherence to existing policy regarding supportive services payments.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

CONDITION #4:

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."

RECOMMENDATION:

Strengthen employee training and develop procedures to ensure adherence to existing policy regarding supportive services payments.

CURRENT STATUS:

Corrective action taken.

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:

CONDITION #1:

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.

RECOMMENDATION:

Establish adequate internal controls and procedures for cash management.

CURRENT STATUS:

As noted in findings 06-710-09, 04-710-07, 03-710-11, 02-710-09 and 01-710-04, the Agency continues to fail to establish adequate internal control procedures for implementing required cash management policies.

CONDITION #2:

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.

RECOMMENDATION:

Establish adequate internal controls and procedures for cash management.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

CONDITION #3:

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.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

CONDITION #4:

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.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

CONDITION #1:

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.

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 current record retention practices in county offices.

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

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.

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 current record retention practices in county offices.

CURRENT STATUS:

Corrective action taken.

CONDITION #3:

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.

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 current record retention practices in county offices.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION #4:

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.

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 current record retention practices in county offices.

CURRENT STATUS:

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-710-10, client case files continue to fail to contain adequate documentation to redetermine various eligibility requirements.

CONDITION #5:

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.

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 current record retention practices in county offices.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION #6:

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.

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 current record retention practices in county offices.

CURRENT STATUS:

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-710-10, the Agency again failed to enforce existing policies and procedures with appropriate personnel to ensure compliance with the requirements of the TANF program.

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

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 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.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION:

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.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION:

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.

RECOMMENDATION:

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

CURRENT STATUS:

Although the Agency addressed these specific case file deficiencies, as noted in finding 06-710-13, the Agency again failed to adequately monitor adherence to existing 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

CONDITION:

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.

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, 2006**

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

CONDITION:

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.

RECOMMENDATION:

Strengthen procedures regarding reconciliations and the communication and subsequent follow-up on unusual items noted.

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

Strengthen internal controls by implementing policies and procedures that ensure compliance with regulations.

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

Establish internal controls to ensure all earmarking requirements are met.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION:

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.

RECOMMENDATION:

Strengthen accounting controls by changing the computation process of cost allocation to include actual expenditures in lieu of transfers.

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

Establish procedures to ensure timely preparation and submission of required financial reports.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

CONDITION:

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.

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

Implement procedures to ensure that funds are drawn based upon the guidelines set forth in the Treasury-State Agreement.

CURRENT STATUS:

The Agency is performing Medicaid assistance payment draws in accordance with the Treasury-State Agreement. However, as noted in finding 06-710-18, the Agency continues to fail to draw payroll expenditures and administrative (non-payroll) costs in accordance with the Agreement.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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:

CONDITION #1:

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.

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

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.

RECOMMENDATION:

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

CURRENT STATUS:

As noted in findings 06-710-19 and 04-710-19, documentation of social security number verification is not maintained in many case files in various county offices throughout the State.

CONDITION #3:

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.

RECOMMENDATION:

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

CURRENT STATUS:

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-710-19, annual redeterminations of eligibility are not completed in a timely manner in various county offices.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION:

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.

RECOMMENDATION:

Strengthen internal control procedures used to identify excluded providers.

CURRENT STATUS:

Although this provider has been deactivated as a Medicaid provider, as noted in finding 06-710-21, the Agency continues to make payments to other excluded providers and should strengthen internal control procedures 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

CONDITION:

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.

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

CONDITION:

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.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

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

CONDITION:

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.

RECOMMENDATION:

Establish internal controls and procedures to prevent payments for services for ineligible Medicaid recipients.

CURRENT STATUS:

It is the Agency's plan to contact the Arkansas Department of Corrections and enter into an agreement to obtain a monthly list of persons incarcerated and match with Medicaid eligible's no later than June 30, 2007.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

CONDITION #1:

Four (4) provider files could not be located by Electronic Data Systems (EDS). Payments for these providers totaled \$2,535.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

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.

RECOMMENDATION:

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.

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

CONDITION:

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.

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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:

Corrective action taken.

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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 #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 06-710-09, 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:

Corrective action taken.

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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 #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:

Corrective action taken.

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 #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:

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:

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-710-10, client case files continue to fail to contain adequate documentation to redetermine various eligibility requirements.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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 #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:

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:

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-710-10, the Agency again failed to enforce existing policies and procedures with appropriate personnel to ensure compliance with the requirements of the TANF program.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-710-13, 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, 2006**

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

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:

CONDITION #1:

One (1) client case file could not be located. Transportation assistance of \$3,250 had been paid on behalf of this client.

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

CONDITION #2:

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."

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

CONDITION #3:

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."

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

CONDITION #4:

Nine (9) client case files did not contain adequate supporting documentation for the transportation payments totaling \$23,185.

RECOMMENDATION:

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

CURRENT STATUS:

Corrective action taken.

CONDITION #5:

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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:

Corrective action taken.

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 #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 06-710-19 and 05-710-19, documentation of social security number verification is not maintained in many case files in various county offices throughout the State.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

Corrective action taken.

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 #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 06-710-09, 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, 2006**

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:

Corrective action taken.

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

Corrective action taken.

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

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:

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-710-10, the Agency again failed to enforce existing policies and procedures with appropriate personnel to ensure compliance with the requirements of the TANF program.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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 #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:

Corrective action taken.

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:

Although the Agency has addressed these specific case file deficiencies, as noted in finding 06-710-19, client case files continue to fail to contain adequate documentation to redetermine various eligibility requirements in various counties throughout the State.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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:

Corrective action taken.

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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:

Corrective action taken.

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 #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 06-710-09, 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, 2006**

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:

Corrective action taken.

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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:

Corrective action taken.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

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

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:

Corrective action taken.

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 06-710-09, 05-710-06, 04-710-07, 03-710-11 and 02-710-09, 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, 2006**

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

CONDITION:

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.

RECOMMENDATION:

Review expenditures charged to grants to ensure compliance with applicable cost principles.

CURRENT STATUS:

Corrective action taken.