

State of Arkansas

Corrective Action Plan

For the year ending June 30, 2008

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FS-08-01 Financial Management

The State places varying levels of daily accounting responsibility with the respective boards, commissions, departments, agencies, offices and institutions of higher education. Management has oversight responsibilities for transactions entered into the financial accounting system to ensure accuracy and completeness in accordance with generally accepted accounting principles. Even though the Department of Finance and Administration, Office of Accounting, and several agencies have increased their staffs of qualified accountants to meet management's accounting and reporting responsibilities, some State agencies continue to lack personnel with sufficient knowledge and understanding of generally accepted accounting principles applied in a governmental environment.

Additionally, personnel at some agencies and institutions of higher education were again unable to provide, in a timely manner, the required financial information to the Department of Finance and Administration, Office of Accounting, which hindered the efficient preparation of the State's financial statements.

The lack of a sufficient number of qualified accountants and inadequate management oversight over the submission of required financial information 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, with continual changes in accounting standards, the Department of Finance and Administration should continue to provide sufficient training to all financial accounting personnel to ensure adequate financial accountability to the citizens of the State.

Response

The Department of Finance and Administration (DFA) - Office of Accounting and Office of Personnel Management has continued to work with State agencies to hire Certified Public Accountants to improve the quality of financial reporting. DFA will continue to support agencies in their efforts to improve the quality of their financial staff.

Timeline requirements are provided to the individual agencies and institutions of higher education each year. DFA will continue to communicate with State entities about the necessity of timely and accurate reporting to ensure a complete and accurate reporting of the State's finances.

DFA has assigned a staff member to develop training on new accounting pronouncements for DFA and other State agency staff members. Several classes were held in 2008. Additional fiscal management training classes have been developed for new hire and intermediate level staff within the State. These classes will begin in May of 2009. DFA has provided an opportunity for forty hours of professional training for agency accounting staff members each of the last three years. DFA will continue to encourage State agencies to attend this training.

**STATE OF ARKANSAS
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FOR THE YEAR ENDED JUNE 30, 2008**

FS-08-02 Accounting for Tax Revenue

The process of receiving and recording tax revenue should have adequate controls to assure that all revenue is recorded properly.

As reported in previous audits, 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 placed into production without sufficient management review to ensure adequate testing and authorization.
- 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.
- Password configuration settings were not structured to effectively reduce the risk of unauthorized access to the computer system.
- The ability to update cash control applications was not limited to authorized personnel.

Failure to properly implement controls increases 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.

The Department of Finance and Administration indicated that corrections to these control deficiencies had commenced. However, the corrective measures had not been completed by June 30, 2008.

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

Response

Program change process controls have been implemented to address the issues raised by Legislative Audit. Changes to program source codes are tracked through a management process so that changes are made in a separate environment from production, reviewed by management and then migrated back into production.

DFA - OIS is developing a contingency processing plan that will be modeled after the federally approved DR plan of the DFA - Office of Child Support and Enforcement. The first draft of the plan was submitted to the DFA Director for his review on May 1, 2008. The plan was designed to accommodate separation by the division and administrative sections within DFA to minimize the time to complete the plan. Upon completion of the plan on or about March 31, 2010, DFA will have a plan that can be continually adapted to business process and legislative changes as they occur. DFA has completed the change in password methodology for approximately eighty (80) percent of system users. The anticipated completion date for all system users is September 30, 2009.

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FS-08-03 Arkansas Treasurer of State

The Constitution of the State of Arkansas established the Office of Treasurer of State. The duties of the Treasurer of State include the receipt and deposit of state monies collected by various administering agencies; the reconciliation of funds held by the Treasurer of State to the fund equities of more than 200 state agencies and institutions; the management, investment and safekeeping of State funds; the redemption of warrants drawn on the Treasurer of State in accordance with State law; and the distribution of county and municipal aid and local sales and use tax. Adequate controls should be in place to assure that these transactions are accounted for properly.

As reported in the previous audit, our review of the internal control over the Treasurer of State's processes identified the following deficiencies:

- There was no written contingency plan to specify the recovery procedures in the event of a short-term or long-term interruption of computer service.
- Password configuration settings were not structured to effectively reduce the risk of unauthorized access to the computer system.
- During the processing of the various payments to counties and municipalities, one person is typically in control of the entire payment process. The duties of this person include approving and changing payee direct deposit information as well as sending payment notification letters to the payees.

Failure to properly implement controls increases the risk of:

- Loss of the ability to process and account for State funds in a timely manner due to computer processing being hindered because of a disaster.
- Misappropriation of assets.
- Misstatement of the State's financial records and financial statements.

The Treasurer of State indicated that they have been working on corrective procedures on these control deficiencies subsequent to the prior year audit. However, complete corrective action had not been taken as of June 30, 2008.

We recommend that the management of the Treasurer of State continue efforts to strengthen internal control.

Response

As of September, 2008, the following corrective action has been taken on these items:

- A contingency plan for disaster recovery has been written in addition to coordinating with the Auditor of State's office and the Department of Finance and Administration using the State's Living Disaster Recovery Planning System (LDRPS) which has identified and documented critical processes.
- Password configuration changes have been made using all recommended security settings.
- Duties related to payments to counties and municipalities have been segregated to eliminate transaction control by any individual person.

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY

FINDING NUMBER:	08-01
STATE/EDUCATIONAL AGENCY:	Various, see table below
CFDA NUMBER(S):	Various, see table below
QUESTIONED COSTS:	None

INTERNAL CONTROL OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - The Arkansas Department of Finance and Administration (DFA) is tasked with the responsibility of preparing the State's Schedule of Expenditures of Federal Awards (SEFA). In order to ensure timely and accurate reporting, as well as allow for adequate planning of the Single Audit, each State/Educational Agency is required to submit a *Federal Awards Data Collection Workbook* to DFA by a pre-determined date. Upon receipt of the workbook, DFA compiles, reviews and makes the necessary adjustments to prepare the SEFA. A review of this process revealed several late submissions. Of the ninety-three (93) submissions, only twenty-four (24) were submitted by the due dates established by DFA. The remaining sixty-nine (69) were submitted late, ranging from two (2) days late to sixty-seven (67) days late. Reasons for the delay include employee staffing and the inability of the Agencies' accounting staff to properly use AASIS to maintain, reconcile and report federal expenditures in a timely manner.

The audit for the year ended June 30, 2008 revealed that the Arkansas Department of Human Services incorrectly reported federal expenditures totaling \$31,699,072 for the Child and Adult Care Food Program, CFDA 10.558, in the expenditure total of the National School Lunch Program, CFDA 10.555. The Arkansas Department of Health (ADH) incorrectly reported federal expenditures totaling \$7,597,776 for the Public Health Emergency Preparedness Program, CFDA 93.069, in the expenditure total of Centers for Disease Control and Prevention_Investigations and Technical Assistance, CFDA 93.283. ADH also overstated expenditures by \$2,012,207 in Special Supplemental Nutrition Program for Women, Infants and Children, CFDA 10.557, because of a miscalculation in the amount of infant formula rebates, which are used to pay for food instruments and should be excluded from federal expenditures reported on the SEFA. In addition, Arkansas State University omitted federal expenditures of \$8,288,655 for the Federal Perkins Loan Program_Federal Capital Contributions program, CFDA 84.038. Appropriate audit adjustments have subsequently been made by DFA to correct the SEFA.

Failure to receive information promptly from the State/Educational Agencies hinders DFA's ability to adequately review the information and could cause the SEFA to be materially misstated.

We recommend the State develop and implement procedures to ensure the federal program information submitted to DFA is accurate, complete and timely.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0053	Office of the Attorney General	19
	Medicaid Cluster	
16.576	Crime Victim Compensation	
0059	Auditor of State	33
	Schools and Roads Cluster	
12.112	Payments to States in Lieu of Real Estate Taxes	
15.227	Distribution of Receipts to State and Local Governments	
0080	Arkansas Game and Fish Commission	25
	Fish and Wildlife Cluster	
	Highway Planning and Construction Cluster	
10.000	Other Department of Agriculture Assistance	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	
10.028	Wildlife Services	
10.069	Conservation Reserve Program	
10.912	Environmental Quality Incentives Program	
12.000	Other Department of Defense Assistance	
15.608	Fish and Wildlife Management Assistance	
15.615	Cooperative Endangered Species Conservation Fund	
15.616	Clean Vessel Act	
15.622	Sportfishing and Boating Safety Act	
15.631	Partners for Fish and Wildlife	
15.632	Conservation Grants Private Stewardship for Imperiled Species	
15.633	Landowner Incentive Program	
15.634	State Wildlife Grants	
15.644	Federal Junior Duck Stamp Conservation and Design	
15.929	Save America's Treasures	
20.219	Recreational Trails Program	
66.000	Other Environmental Protection Agency Assistance	
66.461	Regional Wetland Program Development Grants	
97.000	Other Department of Homeland Security Assistance	
97.012	Boating Safety Financial Assistance	
0090	Arkansas State Highway and Transportation Department	2
	Highway Planning and Construction Cluster	
	Federal Transit Cluster	
	Transit Services Programs Cluster	
12.106	Flood Control Projects	
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance	
	Discretionary Grants Program	
20.218	National Motor Carrier Safety	
20.219	Recreational Trails Program	
20.505	Federal Transit Metropolitan Planning Grants	
20.509	Formula Grants for Other Than Urbanized Areas	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	
97.040	Chemical Stockpile Emergency Preparedness Program	

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FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0100	Henderson State University	9
	TRIO Cluster	
	Student Financial Assistance Cluster	
59.000	Other Small Business Administration Assistance	
59.037	Small Business Development Center	
84.336	Teacher Quality Enhancement Grants	
84.367	Improving Teacher Quality State Grants	
93.887	Health Care and Other Facilities	
0105	Southern Arkansas University	23
	TRIO Cluster	
	Student Financial Assistance Cluster	
10.000	Other Department of Agriculture Assistance	
16.607	Bulletproof Vest Partnership Program	
47.076	Education and Human Resources	
59.037	Small Business Development Center	
84.048	Career and Technical Education -- Basic Grants to States	
84.366	Mathematics and Science Partnerships	
93.887	Health Care and Other Facilities	
0115	Southern Arkansas University - Tech Branch	14
	Student Financial Assistance Cluster	
11.611	Manufacturing Extension Partnership	
15.000	Other Department of the Interior Assistance	
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	
66.815	Brownfield Job Training Cooperative Agreements	
84.002	Adult Education_State Grant Program	
84.048	Career and Technical Education -- Basic Grants to States	
84.287	Twenty-First Century Community Learning Centers	
93.558	Temporary Assistance for Needy Families	
97.043	State Fire Training Systems Grants	
0120	Arkansas State University - Beebe	45
	Food Stamp Cluster	
	Child Nutrition Cluster	
	TRIO Cluster	
	Student Financial Assistance Cluster	
84.002	Adult Education_State Grant Program	
84.048	Career and Technical Education -- Basic Grants to States	
93.558	Temporary Assistance for Needy Families	
0125	Arkansas State University - Jonesboro	25
	Child Nutrition Cluster	
	Public Works and Economic Development Cluster	
	WIA Cluster	
	Highway Planning and Construction Cluster	
	TRIO Cluster	

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FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0125	Arkansas State University - Jonesboro (Continued)	25
	CCDF Cluster	
	Research and Development Cluster	
	Student Financial Assistance Cluster	
10.000	Other Department of Agriculture Assistance	
10.212	Small Business Innovation Research	
10.558	Child and Adult Care Food Program	
10.901	Resource Conservation and Development	
11.303	Economic Development_Technical Assistance	
11.611	Manufacturing Extension Partnership	
12.000	Other Department of Defense Assistance	
15.000	Other Department of Interior Assistance	
43.000	Other National Aeronautics and Space Administration Assistance	
45.130	Promotion of the Humanities_Challenge Grants	
45.169	Promotion of the Humanities_Digital Humanities Initiative	
45.301	Museums for America	
47.049	Mathematical and Physical Sciences	
47.076	Education and Human Resources	
59.000	Other Small Business Administration Assistance	
59.037	Small Business Development Center	
66.000	Other Environmental Protection Agency Assistance	
66.202	Congressionally Mandated Projects	
66.460	Nonpoint Source Implementation Grants	
84.002	Adult Education_State Grant Program	
84.048	Career and Technical Education -- Basic Grants to States	
84.153	Business and International Education Projects	
84.215	Fund for the Improvement of Education	
84.366	Mathematics and Science Partnerships	
84.367	Improving Teacher Quality State Grants	
93.009	Compassion Capital Fund	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	
93.124	Nurse Anesthetist Traineeships	
93.241	State Rural Hospital Flexibility Program	
93.279	Drug Abuse and Addiction Research Programs	
93.358	Advanced Education Nursing Traineeships	
93.389	National Center for Research Resources	
93.558	Temporary Assistance for Needy Families	
93.560	Family Support Payments to States_Assistance Payments	
93.570	Community Services Block Grant_Discretionary Awards	
93.658	Foster Care_Title IV-E	
93.865	Child Health and Human Development Extramural Research	
93.969	Geriatric Education Centers	

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FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0128	Arkansas State University - Mountain Home	15
	Student Financial Assistance Cluster	
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	
17.269	Community Based Job Training Grants	
84.002	Adult Education_State Grant Program	
84.048	Career and Technical Education -- Basic Grants to States	
93.558	Temporary Assistance for Needy Families	
93.887	Health Care and Other Facilities	
0129	Arkansas State University - Newport	9
	Student Financial Assistance Cluster	
17.252	Attestations by Employers Using Non-Immigrant Aliens in Specialty Occupations	
84.002	Adult Education_State Grant Program	
93.558	Temporary Assistance for Needy Families	
0130	Arkansas Tech University	47
	TRIO Cluster	
	Research and Development Cluster	
	Student Financial Assistance Cluster	
10.652	Forestry Research	
15.642	Challenge Cost Share	
43.001	Aerospace Education Services Program	
59.000	Other Small Business Administration Assistance	
84.021	Overseas_Group Projects Abroad	
84.048	Career and Technical Education -- Basic Grants to States	
84.116	Fund for the Improvement of Postsecondary Education	
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	
84.367	Improving Teacher Quality State Grants	
93.389	National Center for Research Resources	
93.558	Temporary Assistance for Needy Families	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	
0135	University of Arkansas - Fayetteville	11
	Child Nutrition Cluster	
	Federal Transit Cluster	
	Highway Safety Cluster	
	TRIO Cluster	
	Research and Development Cluster	
	Student Financial Assistance Cluster	
11.611	Manufacturing Extension Partnership	
12.901	Mathematical Sciences Grants Program	
15.916	Outdoor Recreation_Acquisition, Development and Planning	
16.000	Other Department of Justice Assistance	
16.588	Violence Against Women Formula Grants	
19.420	Cooperative Grants	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0135	University of Arkansas - Fayetteville (Continued)	11
20.000	Other Department of Transportation Assistance	
20.701	University Transportation Centers Program	
43.000	Other National Aeronautics and Space Administration Assistance	
45.000	Other National Foundation on the Arts and the Humanities Assistance	
47.000	Other National Science Foundation Assistance	
47.049	Mathematical and Physical Sciences	
47.076	Education and Human Resources	
59.000	Other Small Business Administration Assistance	
59.037	Small Business Development Center	
66.000	Other Environmental Protection Agency Assistance	
66.460	Nonpoint Source Implementation Grants	
66.479	Wetland Program Grants - State/Tribal Environmental Outcome Wetland Demonstration Program	
66.513	Greater Research Opportunities (GRO) Fellowships for Undergraduate/Graduate Environmental Study	
66.951	Environmental Education Grants	
84.000	Other Department of Education Research	
84.116	Fund for the Improvement of Postsecondary Education	
84.129	Rehabilitation Long-Term Training	
84.132	Centers for Independent Living	
84.133	National Institute on Disability and Rehabilitation Research	
84.185	Byrd Honors Scholarships	
84.264	Rehabilitation Training_Continuing Education	
84.366	Mathematics and Science Partnerships	
84.367	Improving Teacher Quality State Grants	
84.928	National Writing Project	
93.000	Other Department of Health and Human Services Assistance	
93.136	Injury Prevention and Control Research and State and Community Based Programs	
93.282	Mental Health National Research Service Awards for Research Training	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	
94.006	AmeriCorps	
97.000	Other Department of Homeland Security Assistance	
0135ext	University of Arkansas - Cooperative Extension Service	16
10.001	Agricultural Research_Basic and Applied Research	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	
10.200	Grants for Agricultural Research, Special Research Grants	
10.206	Grants for Agricultural Research_Competitive Research Grants	
10.303	Integrated Programs	
10.307	Organic Agriculture Research and Extension Initiative	
10.500	Cooperative Extension Service	
10.664	Cooperative Forestry Assistance	
10.912	Environmental Quality Incentives Program	
12.002	Procurement Technical Assistance For Business Firms	
66.460	Nonpoint Source Implementation Grants	

**STATE OF ARKANSAS
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FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0135ext	University of Arkansas - Cooperative Extension Service (Continued)	16
66.814	Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	
93.558	Temporary Assistance for Needy Families	
93.945	Assistance Programs for Chronic Disease Prevention and Control	
0145	University of Arkansas at Little Rock	13
	Public Works and Economic Development Cluster	
	TRIO Cluster	
	Special Education Cluster	
	Research and Development Cluster	
	Student Financial Assistance Cluster	
11.303	Economic Development_Technical Assistance	
11.611	Manufacturing Extension Partnership	
15.912	National Historic Landmark	
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	
16.523	Juvenile Accountability Block Grants	
16.582	Crime Victim Assistance/Discretionary Grants	
19.000	Other Department of State Assistance	
19.415	Professional Exchanges_Annual Open Grant	
20.701	University Transportation Centers Program	
21.008	Low-Income Taxpayer Clinics	
47.000	Other Small Business Administration Assistance	
47.076	Education and Human Resources	
59.037	Small Business Development Center	
66.439	Targeted Watersheds Grants	
84.031	Higher Education_Institutional Aid	
84.116	Fund for the Improvement of Postsecondary Education	
84.126	Rehabilitation Services_Vocation Rehabilitation Grants to States	
84.129	Rehabilitation Long-Term Training	
84.160	Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind	
84.185	Byrd Honors Scholarships	
84.186	Safe and Drug-Free Schools and Communities_State Grants	
84.206	Javits Gifted and Talented Students Education Grant Program	
84.324	Research in Special Education	
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	
84.326	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	
84.333	Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	
84.366	Mathematics and Science Partnerships	
84.367	Improving Teacher Quality State Grants	
84.928	National Writing Project	
93.110	Maternal and Child Health Federal Consolidated Programs	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0145	University of Arkansas at Little Rock (Continued)	13
93.136	Injury Prevention and Control Research and State and Community Based Programs	
93.236	Grants for Dental Public Health Residency Training	
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	
93.600	Head Start	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	
0155	University of Arkansas at Monticello	12
	TRIO Cluster	
	Research and Development Cluster	
	Student Financial Assistance Cluster	
17.261	WIA Pilots, Demonstrations, and Research Projects	
17.263	Youth Opportunity Grants	
45.129	Promotion of the Humanities_Federal/State Partnership	
45.164	Promotion of the Humanities_Public Programs	
59.037	Small Business Development Center	
84.002	Adult Education_State Grant Program	
84.021	Overseas_Group Projects Abroad	
84.048	Career and Technical Education -- Basic Grants to States	
84.350	Transition to Teaching	
84.366	Mathematics and Science Partnerships	
84.367	Improving Teacher Quality State Grants	
93.241	State Rural Hospital Flexibility Program	
93.558	Temporary Assistance for Needy Families	
94.006	AmeriCorps	
0160	University of Arkansas at Pine Bluff	16
	Public Works and Economic Development Cluster	
	WIA Cluster	
	TRIO Cluster	
	CCDF Cluster	
	Research and Development Cluster	
	Student Financial Assistance Cluster	
10.001	Agricultural Research_Basic and Applied Research	
10.163	Market Protection and Promotion	
10.200	Grants For Agricultural Research, Special Research Grants	
10.216	1890 Institution Capacity Building Grants	
10.220	Higher Education Multicultural Scholars Program	
10.433	Rural Housing Preservation Grants	
10.443	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	
10.455	Community Outreach and Assistance Partnership Program	
10.500	Cooperative Extension Service	
10.664	Cooperative Forestry Assistance	
10.769	Rural Business Enterprise Grants	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0160	University of Arkansas at Pine Bluff (Continued)	16
10.856	1890 Land Grant Institutions Rural Entrepreneurial Outreach Program	
10.901	Resource Conservation and Development	
10.903	Soil Survey	
10.960	Technical Agricultural Assistance	
12.600	Community Economic Adjustment	
14.520	Historically Black Colleges and Universities Program	
15.808	U.S. Geological Survey_Research and Data Collection	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	
47.050	Geosciences	
47.074	Biological Sciences	
47.076	Education and Human Resources	
84.031	Higher Education_Institutional Aid	
84.215	Fund for the Improvement of Education	
84.366	Mathematics and Science Partnerships	
84.367	Improving Teacher Quality State Grants	
93.236	Grants for Dental Public Health Residency Training	
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	
93.600	Head Start	
0165	University of Central Arkansas	24
	Special Education Cluster	
	TRIO Cluster	
	Research and Development Cluster	
	Student Financial Assistance Cluster	
12.000	Other Department of Defense Assistance	
12.114	Collaborative Research and Development	
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	
43.001	Aerospace Education Services Program	
45.129	Promotion of the Humanities_Federal/State Partnership	
47.074	Biological Sciences	
59.000	Other Small Business Administration Assistance	
84.016	Undergraduate International Studies and Foreign Language Programs	
84.021	Overseas_Group Projects Abroad	
84.031	Higher Education_Institutional Aid	
84.116	Fund for the Improvement of Postsecondary Education	
84.323	Special Education - State Personnel Development	
84.366	Mathematics and Science Partnerships	
84.367	Improving Teacher Quality State Grants	
84.928	National Writing Project	
84.929	Civic Education: We the People Program	
93.000	Other Department of Health and Human Services Assistance	
93.358	Advanced Education Nursing Traineeships	
93.389	National Center for Research Resources	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	
93.969	Geriatric Education Centers	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0167	University of Arkansas Community College at Hope	15
	TRIO Cluster	
	Student Financial Assistance Cluster	
84.048	Career and Technical Education -- Basic Grants to States	
84.335	Child Care Access Means Parents in School	
93.558	Temporary Assistance for Needy Families	
0168	University of Arkansas Community College at Batesville	49
	CCDF Cluster	
	Student Financial Assistance Cluster	
17.269	Community Based Job Training Grants	
84.002	Adult Education_State Grant Program	
84.048	Career and Technical Education -- Basic Grants to States	
93.241	State Rural Hospital Flexibility Program	
93.558	Temporary Assistance for Needy Families	
0170	East Arkansas Community College	33
	TRIO Cluster	
	Student Financial Assistance Cluster	
17.261	WIA Pilots, Demonstrations, and Research Projects	
84.002	Adult Education_State Grant Program	
84.031	Higher Education_Institutional Aid	
84.048	Career and Technical Education -- Basic Grants to States	
93.558	Temporary Assistance for Needy Families	
0175	National Park Community College	9
	WIA Cluster	
	TRIO Cluster	
	Student Financial Assistance Cluster	
84.048	Career and Technical Education -- Basic Grants to States	
93.558	Temporary Assistance for Needy Families	
0177	Mid-South Community College	35
	TRIO Cluster	
	Student Financial Assistance Cluster	
17.261	WIA Pilots, Demonstrations, and Research Projects	
17.268	H-1B Job Training Grants	
47.076	Education and Human Resources	
84.002	Adult Education_State Grant Program	
84.031	Higher Education_Institutional Aid	
84.048	Career and Technical Education -- Basic Grants to States	
90.201	Delta Area Economic Development	
93.558	Temporary Assistance for Needy Families	
94.006	AmeriCorps	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0180	Arkansas Northeastern College	9
	TRIO Cluster	
	Student Financial Assistance Cluster	
17.261	WIA Pilots, Demonstrations, and Research Projects	
47.076	Education and Human Resources	
84.002	Adult Education_State Grant Program	
84.048	Career and Technical Education -- Basic Grants to States	
93.241	State Rural Hospital Flexibility Program	
93.558	Temporary Assistance for Needy Families	
0185	North Arkansas College	15
	TRIO Cluster	
	Student Financial Assistance Cluster	
84.031	Higher Education_Institutional Aid	
84.048	Career and Technical Education -- Basic Grants to States	
93.558	Temporary Assistance for Needy Families	
0190	Phillips Community College	46
	TRIO Cluster	
	Student Financial Assistance Cluster	
17.261	WIA Pilots, Demonstrations, and Research Projects	
47.076	Education and Human Resources	
84.002	Adult Education_State Grant Program	
84.031	Higher Education_Institutional Aid	
84.048	Career and Technical Education -- Basic Grants to States	
84.287	Twenty-First Century Community Learning Centers	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	
93.558	Temporary Assistance for Needy Families	
0192	Rich Mountain Community College	13
	WIA Cluster	
	TRIO Cluster	
	Student Financial Assistance Cluster	
17.245	Trade Adjustment Assistance	
84.002	Adult Education_State Grant Program	
84.031	Higher Education_Institutional Aid	
84.048	Career and Technical Education -- Basic Grants to States	
84.335	Child Care Access Means Parents in School	
93.558	Temporary Assistance for Needy Families	
0193	South Arkansas Community College	43
	Child Nutrition Cluster	
	TRIO Cluster	
	CCDF Cluster	
	Student Financial Assistance Cluster	
17.269	Community Based Job Training Grants	
84.002	Adult Education_State Grant Program	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0193	South Arkansas Community College (Continued)	43
84.048	Career and Technical Education -- Basic Grants to States	
93.241	State Rural Hospital Flexibility Program	
93.558	Temporary Assistance for Needy Families	
0195	University of Arkansas at Fort Smith	39
	TRIO Cluster	
	Student Financial Assistance Cluster	
17.249	Employment Services and Job Training Pilots-Demonstrations and Research	
43.001	Aerospace Education Services Program	
45.025	Promotion of the Arts Partnership Agreements	
47.076	Education and Human Resources	
59.037	Small Business Development Center	
84.048	Career and Technical Education -- Basic Grants to States	
84.367	Improving Teacher Quality State Grants	
93.945	Assistance Programs for Chronic Disease Prevention and Control	
0198	Northwest Arkansas Community College	16
	TRIO Cluster	
	Homeland Security Cluster	
	Student Financial Assistance Cluster	
17.261	WIA Pilots, Demonstrations, and Research Projects	
47.076	Education and Human Resources	
84.002	Adult Education_State Grant Program	
84.048	Career and Technical Education -- Basic Grants to States	
93.241	State Rural Hospital Flexibility Program	
93.558	Temporary Assistance for Needy Families	
0229	Arkansas Fair Housing Commission	10
14.401	Fair Housing Assistance Program_State and Local	
0264	Workforce Investment Board	67
	WIA Cluster	
0295	Arkansas Spinal Cord Commission	42
	Highway Safety Cluster	
93.667	Social Services Block Grant	
0318	Martin Luther King, Jr. Commission	45
93.569	Community Services Block Grant	
0319	Arkansas Minority Health Commission	27
93.945	Assistance Programs for Chronic Disease Prevention and Control	
0324	Arkansas Public Defender Commission	3
16.523	Juvenile Accountability Block Grants	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency	Days
Cluster or CFDA Number/ Federal Program Name	Late
0327 Arkansas Science and Technology Authority	31
Research and Development Cluster	
11.611 Manufacturing Extension Partnership	
0385 Arkansas Department of Veterans Affairs	2
64.014 Veterans State Domiciliary Care	
64.015 Veterans State Nursing Home Care	
0400 Arkansas Agriculture Department	33
10.066 Livestock Assistance Program	
0415 Arkansas Forestry Commission	39
10.652 Forestry Research	
10.663 Forest Land Enhancement Program (FLEP)	
10.664 Cooperative Forestry Assistance	
10.676 Forest Legacy Program	
66.460 Nonpoint Source Implementation Grants	
0420 Arkansas Geological Commission	26
15.808 U.S. Geological Survey Research and Data Collection	
15.810 National Cooperative Geologic Mapping Program	
0425 State Insurance Department	30
93.779 Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	
0470 Department of Information Systems	15
11.555 Public Safety Interoperable Communications Grant Program	
97.040 Chemical Stockpile Emergency Preparedness Program	
97.070 Map Modernization Management Support	
0480 Department of Correction	9
16.593 Residential Substance Abuse Treatment For State Prisoners	
16.606 State Criminal Alien Assistance Program	
16.607 Bulletproof Vest Partnership Program	
16.739 National Prison Rape Statistics Program	
16.740 Statewide Automated Victim Information Notification (SAVIN) Program	
93.116 Project Grants and Cooperative Agreements for Tuberculosis Control Programs	
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	
0506 Department of Workforce Education - Federal Surplus Property	17
39.003 Donation of Federal Surplus Personal Property	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency	Days
Cluster or CFDA Number/ Federal Program Name	Late
0510 School for the Blind	6
Child Nutrition Cluster	
Special Education Cluster	
10.550 Food Donation	
84.000 Other Department of Education Assistance	
0516 Arkansas Educational Television Division	12
11.550 Public Telecommunications Facilities Planning and Construction	
0534 Crowley's Ridge Technical Institute	20
Student Financial Assistance Cluster	
CCDF Cluster	
10.558 Child and Adult Care Food Program	
84.002 Adult Education_State Grant Program	
0552 Northwest Technical Institute	45
Student Financial Assistance Cluster	
84.002 Adult Education_State Grant Program	
0582 Riverside Vocational Technical School	53
84.331 Grants to States for Incarcerated Youth Offenders	
0590 Department of Workforce Education	32
WIA Cluster	
64.124 All-Volunteer Force Educational Assistance	
84.002 Adult Education_State Grant Program	
84.048 Career and Technical Education -- Basic Grants to States	
84.243 Tech-Prep Education	
93.558 Temporary Assistance for Needy Families	
0610ap Department of Finance and Administration	46
20.218 National Motor Carrier Safety	
0610ebd Department of Finance and Administration - Revenue Division	7
93.000 Other Department of Health and Human Services Assistance	
0610igs Department of Finance and Administration - Intergovernmental Services	12
16.575 Crime Victim Assistance	
16.579 Edward Byrne Memorial Formula Grant Program	
16.588 Violence Against Women Formula Grants	
16.738 Edward Byrne Memorial Justice Assistance Grant Program	
93.671 Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency	Days
Cluster or CFDA Number/ Federal Program Name	Late
0612 Department of Finance and Administration - Alcohol Beverage Control - Enforcement Division	50
16.727 Enforcing Underage Drinking Laws Program	
0634 Department of Finance and Administration - Office of Child Support Enforcement	41
93.563 Child Support Enforcement	
0665 Health Services Permit Agency	12
93.630 Developmental Disabilities Basic Support and Advocacy Grants	
0675 Black River Technical College	42
CCDF Cluster	
Student Financial Assistance Cluster	
17.249 Employment Services and Job Training Pilots-Demonstrations and Research	
84.048 Career and Technical Education -- Basic Grants to States	
93.558 Temporary Assistance for Needy Families	
0677 University of Arkansas Cossatot Community College	16
TRIO Cluster	
Student Financial Assistance Cluster	
84.002 Adult Education_State Grant Program	
84.048 Career and Technical Education -- Basic Grants to States	
84.149 Migrant Education_College Assistance Migrant Program	
84.195 Bilingual Education-Professional Development	
93.558 Temporary Assistance for Needy Families	
0685 Ouachita Technical College	42
TRIO Cluster	
Student Financial Assistance Cluster	
84.002 Adult Education_State Grant Program	
84.031 Higher Education-Institution Aid	
84.213 Even Start_State Educational Agencies	
93.558 Temporary Assistance for Needy Families	
0687 Ozarka College	24
TRIO Cluster	
CCDF Cluster	
Student Financial Assistance Cluster	
10.558 Child and Adult Care Food Program	
16.588 Violence Against Women Formula Grants	
17.269 Community Based Job Training Grants	
45.024 Promotion of the Arts_Grants to Organizations and Individuals	
84.002 Adult Education_State Grant Program	
84.048 Career and Technical Education -- Basic Grants to States	
93.558 Temporary Assistance for Needy Families	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0689	University of Arkansas Community College at Morrilton	16
	CCDF Cluster	
	Student Financial Assistance Cluster	
10.558	Child and Adult Care Food Program	
12.000	Other Department of Defense Assistance	
15.114	Indian Education_Higher Education Grant Program	
84.002	Adult Education_State Grant program	
84.048	Career and Technical Education -- Basic Grants to States	
84.185	Byrd Honors Scholarships	
93.276	Drug-Free Communities Support Program Grants	
93.558	Temporary Assistance for Needy Families	
94.005	Learn and Serve America_Higher Education	
94.006	AmeriCorps	
0691	Southeast Arkansas College	15
	TRIO Cluster	
	CCDF Cluster	
	Student Financial Assistance Cluster	
17.269	Community Based Job Training Grants	
84.002	Adult Education_State Grant Program	
84.031	Higher Education_Institutional Aid	
84.048	Career and Technical Education -- Basic Grants to States	
93.558	Temporary Assistance for Needy Families	
0693	Pulaski Technical College	5
	TRIO Cluster	
	Student Financial Assistance Cluster	
10.558	Child and Adult Care Food Program	
17.261	WIA Pilots, Demonstrations, and Research Projects	
17.269	Community Based Job Training Grants	
84.031	Higher Education_Institutional Aid	
84.048	Career and Technical Education -- Basic Grants to States	
93.558	Temporary Assistance for Needy Families	
93.945	Assistance Programs for Chronic Disease Prevention and Control	
0700	Department of Higher Education	36
	WIA Cluster	
15.227	Distribution of Receipts to State and Local Governments	
84.048	Career and Technical Education -- Basic Grants to States	
84.069	Leveraging Educational Assistance Partnership	
84.367	Improving Teacher Quality State Grants	
93.558	Temporary Assistance for Needy Families	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0710	Department of Human Services	27
	Food Stamp Cluster	
	Child Nutrition Cluster	
	Emergency Food Assistance Cluster	
	Special Education Cluster	
	Aging Cluster	
	CCDF Cluster	
	Medicaid Cluster	
	Foster Grandparent/Senior Companion Cluster	
10.550	Food Donation	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	
10.558	Child and Adult Care Food Program	
10.560	State Administrative Expenses for Child Nutrition	
10.576	Senior Farmers Market Nutrition Program	
14.231	Emergency Shelter Grants Program	
14.238	Shelter Plus Care	
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	
16.523	Juvenile Accountability Block Grants	
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States	
17.235	Senior Community Service Employment Program	
81.042	Weatherization Assistance for Low-Income Persons	
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	
84.169	Independent Living_State Grants	
84.177	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	
84.181	Special Education_Grants for Infants and Families with Disabilities	
84.186	Safe and Drug-Free Schools and Communities_State Grants	
84.187	Supported Employment Services for Individuals with Severe Disabilities	
84.265	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	
93.041	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	
93.042	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	
93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	
93.048	Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	
93.051	Alzheimer's Disease Demonstration Grants to States	
93.052	National Family Caregiver Support, Title III, Part E	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	
93.110	Maternal and Child Health Federal Consolidated Programs	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	
93.556	Promoting Safe and Stable Families	
93.558	Temporary Assistance for Needy Families	

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER: 08-01 (Continued)
STATE/EDUCATIONAL AGENCY: Various, see table below
CFDA NUMBER: Various, see table below
QUESTIONED COSTS: None

Business Area Number/State/Educational Agency		Days
Cluster or CFDA Number/ Federal Program Name		Late
0710	Department of Human Services (Continued)	
93.566	Refugee and Entrant Assistance State Administered Programs	
93.568	Low-Income Home Energy Assistance	
93.569	Community Services Block Grant	
93.599	Chafee Education and Training Vouchers Program (ETV)	
93.600	Head Start	
93.645	Child Welfare Services State Grants	
93.652	Adoption Opportunities	
93.658	Foster Care Title IV-E	
93.659	Adoption Assistance	
93.667	Social Services Block Grant	
93.669	Child Abuse and Neglect State Grants	
93.674	Chafee Foster Care Independence Program	
93.767	State Children's Insurance Program	
93.768	Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	
93.958	Block Grants for Community Mental Health Services	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	
93.994	Maternal and Child Health Services Block Grant to the States	
94.003	State Commissions	
94.006	AmeriCorps	
94.007	Planning and Program Development Grants	
94.009	Training and Technical Assistance	
0790	Department of Economic Development	2
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	
81.041	State Energy Program	
0950	Commission on Law Enforcement Standards and Training	6
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	
0995	Department of Emergency Management	29
	Homeland Security Cluster	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	
97.039	Hazard Mitigation Grant	
97.040	Chemical Stockpile Emergency Preparedness Program	
97.042	Emergency Management Performance Grants	
97.047	Pre-Disaster Mitigation	
97.052	Emergency Operations Centers	
97.078	Buffer Zone Protection Program (BZPP)	

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	08-01 (Continued)
STATE/EDUCATIONAL AGENCY:	Various, see table below
CFDA NUMBER(S):	Various, see table below
QUESTIONED COSTS:	None

Response

DFA will assign a staff member to send periodic reminders to all agencies that are late on their workbook submissions. The Arkansas Department of Human Services (DHS) was one of the agencies that did not meet the SEFA reporting deadline established by DFA. The agency has added several employees (Controller/Assistant Controller positions) to the area responsible for grant reporting. With these additions, DHS should be able to meet future deadlines for the SEFA reporting.

DHS agrees that a classification error in reporting expenses for the Child and Adult Care Food Program, CFDA 10.558, was made. Agency personnel were attempting to match expenses with the grant award amounts as shown on Federal Report 374 (Letter of Credit authorized amounts by CFDA #). Authorized amounts for CFDA 10.558 were shown as \$671,001. Authorized amounts for the National School Lunch Program, CFDA 10.555, were shown as \$33,225,236. Agency personnel preparing the report did not realize that award amounts for CFDA 10.558 were included in the amounts shown as CFDA 10.555 and therefore misclassified the expense. Agency personnel have now been made aware of the fact that the Federal Report 374 cannot be relied upon to give the correct grant award amount by CFDA #. Also, the agency has taken steps to add an additional level of review before submitting SEFA information to DFA.

The Department of Health agrees with the finding that ADH incorrectly reported expenditures to the wrong CFDA account for the Public Health Emergency Preparedness Program. However, all expenditures were appropriate for the federal grant requirements. DFA is developing a procedure to check CFDA numbers reported by the various agencies against the list of deleted and changed CFDA numbers posted at WWW.CFDA.gov. This procedure will be active for the FY2009 SEFA Data Collection process.

ADH also agrees expenditures in the Special Supplemental Nutrition Program for Women, Infants and Children were overstated due to a miscalculation in the infant formula rebates still on deposit at year end but corrected by DFA. Staff involved has been counseled with and additional internal controls at the program level and at the Department level have been put in place for monitoring all expenditures for Department grants. Individual training and technical assistance is available and ongoing. DFA is examining the Department of Health recording and reporting procedures for WIC rebates to determine how the reviewer of the SEFA Data Collection Workbook can verify the agency reported data. A procedure will be active for the FY2009 Data Collection process.

Arkansas State University concurs with the finding Related to the Perkins Loan Program and regrets the error. The University has developed and implemented procedures to ensure all federal program information is reported to the Arkansas Department of Finance and Administration in an accurate, complete, and timely manner. DFA has established the procedure of requiring the institutions of higher education to indicate, on a checklist of student financial aid programs, in which programs their school participates. The SEFA data collection reviewer will compare the responses to the programs reported on the SEFA Data Collection Workbook and resolve any discrepancies. This procedure will be active for the FY2009 SEFA Data Collection process.

Anticipated completion date:

Contact Person:	Paul S. Louthian Assistant Administrator 1509 West 7 th , Suite 403 Little Rock, AR 72201 Phone (501) 682-1515 Fax (501) 683-0823 paul.louthian@dfa.arkansas.gov
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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	08-645-01
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health
CFDA NUMBER:	10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children 93.069 - Public Health Emergency Preparedness 93.268 - Immunization Grants
QUESTIONED COSTS:	Unknown

ALLOWABLE COSTS/COST PRINCIPLES - The Agency did not allocate payroll costs in accordance with a methodology approved by the cognizant federal agency pursuant to OMB Circular A-87 Attachment B, Section 8 h. (4) and (5) for employees within the Arkansas Department of Health (ADH) expected to work on multiple activities. ADH became a separate agency on July 1, 2007 after having spent two years as a combined agency with the Arkansas Department of Human Services. The merger/demerger as well as management turnover has led to the noncompliance.

Failure to allocate costs properly has led to inaccurate reporting of grant expenditures to the federal grantor and could lead to possible misuse or misappropriation of federal monies.

This finding impacts grant #6AR700501, years 2007 and 2008 for CFDA number 10.557. The finding also impacts grant #5U90TP616974-08 for CFDA number 93.069. In addition, the finding impacts the 2007 grant #5H23IP622523 and the 2008 grant #2H23IP622523 for CFDA number 93.268.

We recommend the Agency continue to implement the methodology approved by the cognizant federal agency to be used for documentation of salary costs among affected federal programs.

Response

The Department of Health is currently working with the Dallas Regional Office of The U.S. Department of Health and Human Services, Division of Cost Allocation (DCA) to implement an approved cost allocation plan for the agency. Meetings were held with DCA in August 2007, January 2008 and December 2008 to provide updates on our intended methods and time frames for implementation of a cost allocation plan for the Department. A 100% time study was implemented in November 2007, tested in December 2007, and then implemented agency wide in January 2008. We are now compiling information for DCA review. DCA has granted the use of a direct salaries indirect cost rate that was submitted for SFY2008 in December 2008 for review and approval. We will continue to work closely with DCA until this process is completed for the Department.

Anticipated completion date: Begin July 2009 and on

Contact Person: Robert S. Bennett
Chief Fiscal Officer
4815 West Markham Street / Slot 55
Little Rock, AR 72205
Phone (501) 280-4201
Fax (501) 280-4583
Robert.Bennett@arkansas.gov

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	08-645-02
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health
CFDA NUMBER:	10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children 93.069 - Public Health Emergency Preparedness 93.268 - Immunization Grants
QUESTIONED COSTS:	None

INTERNAL CONTROL OVER PROCUREMENT, SUSPENSION AND DEBARMENT - The Agency failed to establish internal controls to screen vendors for federal suspension and debarment, thus increasing the risk of the Agency doing business with prohibited parties. In accordance with 2 CFR 180, the Agency is required to verify that the vendor/person with whom they intend to do business is not excluded or disqualified. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA). Employees responsible for managing the grant were not aware of the suspension and debarment and subrecipient monitoring requirements.

Without adequate internal controls, unallowable payments could be made to suspended or debarred subrecipients, which would require repayment to the grantor. However, we have not identified subrecipients during our audit period that were suspended or debarred and are not questioning these costs.

This finding impacts grant #6AR700501, years 2007 and 2008 for CFDA number 10.557. The finding also impacts grant #5U90TP616974-08 for CFDA number 93.069. In addition, the finding impacts the 2007 grant #5H23IP622523 and the 2008 grant #2H23IP622523 for CFDA number 93.268.

We recommend the Agency establish internal controls over procurement, suspension and debarment to ensure compliance with the applicable code of federal regulations.

Response

When it was brought to the Department's attention that there is a requirement for reviewing suspension and debarment listings for federally funded contracts, the following process was immediately established in the Procurement Branch for both the ADH Contract Support Section as well as the ADH Purchasing Section:

Buyers are to review EPLS when processing federally funded contracts exceeding \$25,000. If the vendor is suspended or debarred, the buyer will stop processing the purchase order or contract. The buyer will print and attach the report to the documentation, sign and date, and notify the Procurement Branch Chief of the finding. The Procurement Branch Chief will contact the program regarding the finding and advise that the identified vendor does not qualify for participation in the purchasing process.

If the vendor is not suspended or debarred, the printout of the report is initialed and dated by the buyer. The report is then attached to the documentation as either an AASIS attachment or stapled as an attachment to the purchase order or contract that will be kept in the ADH files. Additionally, the buyer will put a note in the header text of the purchase order or contract referencing the check.

This process is currently underway at the Department and appears to be effective. Continued monitoring will be ongoing, with adjustments in the process made as necessary.

Anticipated completion date: Began November 2008 and on

Contact Person:	Robert S. Bennett Chief Fiscal Officer 4815 West Markham Street / Slot 55 Little Rock, AR 72205 Phone (501) 280-4201 Fax (501) 280-4583 Robert.Bennett@arkansas.gov
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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	08-710-01
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
	93.556 - Promoting Safe and Stable Families
	93.558 - Temporary Assistance for Needy Families
	93.575 - Child Care and Development Block Grant
	93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)
	93.658 - Foster Care_Title IV-E
	93.778 - Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$2,000

ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES – Eighty-three (83) transactions were tested for compliance with OMB Circular A-87 and the Agency's cost allocation plan. Inadequate supervisory review for eleven (11) of the eighty-three (83) transactions tested was noted. Ten (10) of the eleven (11) transactions represent travel reimbursements and occurred within the Division of County Operations and the Division of Child and Family Services. The travel reimbursement form received approval by the Travel Administrator and review by accounts payable staff. The review and approval was not adequate however, and resulted discrepancies that included:

- Four (4) instances lacked adequate information to identify the purpose which determines the validity of travel reimbursements totaling \$1,086.
- Two (2) instances of incorrect cost center coding on travel reimbursement forms totaling \$580,
- Two (2) instances of incorrect mileage/mileage rate resulting in underpayment of the TR-1 form, and
- Two (2) travel overpayments to employees totaling \$271.
- In addition, several requests were made of the Agency to locate supporting documentation for one (1) transaction totaling \$63. The Agency was unable to locate the documentation.

Lack of appropriate supervisory review led to miscalculation of travel reimbursement, improper coding, and inadequate documentation to determine validity of the reimbursement. Failure to properly review the travel reimbursement forms can lead to costs being incorrectly allocated to federal programs.

The lack of adequate supervisory review regarding travel reimbursements within the Division of Child and Family Services was noted as a significant deficiency in the 2007 State of Arkansas Single Audit report, specifically within the Foster Care program. As a result, additional testing regarding travel reimbursements was performed during the 2008 review of Foster Care. Finding 08-710-13, addresses the issues discovered during that review.

We recommend the Agency develop additional internal control procedures regarding supervisory review and provide adequate training concerning approval of travel reimbursements. In addition, we recommend the Agency recover the overpayments from the employees.

Response

- Four (4) instances lacked adequate information to identify the client which determines the validity of travel reimbursements totaling \$1,086:
No client travel was involved in these instances. These reimbursements related to administrative travel and were allocated to various benefitting programs.

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	08-710-01 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
	93.556 - Promoting Safe and Stable Families
	93.558 - Temporary Assistance for Needy Families
	93.575 - Child Care and Development Block Grant
	93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)
	93.658 - Foster Care_Title IV-E
	93.778 - Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$2,000

Response (Continued)

- Two (2) instances of incorrect cost center coding on travel reimbursement forms totaling \$580:
Division of Children and Family Services (DCFS) agrees that both of these reimbursements had the incorrect cost center, but the internal order charged was assigned to the same cost pool as it would have if the correct cost center was used, so the monies were charged to the correct programs.
- Two (2) instances of incorrect mileage/mileage rate resulting in underpayment of the TR-1 form:
Additional training has been provided to staff regarding the utilization of appropriate mileage rates and the verification of information reflected on travel reimbursement documents. In addition, the implementation of an automated DHS Travel Reimbursement system will reduce the possibility of such errors that were cited through the populating of the appropriate mileage rate for reimbursement based upon dates of travel and the performance of the mathematical calculations electronically on reimbursement requests.
- Two (2) travel overpayments to employees totaling \$271.
DCFS agrees that two overpayments were made. Documentation has been provided to Accounts Receivable to begin the collection process to recoup the overpayments that occurred in processing the above travel reimbursements. Additional training has been provided to staff regarding the proper verification procedures relating to travel documents. As stated above, the implementation of an automated DHS Travel Reimbursement system will reduce the possibility of such errors.
- In addition, several requests were made of the Agency to locate supporting documentation for one (1) transaction totaling \$63. The Agency was unable to locate the documentation.
This particular document was for payment to Northwest Arkansas Solid Waste, however the corporation operates under the DBA of Nabors Sanitation, Inc. Documentation reflects the invoice, Nabors Sanitation Inc., was provided for review of the Auditor on October 13, 2008. A copy of the invoice and documentation is available upon request.
- Lack of appropriate supervisory review led to miscalculation of travel reimbursement, improper coding, and inadequate documentation to determine validity of the reimbursement. Failure to properly review the travel reimbursement forms can lead to costs being incorrectly allocated to federal programs.
The lack of adequate supervisory review regarding travel reimbursements within the Division of Child and Family Services was noted as a significant deficiency in the 2007 State of Arkansas Single Audit report, specifically within the Foster Care program. As a result, additional testing regarding travel reimbursements was performed during the 2008 review of Foster Care. Finding 08-710-13, addresses the issues discovered during that review.

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	08-710-01 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
	93.556 - Promoting Safe and Stable Families
	93.558 - Temporary Assistance for Needy Families
	93.575 - Child Care and Development Block Grant
	93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)
	93.658 - Foster Care_Title IV-E
	93.778 - Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$2,000

Response (Continued)

We recommend the Agency develop additional internal control procedures regarding supervisory review and provide adequate training concerning approval of travel reimbursements. In addition, we recommend the Agency recover the overpayments from the employees.

On January 14, 2009, DHS began a pilot program to test a new automated DHS Travel Reimbursement system. This system will automatically populate a number of fields on the TR-1 form. This should reduce errors in coding, misapplication of rates, and mathematical calculations. The system is scheduled for department wide implementation April 2009.

Anticipated completion date: April 2009

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

U.S. DEPARTMENT OF AGRICULTURE

FINDING NUMBER:	08-645-03
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health
CFDA NUMBER:	10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
QUESTIONED COSTS:	Unknown

ACTIVITIES ALLOWED OR UNALLOWED - As required by 7 CFR 216 (b)(1), Special Supplement Nutrition Program for Women, Infants, and Children (WIC) funds must be used only for WIC related purposes. A review of sixty (60) administrative expenditures, of which twenty-two (22) were travel related, revealed three (3) travel reimbursements, or 14%, benefited programs other than WIC. The Agency's policies were designed in such a way that travel reimbursements were coded to programs based upon personnel positions rather than program activity, which could cause federal expenditures to be assigned to the wrong federal program.

This finding impacts grant #6AR700501, years 2007 and 2008.

We recommend the Agency strengthen internal controls related to activities allowed or unallowed by providing additional training to travel administrators regarding the proper coding of travel activity.

Response

The Department has relayed to Regional and District administrators the importance of coding travel reimbursements to the program activity. This will be reinforced to travelers and travel administrators in the field. The agency is also looking at the feasibility of cost allocating travel for field personnel based on time studies being conducted for cost allocation beginning July 2009. We will continue to monitor for compliance of this finding.

Anticipated completion date: Began March 2009 and ongoing

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**STATE OF ARKANSAS
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U.S. DEPARTMENT OF AGRICULTURE (Continued)

FINDING NUMBER:	08-710-02
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	10.555 - National School Lunch Program (Child Nutrition Cluster)
QUESTIONED COSTS:	\$30,573

PERIOD OF AVAILABILITY OF FEDERAL FUNDS AND REPORTING - As required by 7 CFR 3016.20, the Agency shall maintain adequate accountability of records to allow for the proper recording of transactions and subsequent reporting of activities as needed for the grant award. It was noted during the testing of program expenditures and related reports to the federal government that the Agency did not always report costs in the proper period. Two reimbursement claims from sub-recipients for September 2007 totaling \$30,573 were charged to a federal grant that began in October 2007 because the Agency's coding of expenditures to specific grants was based upon when the reimbursements were paid instead of when the underlying meals were provided. Total expenditures for the program are correct, but charging costs to the incorrect grant year caused the reported federal expenditures for specific grant awards to be inaccurate.

This finding impacts grants #2007IN109946 and #2008(CN)IN109946.

We recommend the Agency strengthen internal control related to period of availability and reporting to ensure expenditures are assigned to the appropriate grant year so that costs can be properly reported.

Response

The Division of Child Care and Early Childhood Education agrees that controls should be strengthened with regard to proper coding of expenditures for the National School Lunch Program. We will train the staff responsible for coding in an effort to highlight the importance of tracking expenses based on date of service in order to generate accurate data for federal reporting purposes. In addition, we will monitor such expenses at a supervisory level during the period of transition from one grant year to the next.

Anticipated completion date: Ongoing

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**STATE OF ARKANSAS
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FOR THE YEAR ENDED JUNE 30, 2008**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

FINDING NUMBER:	08-710-03
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	10.555 - National School Lunch Program (Child Nutrition Cluster)
QUESTIONED COSTS:	Unknown

SUBRECIPIENT MONITORING - As required by 7 CFR 210.18 – 210.19, state agencies shall conduct an administrative review, known as a Coordinated Review Effort (CRE), and an evaluation of compliance with nutrition standards, known as a School Meals Initiative (SMI), at a School Food Authority (SFA) at least once every six years. Ten SFAs were selected for testing, and the Agency could not provide documentation of completion for one CRE and six SMIs. Additionally, of the reviews and evaluations that were performed, it was noted that one CRE and two SMIs were not completed during in the past six years. Failure to provide adequately trained staff to conduct reviews and evaluations could allow financial and programmatic errors at the SFA.

This finding impacts grants #2006IN109946, #2007IN109946 and #2008(CN)IN109946.

We recommend the Agency strengthen internal controls related to subrecipient monitoring by establishing a tracking system that specifically lists previous and future dates of reviews and evaluations. We also recommend the Agency provide adequate resources, training and personnel to ensure that such reviews and evaluations are completed in a proper and timely manner.

Response

The Division of Child Care and Early Childhood Education agrees that controls should be strengthened with regard to compliance with administrative review requirements of the National School Lunch Program. The Division has equipped its review staff with new tablet computers allowing immediate access to Division information systems as well as updates in real time as individual reviews are completed. In addition, through the use of this technology in concert with the Outlook calendar system used within the division, alerts will be issued sixty days in advance of final review dates allowing adequate time for scheduling and completion of the required reviews. The new system will track the type of review, last review date, and the next scheduled review date, and will be used in the Summer Food Service Program as well. The Division believes this system will ensure required reviews are submitted in a timely and accurate manner.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

U.S. DEPARTMENT OF EDUCATION

FINDING NUMBER:	08-160-01
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

COHORT DEFAULT RATE - To be considered administratively capable, a University must have a cohort default rate of 25% or less. The current year cohort default rate was 56%. This rate was significant because of the small population of borrowers. The University reported that fourteen (14) of twenty-five (25) borrowers who had entered repayment during the prescribed period were in default. A similar finding has been reported in previous audits.

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

Response

The University is liquidating the Federal Perkins Loan Program and no longer offering loans to students. All existing loans will be assigned to the U. S. Department of Education. Every effort will be made to complete this process by June 30, 2009. Additionally, the following procedures are in place to insure compliance with the due diligence collection requirements:

- The University utilizes an outside agency, Campus Partners, to service the Perkins Loan Program to insure billing and due diligence.
- Past due accounts are routinely submitted to collection agencies.
- The University participates in the State of Arkansas tax offset program which permits the submission of delinquent accounts to the Department of Revenue and Administration.

Anticipated Completion Date: June 2009

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 08-520-01
STATE/EDUCATIONAL AGENCY: Arkansas Department of Workforce Education – Arkansas Rehabilitation Services
CFDA NUMBER(S): 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States
QUESTIONED COSTS: None

ELIGIBILITY - The Agency did not have appropriate internal controls to ensure client eligibility is determined within sixty (60) days of submission of an application as required by the Code of Federal Regulations for Vocational Rehabilitation Services (34 CFR 361.41). The regulations allow the deadline to be extended if there are exceptional and unforeseen circumstances and the counselor and the individual both agree to the extension. An analysis of the Arkansas Rehabilitation Integrated Management Information System (ARIMIS), the electronic system used to track client files, revealed 444 out of 1,098 or 40% of the case files in the application status exceeded the 60 day requirement.

Our review of 147 case files that exceeded the 60 day requirement confirmed that the Rehabilitation Counselors did not make an eligibility determination in accordance with program regulations. Additionally, the Agency's District Managers were not receiving case status expiration reports from ARIMIS necessary to monitor counselor caseloads and determine compliance. Failure to comply with program requirements could result in potential clients not receiving services in a timely manner.

This finding impacts grant #H126A080004.

We recommend the Agency develop appropriate internal controls to ensure client eligibility is determined in compliance with federal regulations so that client services can be provided in a timely manner.

Response

The Agency agrees with the finding that ARIMIS system prompts and reports were insufficient for monitoring of case status time frames by managers and counselors and the Agency has taken immediate corrective action to remedy the problem. Beginning in January 09, counselors and managers must follow up on those cases exceeding established times frames by implementing corrected updates and/or corrective action.

The ARIMIS system had been modified to provide reminders of the need for updates. Moreover, case expiration notification alerts have been installed into the ARIMIS system and case management policy requires district managers to review the expiration reports weekly.

Currently, the Agency IT team has begun the process of reviewing commercial vocational rehabilitation case management system applications and plans to prepare an RFP for purchase of a comprehensive system that will address all aspects of case management and monitoring.

Anticipated Completion Date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING NUMBER:	08-645-04
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health
CFDA NUMBER:	93.069 - Public Health Emergency Preparedness
QUESTIONED COSTS:	None

CASH MANAGEMENT - The Agency failed to reconcile cash draws to actual expenditures and as a result, a cash draw representing invoices totaling \$100,644 was duplicated. The Agency is required by 45 CFR 92.21 to minimize the time between the draw of federal funds and the disbursement of those funds. Upon being notified of this error during the audit, the Agency reduced a subsequent draw for the grant so that the total costs charged to the grant were appropriate. Failure to comply with cash management requirements could cause excessive cash balances to be retained by the Agency.

This finding impacts grant #5U90TP616974-08.

We recommend the Agency establish controls to ensure that cash draws are made only for the immediate needs of allowable costs.

Response

The Department's Funds Management Section of the Office of Finance has established the following procedure: Prior to drawing funds and posting to AASIS each day, the supervisor compares the daily cash needs in AASIS to cash draws from federal grantors ensuring funds are requested only for the current day's requirements. The Banking Operations Section of the Office of Finance has established the additional procedure of reconciling cash draws to expenditures per the AASIS ZWarrant Detail on a bi-weekly basis and works closely with the Funds Management Section to insure cash draws are based on immediate needs of allowable cost, as authorized by 45 CFR 92.20.

Anticipated completion date: Began July 2008 and on going

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-645-05
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Health
CFDA NUMBER:	93.268 - Immunization Grants
QUESTIONED COSTS:	\$3,098

PERIOD OF AVAILABILITY OF FEDERAL FUNDS - Adequate internal control procedures, including lack of supervisory review, were not in place to ensure that expenditures charged to the 2007 grant were obligated and liquidated within the period of availability parameters. The 2007 grant stipulates that expenditures must be obligated prior to December 31, 2007 and liquidated by March 31, 2008. Our testing of twenty-five (25) expenditure transactions revealed that ten (10) transactions totaling \$3,098 were obligated after the end of the obligation period. Additionally, three (3) of those transactions, which totaled \$1,472, were paid subsequent to the end of the liquidation period. Failure to comply with the requirements could lead to unauthorized expenditures.

This finding impacts the 2007 grant #5H23IP622523.

We recommend the Agency strengthen internal controls to ensure expenditures charged to grants are obligated and liquidated within the period of availability parameters.

Response

The Department has implemented procedures for liquidation timeframes related to personnel, purchasing and payables transactions. Department personnel continue to monitor transactions for appropriate use of funding codes. Monthly notices of impending grant end dates, routine clearing of outstanding commitments at grant end, and blocking of AASIS internal orders at the end of a grant close out period have been implemented. Individual training and technical assistance has occurred and will be ongoing. Future period of availability issues are expected to be significantly minimized.

Anticipated completion date: Began July 2008 and on going

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-04
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.044 - Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers 93.045 - Special Program for the Aging_ Title III, Part C_ Nutrition Services 93.053 - Nutrition Services Incentive Program (Aging Cluster)
QUESTIONED COSTS:	None

MATCHING, LEVEL OF EFFORT, EARMARKING - The Agency failed to adequately train staff responsible for the level of effort calculation. In accordance with 45 CFR 1321.49, "the State agency...shall spend under the State plan for both services and administration at least the average amount of State funds it spent under the plan for the three previous fiscal years." The level of effort amount being disclosed annually to the Regional Administrator of the Administration on Aging could not be recalculated and the Agency could not provide documentation to support the calculation. Failure to accurately calculate level of effort could reduce the Agency's allotment for services.

This finding impacts grants #07AAART3SP and #08AAART3SP.

We recommend the Agency develop internal controls to ensure the level of effort calculation is accurate, properly documented and in accordance with 45 CFR 1321.49.

Response

States must spend, "at least the average amount of State funds it spent under the plan for the three previous fiscal years." For reporting purposes, States are only required to show they meet the minimum required amount. DAAS will calculate the minimum required amount each year and report the previous 3 year's average

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)

FINDING NUMBER:	08-710-05
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.044 - Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers 93.045 - Special Program for the Aging_ Title III, Part C_ Nutrition Services 93.053 - Nutrition Services Incentive Program (Aging Cluster)
QUESTIONED COSTS:	\$26,814

MATCHING, LEVEL OF EFFORT, EARMARKING - The Agency failed to adequately monitor earmarking requirements for State administrative expenses and area plan administrative costs for grant award 07AAART3SP. In accordance with 42 USC 3028(b)(2)(A), the State's administrative expenses are "...the greater of 5 percent of the allotment to a State under section 3024(a)(1) of this title or \$500,000." The Agency exceeded this allowance by \$17,495.

In addition, 42 USC 3024(d)(1)(A) stipulates that administrative costs for area plans be calculated "from any State's allotment, after the application of section 3028(b) of this title, under this section for any fiscal year such amount as the State agency determines, but not more than 10 percent." The Agency exceeded this allowance by \$9,319.

We recommend the Agency strengthen internal controls to provide adequate monitoring of earmarking expenditures to ensure allowances are not exceeded.

Response

Legislative audit included Ombudsman Program (PKX) expenses with the Division's AoA Administrative (9VX, SHX, NZX) expenditures. Administration on Aging considers the Ombudsman program a service and should be calculated separately from the 5%/\$500,000 rule. Removing the \$53,879.04 of expenditures for PKX brings administrative expenditures well below the maximum allowance. The ruling from AoA has been forwarded to Legislative Audit.

Legislative audit did not compute grant award for Title IIID (PJX) and Title IIIE (PMX) when figuring available funding for Area Plan administration; however, Title IIIE administrative expenditures were included in the Actual Federal Area Plan Administration. Removing the \$125,371 of expenditures for PMX brings DHS well within the maximum area plan administrative allowance.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)

FINDING NUMBER:	08-710-06
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.044 - Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers 93.045 - Special Program for the Aging_ Title III, Part C_ Nutrition Services 93.053 - Nutrition Services Incentive Program (Aging Cluster)
QUESTIONED COSTS:	Unknown

REPORTING - The Agency submits SF-269, Financial Status Reports and SF-272, Federal Cash Transaction Reports to the federal grantor quarterly, as required by 45 CFR 92.41. However, lack of appropriately trained accounting staff led to the expenditures reflected in those reports for several grant awards not being supported by the Agency's cost allocation system. In addition, the Agency could not provide reconciliation from the federal financial reports to the cost allocation reports. Failure to reconcile reports leads to inaccurate reporting of program activity to the federal grantor agency.

This finding impacts grants #07AAART3SP and #08AAART3SP.

We recommend the Agency develop internal control procedures to ensure that submitted financial reports are supported by the expenditures recorded in the cost allocation system.

Response

Due to the fact that DHS uses a Cost Allocation Plan approved by the DHHS-Division of Cost Allocation, expenditures will not match AASIS. DHS considers our cost allocation system a part of our official accounting system. Grant expenditures should match the Cost Allocation Reports.

A recent directive has been issued and procedures have been implemented that require submission of all Quarterly Reports to the Grants Management Controller/Assistant Controller. The reports along with the reconciled supporting documentation will be reviewed prior to submission of the report to the Cognizant Federal Agency. A dated copy of each report, approved as indicated by signature, and all documentation will be maintained by the Controller/Assistant Controller.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)

FINDING NUMBER:	08-710-07
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.558 - Temporary Assistance for Needy Families
QUESTIONED COSTS:	Unknown

CASH MANAGEMENT - Documentation supporting cash draws for the first three quarters of the fiscal year was not made available to the auditor. 31 CFR 205.29(b) requires that records supporting the Treasury-State agreement be maintained. Lack of record retention reflects a weakness in internal control over cash management. Additionally, Agency personnel were not adequately trained to ensure cash draws were made in accordance with the Treasury-State agreement. Draws for administrative cost were not bi-weekly draws coinciding with employee payroll, as prescribed per the agreement. Instead, they were made daily, which resulted in the noncompliance.

Failure to request funds in accordance with the procedures established in the Treasury-State agreement can lead to denial by the U.S. Treasury of payment or credit for the resulting Federal interest liability as stated in 31 CFR 205.29(d).

This finding impacts grants #G-0301ARTANF, #G-0401ARTANF and #G-0501ARTANF.

We recommend the Agency strengthen internal controls to ensure proper maintenance of documentation supporting cash draws and to promote better adherence to the Treasury-State Agreement.

Response

Management was not made aware of the request for the documentation supporting the cash draws. Upon receiving draft findings, all information was collected and provided to Legislative Audit.

DHS agrees that the CMIA agreement was not followed during the entire period of the audit. Internally discussed changes to the agreement were implemented prior to approval of the new technique. A copy of the agreement has been provided to the Grants Staff and reviewed to ensure requirements of the agreement are known by staff and they have been instructed to follow those requirements.

The 2009 Treasury State Agreement as amended was received on February 4 reflecting a change in the techniques for Administrative draws to daily Actual Costs to cover the items ready to pay. A directive was issued on 2/19/2009 instructing all staff be provided another copy of the current Agreement along with additional training occurring on 2/23/2009 to help ensure requirements of the Agreement are followed as required.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-08
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.575 - Child Care and Development Block Grant 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)
QUESTIONED COSTS:	Unknown

ALLOWABLE COSTS/COST PRINCIPLES - Between July 1, 2007 and November 30, 2008 the Division of Child Care and Early Childhood Education identified 59 possible cases of provider overpayments or fraud totaling \$29,551. The Agency also identified 343 possible cases of client overpayments or fraud totaling \$525,952. These instances of noncompliance were determined using the eligibility criteria outlined in the State Plan. Failure to report changes in client eligibility criteria and/or misrepresentations of client eligibility status have caused these overpayments. The Agency made childcare payments to 1,295 providers on behalf of 12,790 case-heads from this program during the fiscal year ending June 30, 2008. Additional investigations and review for many of these cases are still ongoing.

This finding impacts grants #G-0501ARCCDF, #G-0601ARCCDF, #G-0701ARCCDF and #G-0801ARCCDF.

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 fraud caseload.

Response

The Division of Child Care and Early Childhood Education has reviewed the schedule provided by Legislative Audit detailing the possible client overpayments and fraud referenced above. It should be noted that the schedule in question was incomplete at the time of their review, due to a staffing vacancy. No programmatic deficiencies occurred as a result of this vacancy, but there was a lag in posting new data to the monitoring schedule. We have reviewed the updated data and make the following comments:

For the period under review the Division processed \$72,999,202 in voucher childcare services. The actual proven fraud for the period was \$32,730 representing .04% of the total funds processed while total proven and/or possible fraud for the period was \$143,113 representing .20% of total funds processed. Total possible fraud or overpayment represented only .65% of the total program.

The Division of Child Care and Early Childhood Education considers the information detailed above to be necessary to provide proper perspective for judging the prevalence and consequences of the questioned costs noted as required by the Circular A-133 Compliance Supplement of the Office of Management and Budget. We consider the figures detailed above to be evidence of the efficacy of the internal control structure currently in place. The Division, in concert with Northrop Grumman, has been working on an additional internal control modification linking other state government databases to the KIDCare system in an effort to further reduce overpayments by flagging changes in client status affecting eligibility. This change will allow overpayments, which would otherwise not be discovered until the client reauthorization process is due, to be addressed in real time. We believe this linkage will have a meaningful impact on client overpayments.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-09
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:	None

CASH MANAGEMENT - The Agency did not have adequate internal controls in place for the majority of the fiscal year ended June 30, 2008 that would ensure that drawdowns were made in accordance with the Treasury-State agreement. Drawdowns for payroll and administrative costs were not bi-weekly estimates of the prior quarter's expenditures, as prescribed per the agreement. Instead they were made in large amounts at irregular intervals.

Additionally, failure to reconcile expenditures to federal draws in a timely manner and inadequate communication regarding transfers from the Temporary Assistance for Needy Families program has led to federal funds totaling \$3,491,638 being drawn prior to their expenditure.

Agency employees responsible for the draws of administrative expenditures have not been properly informed and trained on the requirements of the Treasury-State Agreement and have not been properly supervised by Agency management. Failure to request funds in accordance with the procedures established in the Treasury-State agreement can lead to denial by the U.S. Treasury of payment or credit for the resulting Federal interest liability as stated in 31 CFR 205.29(d).

This finding impacts grants #G-0501ARCCDF, #G-0601ARCCDF, #G-0701ARCCDF and #G-0801ARCCDF.

We recommend the Agency strengthen internal controls to ensure that the proper reconciliations between CCDF expenditures and CCDF cash draws are made in a timely manner.

Response

DHS agrees that the CMIA agreement was not followed during the entire period of the audit. Internally discussed changes to the agreement were implemented prior to approval of the new technique. A copy of the agreement has been provided to the Grants Staff and reviewed to ensure requirements of the agreement are known by staff and they have been instructed to follow those requirements.

The Division of Child Care and Early Childhood Education changed eligibility requirements during SFY2008 resulting in a need for additional funding. Federal regulations allow transfers up to 30% of the current year TANF award to the Child Care and Development Fund (CCDF). DHS management negotiated a transfer of TANF funds with the Department of Workforce Services and \$5 million was transferred to DHS to be used in the CCDF program. This program allows two year for obligation of the funds and one additional year for liquidation. The calculation of \$3,491,638 includes this transfer.

The 2009 Treasury State Agreement as amended was received on February 4 reflecting a change in the techniques for Administrative draws to daily Actual Costs to cover the items ready to pay. A directive was issued on 2/19/2009 instructing all staff be provided another copy of the current Agreement along with additional training occurring on 2/23/2009 to help ensure requirements of the Agreement are followed as required.

New positions (Controllers and Assistant Controllers) have been created in the department to assist with the reconciliation of expenditures to cash draws.

Anticipated completion date: Completed

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-09 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	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

Response (Continued)

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-10
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

PERIOD OF AVAILABILITY OF FEDERAL FUNDS - 42 USC 9858 states discretionary funds must be obligated by the end of the succeeding year after award, and expended by the end of the third fiscal year after award. The lack of training of appropriate personnel reading expenditure coding has lead to separate grant-year awards not correctly identified in AASIS. As a result, disbursement activity could not be associated with specific grant-year awards and we were unable to determine if an obligation for a disbursement was within the period of availability parameters.

This finding impacts grants #G-0501ARCCDF, #G-0601ARCCDF, #G-0701ARCCDF and #G-0801ARCCDF.

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

Response

DHS agrees that disbursement activity could not be associated with specific grant-year awards in AASIS for the period in question. However, the KIDCare system does maintain service and grant year dating documentation, allowing us to properly report the disbursements at the federal level. The agency has continued to improve the aforementioned KIDCare system and a new release is scheduled for May of 2009 which ties an internal order and cost center together as a unique item appropriately reflecting costs and disbursements for applicable obligation and liquidation periods. In addition, the new internal order/cost center item concept will also pass through into the AASIS system, thereby increasing its accuracy and transparency.

As recommend, DHS requested a field in AASIS for dates of service. Currently no field is available in AASIS.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-11
STATE/EDUCATIONAL AGENCY:	Arkansas Department 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

REPORTING - The lack of training of appropriate personnel and adequate supervisory review has led to unreconciled variances totaling \$445,390 between the PSC-272 reports, the ACF-696 reports, and AASIS. 45 CFR 98.67(c)(1) states that fiscal control and accounting procedures shall be sufficient to permit accurate preparation of reports ACF-696 and SF-272.

This finding impacts grants #G-0701ARCCDF and #G-0801ARCCDF.

We recommend the Agency establish proper internal control procedures that would allow for accurate and timely preparation of federal financial reports, as well as procedures allowing adequate supervisory review of the expenditure documentation supporting those reports.

Response

A recent directive has been issued and procedures have been implemented that require submission of all Quarterly Reports to the Grants Management Controller/Assistant Controller. The reports along with the reconciled supporting documentation will be reviewed prior to submission of the report to the Cognizant Federal Agency. A dated copy of each report, approved as indicated by signature, and all documentation will be maintained by the Controller/Assistant Controller.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-12
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.658 – Foster Care _Title IV-E
QUESTIONED COSTS:	\$1,255

ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES - The Agency failed to provide adequate supervisory review of expenses charged to the program and as a result, the following discrepancies were found during our review:

- The Agency paid vendors \$1,080 for medical and educational expenses which are unallowable activities according to 42 USC 675 (4)(A).
- The Agency improperly reimbursed foster parents for transporting ineligible children totaling \$175. Funds may be expended only on behalf of eligible children as noted at 42 USC 675(4).

Failure to properly review Foster Care expenditures has placed assets at risk and could jeopardize the Agency's ability to provide program funding.

This finding impacts grants #0701AR1401 and #0801AR1401.

We recommend the Agency develop internal control procedures and train the applicable Agency employees to ensure only allowable costs are charged to the program.

Response

The Division of Children and Family Services agree with this finding. The Division sent a reminder email out to the area managers and financial coordinators to reiterate that medical and educational expenses are not Title IV-E eligible. The Divisional Chief Fiscal Officer also has informed the staff in the financial support unit to be diligent in their review of the agency's requisition form to check for proper coding.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-13
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.658 – Foster Care _Title IV-E
QUESTIONED COSTS:	Unknown

ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES - The Agency again failed to provide adequate supervisory review of travel reimbursements to foster parents, Agency employee's and non-state employees. The Agency addressed this issue in 2007 by notifying the travel administrators of their responsibility when approving a TR-1. The Agency's anticipated completion date for corrective action was March 14, 2008. Because the anticipated completion date was nine (9) months into fiscal year 2008, two (2) separate tests were performed. The first test included twenty-three (23) travel reimbursements for the entire fiscal year. Thirteen (13) of these reimbursements had numerous exceptions and are noted as follows:

- Children meeting the criteria in 42 USC 672(a) and (b) are eligible to receive Foster Care benefits. Our test revealed:
 - Foster parents were reimbursed for transporting ineligible children in ten (10) instances. The federal portion of these costs totaled \$274. Two (2) non-state employees were also reimbursed for transporting ineligible children. The federal portion of these costs totaled \$254.
 - An Agency employee was reimbursed for transporting and purchasing a meal for an ineligible child totaling \$44.
- In accordance with 42 USC 675(4) "reasonable travel to a child's home for visitation" is considered a maintenance payment. We noted two (2) instances where the Agency coded these payments as administrative. These costs are allowable uses of IV-E funds, but are improperly coded. Proper coding would result in a higher federal reimbursement.

Also, a review of twenty-four (24) travel reimbursements *after* the Agency's anticipated completion date for corrective action, March 14, 2008. There were numerous exceptions noted on all twenty-four (24) reimbursements as follows:

- Children meeting the criteria in 42 USC 672(a) and (b) are eligible to receive Foster Care benefits. Our test revealed:
 - Foster parents were reimbursed for transporting ineligible children in eleven (11) instances. The federal portion of these costs totaled \$609.
 - An Agency employee was reimbursed for the cost of a biological parent's meal. Additionally, Agency employees and non-state employees were reimbursed for transporting ineligible children in five (5) instances totaling \$225.
- In accordance with 42 USC 675(4) "reasonable travel to a child's home for visitation" is considered a maintenance payment. We noted eight (8) instances where the Agency coded these payments as administrative.
- The Agency miscalculated reimbursements in five (5) instances. These miscalculations resulted in three (3) invoices being underpaid by \$112 and two (2) invoices overpaid by \$43.
- One (1) reimbursement was directly charged to Foster Care but should have been allocated between several federal programs operated by the Agency. The invoice totaled \$170.
- In two (2) instances, the TR-1 form did not contain adequate documentation to support the reason for travel.

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-13 (continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.658 – Foster Care_Title IV-E
QUESTIONED COSTS:	Unknown

Although the exceptions noted are not considered monetarily material to the Agency, lack of training of Family Services workers and adequate review of travel reimbursements are necessary to ensure that Foster Care funds are only used for allowable purposes. Improper review caused multiple errors and misuse of Foster Care funds. Failure to properly review Foster Care travel expenditures has placed assets at risk and could jeopardize the Agency's ability to provide program funding.

This finding impacts grants #0701AR1401 and #0801AR1401.

We recommend the Agency establish proper internal control procedures to provide adequate review of travel reimbursement forms to ensure the expenditures are allowable uses of the IV-E administrative funds and that travel forms are properly coded as Administrative or Maintenance expenditures.

Response

The Division of Children and Family Services agrees with the above findings. Travel to a child's home for visitation is eligible to be reimbursed as a maintenance payment, but the Division has decided to code it as administration. The volume of work required to look up if a child is IV-E eligible is monumental, and foster parents are not in a position to know if a child is eligible or not, so the cost benefit rule has been applied to charge at the administration rate. DCFS would have to hire a significant number of people and charge them with just verifying whether a child is currently IV-E eligible or not, and the costs of this far outweigh the benefit to the division. Approximately 70% of children in foster care are IV-E eligible and this percentage is known as the penetration rate. If you apply the penetration rate to the maintenance federal participation percentage of 75%, approximately 52.5% of the travel would be eligible at the 75% reimbursement rate, we are currently receiving a 50% federal participation rate on the administration dollars. The Division will explore a cost allocation amendment to establish a cost pool to code all foster parent travel to, and the pool would allocation between IV-E and state general revenue based on the penetration rate.

Employee reimbursements charged directly to foster care should be eliminated as of January 14, 2009 with the implementation of the online TR-1 reimbursement system. The system supplies the correct cost center and internal order combination for each employee and does not allow the user to change.

Anticipated Completion Date: The completion date for a possible cost allocation amendment is unknown at this time.

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-14
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.658 – Foster Care _Title IV-E
QUESTIONED COSTS:	Unknown

ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES - The Division of Children and Family Services utilizes procurement cards (P-Cards) as a means of purchasing necessary items for foster children such as clothing, food, and school supplies. The P-Cards are provided to Family Service Workers who have direct contact with foster children. According to 42 USC 672(a) and 42 USC 675(4)(A), "funds may be expended for Foster Care Maintenance on behalf of eligible children" which include the cost of "food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation."

The Agency failed to properly implement internal controls over procurement card purchases and as a result, six (6) of the twenty-five (25) purchases reviewed contained errors as follows:

- Agency employees made purchases for ineligible children in four (4) instances totaling \$225.
- One (1) purchase exceeded the Agency-imposed maximum allowance available by \$30.
- One (1) purchase was not approved by the Financial Support Unit as required totaling \$17.

Although the exceptions noted are not considered monetarily material to the Agency, lack of training of Family Service workers and adequate review of procurement card purchases are necessary to ensure that Foster Care funds are only used for allowable purposes. Improper review caused errors and misuse of Foster Care funds. Failure to properly review Foster Care procurement card purchases has placed assets at risk and could jeopardize the Agency's ability to provide program funding.

This finding impacts grants #0701AR1401 and #0801AR1401.

We recommend the Agency implement internal control procedures to ensure procurement cards purchases are adequately documented, reviewed and authorized.

Response

The Division has internal control procedures in place for the approval process and confirming a child is IV-E eligible before charging the IV-E grant award. An email has been sent to the area financial coordinators and the financial support unit reminding them to verify eligibility and that the necessary authorizations are received before purchase.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-15
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.658 – Foster Care _Title IV-E
QUESTIONED COSTS:	None

CASH MANAGEMENT - The Agency failed to establish adequate internal controls over implementation of the Treasury-State Agreement (TSA). Employees responsible for requesting draws were not provided with training concerning the TSA requirements, nor were they provided with a copy of the TSA. As a result, cash draws for payroll and administrative costs were not in accordance with the funding techniques outlined in the TSA. According to the TSA, payroll draws are to be made upon the estimated clearance technique and administrative draws are to be made based on pro-rated draws on payday. The Agency instead made bi-weekly draws based on allocated percentages of actual indirect costs. Failure to establish sound internal control practices could lead to excess Federal funds on hand at the Agency.

Agency employees responsible for the draws of administrative expenditures have not been properly informed and trained on the requirements of the Treasury-State Agreement and have not been properly supervised by Agency management. Failure to maintain adequate internal controls related to cash management could result in excess Federal Funds on hand.

This finding impacts grants #0701AR1401 and #0801AR1401.

We recommend the Agency provide training to employees responsible for carrying out the requirements outlined within the Treasury-State Agreement. We also recommend the Agency review the Treasury-State Agreement and strengthen internal controls to ensure that drawdowns are made in compliance with the agreement.

Response

DHS agrees that the CMIA agreement was not followed during the entire period of the audit. Internally discussed changes to the agreement were implemented prior to approval of the new technique. A copy of the agreement has been provided to the Grants Staff and reviewed to ensure requirements of the agreement are known by staff and they have been instructed to follow those requirements.

The 2009 Treasury State Agreement as amended was received on February 4 reflecting a change in the techniques for Administrative draws to daily Actual Costs to cover the items ready to pay. A directive was issued on 2/19/2009 instructing all staff be provided another copy of the current Agreement along with additional training occurring on 2/23/2009 to help ensure requirements of the Agreement are followed as required.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-16
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.658 – Foster Care _Title IV-E
QUESTIONED COSTS:	None

REPORTING - The required financial report for Foster Care is the ACF-IV-E Quarterly Report of Expenditures. Our examination revealed that the ACF-IV-E quarterly report is not reviewed by someone other than the preparer. The Agency was unable to provide adequate documentation to verify that supervisory reviews were performed on the ACF-IV-E quarterly reports prior to submission to the federal awarding agency. Foster Care allotments are granted based on the expenditure information reported on the ACF-IV-E. Without adequate review, inaccurate expenditure information could be submitted to the federal awarding agency and as a result, allotments could be made based on inaccurate data.

This finding impacts grants #0701AR1401 and #0801AR1401.

We recommend the Agency develop internal control procedures which would clearly document that supervisory reviews have been performed on quarterly reports prior to submission to the federal awarding agency.

Response

A recent directive has been issued and procedures have been implemented that require submission of all Quarterly Reports to the Grants Management Controller/Assistant Controller. The reports along with the reconciled supporting documentation will be reviewed prior to submission of the report to the Cognizant Federal Agency. A dated copy of each report, approved as indicated by signature, and all documentation will be maintained by the Controller/Assistant Controller. In addition, the Chief Fiscal Officer of the Division of Children and Family Services will review the report prior to submission to the Cognizant Federal Agency.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-17
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.667 – Social Services Block Grant
QUESTIONED COSTS:	Unknown

PERIOD OF AVAILABILITY OF FEDERAL FUNDS – 42 USC 1397 states Social Services Block Grant funds must be expended by the State in the fiscal year allotted or in the succeeding fiscal year. New internal orders codes were applied incorrectly which caused difficulty in identifying disbursements of specific federal grant awards. As a result, we were unable to determine if an obligation for a disbursement was within the period of availability parameters.

This finding impacts grants #G0701ARSOSR and #G0801ARSOSR.

We recommend the Agency implement procedures to ensure adequate review of internal order assignment. In addition, the Agency should provide additional training to ensure employees assign the new internal order codes properly.

Response

A new internal order structure was implemented at the beginning of SFY2008. DHS agrees that some confusion did exist in the use of the new coding. The staff is continuing to learn how to monitor for specified grant periods, liquidation periods and cut off dates. There will be continued training in the use of the new internal orders. The importance of the proper grant period, liquidation periods, and monitoring transactions for accuracy is communicated to staff frequently. We will make this an agenda item for CFO meetings to ensure wide dissemination and discussions.

Anticipated completion date: Ongoing

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)

FINDING NUMBER:	08-710-18
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$19,826

ACTIVITIES ALLOWED OR UNALLOWED/SPECIAL TESTS AND PROVISIONS – PAYMENTS MADE FOR MEDICAID SERVICES AFTER RECIPIENTS DATE OF DEATH - The Agency has implemented a process of electronically matching social security numbers (SSNs) of Medicaid recipients with SSNs 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 Arkansas' Networked System for Welfare Eligibility Reporting (ANSWER). Through data analysis, a comparison was made of a listing of Medicaid recipients from ANSWER for state fiscal year 2008 to a listing of deceased individuals downloaded from the Arkansas Department of Health's vital statistics database by SSN and/ or name and date of birth. This comparison revealed three hundred thirty-one (331) cases where claims, totaling \$19,826, were made for dates of service after the date of death. The types of claims paid varied, but the majority were for managed care capitated payments. States should ensure capitated payments are discontinued when a beneficiary is no longer enrolled for services. Deceased recipients should not be enrolled for services in the Medicaid program. Failure to enter the recipient's date of death into ANSWER in a timely manner could result in the misappropriation of Medicaid funds.

This finding impacts grants #05-0705AR5028, #05-0705AR5048, #05-0805AR5028 and #05-0805AR5048.

We recommend the Agency continue to strengthen internal controls and review policies and procedures with appropriate office personnel to ensure that dates of death are accurately recorded in ANSWER and that any improper payments are corrected in a timely manner.

Response

A review of the process used to close cases for deceased persons revealed that our automated match process inserts a date of death in ANSWER for an individual once a match with the Department of Health's (DOH) Vital Statistics system indicates a death has occurred. The system also generates a Death Match report for county office staff instructing them to close the case. The majority of the records investigated were primarily SSI cases. Our county office staff cannot close SSI cases because these records are opened and closed automatically by the system from data provided by SSA.

To correct this finding the following procedures have been implemented:

1. A file of all cases found to be open for a deceased individual was provided to our contracted IT vendor, Northrop Grumman (NG). NG ran a batch job to close these records on the ANSWER system and Medicaid coverage was closed retroactive back to the Date of Death.
2. The automated process to send a matching file to DOH to determine if an individual appeared in the Vital Statistics system was modified to resend all open individuals, regardless of whether a date of death was already populated. The new process will ensure that the county office receives a match on the Death Match report until the individual's eligibility is closed.
3. In the case of SSI records, a new process has been instituted to send all records of this type to ANSWER System Support to close manually because the system will not allow a county office worker to change an SSI case. This will cease eligibility and a record will not be resent to DOH for match against Vital Statistics.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-19
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	None

CASH MANAGEMENT – The Agency failed to establish adequate internal controls related to cash management, and as a result, did not make cash draws for administrative costs in accordance with the Treasury-State Agreement. According to the Treasury-State Agreement, draws for administrative expenditures are to be drawn based on the pro-rated draw on payday technique. An estimated total amount is to be drawn bi-weekly. The Agency's calculations for administrative expenditures were correct based on the proper technique, but the Agency failed to draw funds bi-weekly. Instead, the Agency made draws for administrative expenditures each day during the fiscal year.

Agency employees responsible for the draws of administrative expenditures have not been properly informed and trained on the requirements of the Treasury-State Agreement and have not been properly supervised by Agency management. Failure to maintain adequate internal controls related to cash management could result in excess Federal Funds on hand.

This finding impacts grants #05-0705AR5028, #05-0705AR5048, #05-0805AR5028 and #05-0805AR5048.

We recommend the Agency review the Treasury-State Agreement and strengthen internal controls to ensure that draw-downs are made in compliance with the agreement. In addition, training should be provided to Agency personnel responsible for ensuring adherence to the Treasury-State Agreement.

Response

DHS agrees that the CMIA agreement was not followed during the entire period of the audit. Internally discussed changes to the agreement were implemented prior to approval of the new technique. A copy of the agreement has been provided to the Grants Staff and reviewed to ensure requirements of the agreement are known by staff and they have been instructed to follow those requirements.

The 2009 Treasury State Agreement as amended was received on February 4 reflecting a change in the techniques for Administrative draws to daily Actual Costs to cover the items ready to pay. A directive was issued on 2/19/2009 instructing all staff be provided another copy of the current Agreement along with additional training occurring on 2/23/2009 to help ensure requirements of the Agreement are followed as required.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-20
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$611

ELIGIBILITY - The results of testing of one hundred ninety-two (192) recipients for the proper determination of eligibility revealed the following deficiencies:

- The Agency failed to deny Medicaid coverage to four (4) clients who were not eligible for the Medical Assistance Program resulting in claims paid totaling \$611. One (1) client was not eligible due to their Food Stamp case being closed after a fraud referral investigation had been conducted. New information showed that the family was over the income limit for both ARKids A and B. According to the Medical Services Policy Manual, the income limit is 100% of the Federal Poverty Level (FPL) for ARKids A and 200% of the FPL for ARKids B. One (1) client was not eligible due to non-compliance with the Office of Child Support Enforcement (OCSE). According to the Transitional Employment Assistance (TEA) Policy Manual section 2142, individuals must cooperate with OCSE unless good cause for refusal to cooperate exists. Two (2) clients were not eligible due to other insurance coverage. According to the Medical Services Policy Manual, a child is not eligible for ARKids B if the child has comprehensive group or employer-based insurance.
- The Agency failed to perform annual redeterminations of eligibility on nineteen (19) or 10% of the clients tested. 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 nine (9) or 5% of the client files tested. 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.
- The Agency failed to maintain documentation showing that citizenship had been verified for sixteen (16) or 8% of the clients tested. According to 42 CFR 435.406, the Agency is required to document the individual's citizenship in the individual's eligibility file on initial applications and initial re-determinations.
- Seven (7) or 4% of the client files tested did not contain documentation such as re-evaluations, eligibility determinations, changes in coverage, or determination of resources necessary for the auditor to complete their review. 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.

Agency personnel indicated that the cause for the deficiencies is directly related to a large backlog of Medicaid case redeterminations, which resulted from increased caseloads of the caseworker and the lack of adequate staff. Agency personnel went on to say that this is most problematic in large county offices that experience high staff turnover. The lack of sound internal controls related to eligibility jeopardizes program resources and could lead to services being provided to individuals who are not eligible recipients.

This finding impacts grants #05-0705AR5028, #05-0705AR5048, #05-0805AR5028 and #05-0805AR5048.

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

Response

- **Redeterminations/Eligibility/Documentation**
 - Additional employees have been hired to process overdue Medicaid Re-evaluations. As a result, the number of overdue re-evaluations has greatly decreased and case accuracy has been increased.

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-20 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$611

Response (Continued)

- **Redeterminations/Eligibility/Documentation (Continued)**

- Recipients of the nineteen (19) cases that did not have an annual redetermination were all sent a re-evaluation packet for completion. All of these cases have been closed for failure to return requested information to complete the re-evaluation.
- Increased case reviews are conducted by supervisors and the Program Support Specialists to determine performance level proficiency of staff and increase case accuracy.
- The Division's Policy Unit conducted a training session on ARKids Medicaid for the DCO Program Support field staff in November 2008. The Program Support Specialists presented the training to caseworkers and supervisors in the local DHS offices.
- Verification of citizenship on cases that remain open has been obtained.
- A Human Resource (HR) Hiring Specialist was employed on 02/09/09 for the Pulaski Offices to reduce the number of vacant positions. This individual's primary job functions are to interview, hire and select job applicants for placement in the Pulaski offices. This new process will expedite the hiring process and relieve supervisors to concentrate on monitoring and reviewing case actions.

- **Electronic Case Records**

The Agency is in the process of implementing electronic case records. The first phase of the pilot, conducted in two counties, was to electronically scan documents received from clients for viewing by caseworkers. The pilot for electronic case records has proven to be a success and all objectives were met. As a result of the pilot accomplishments, the State is continuing to implement the integration of electronic documents into ANSWER, our automated eligibility system, thereby creating an electronic case record. The staff from the two pilot counties played major roles in the creation of functional requirements and improved processes. We are currently on schedule to begin statewide roll-out of electronic case records in March 2009 and expand to all counties by June 30, 2009, assuming no unforeseen circumstances affecting implementation occur.

The following interim procedures have been implemented in Pulaski County to reduce the number of lost records and improve productivity:

- Counties have developed tracking systems on their local server to log the transfer of cases as they are shifted from one worker and county to another for processing.
- The following interim processes to eliminate lost information are being put into place in the Pulaski offices effective February 2009 while this new imaging process is being developed. These initiatives should improve the productivity of the Pulaski County staff.
 - A full-time employee has been stationed in the lobby of four offices to receive and route incoming information and to assist with the flow of customers.
 - Each of the Pulaski offices has implemented a process to provide clients with a receipt to verify information delivered in-person. The documents submitted by clients are logged on a spreadsheet along with information received by mail creating a tracking system.
 - A Multi-functional Device (MFD) scanning machine has been located in each of the Pulaski offices that will be connected to the network for staff to scan incoming documents to minimize the number of lost documents.

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-20 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$611

Response (Continued)

- **Web Based Applications**

The Agency is continuing to make modifications to the eligibility intake system by implementing a web based application process called "ACCESS Arkansas". The implementation of functionality for clients to submit online applications for the ARKids Program is in process with the first phase (an online application) to be implemented in March 2009. The second phase will allow online annual redeterminations. Future updates will be provided in subsequent responses.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-21
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	None

ELIGIBILITY - The Agency's county offices failed to submit the required error response documentation within thirty (30) days to the Quality Assurance Unit to report on the findings of errors identified for three (3) of the eleven (11) tested cases. According to the Agency's Medicaid Services Policy Manual, county office personnel are to complete and submit the DCO-29 Quality Control Error Response form within thirty (30) days of receiving notice of the error found by the Quality Assurance Unit.

The Agency's county offices also failed to submit the DHHS-199 Benefit Overpayment report to the Overpayment Unit as required by the Medicaid Services Policy Manual for three (3) of the eleven (11) tested cases. The Agency's policy contains no time-frame for which submission of this report is to be completed within. Therefore, the three (3) errors noted here were for cases where a DHHS-199 report was required, but was never submitted to the Overpayment Unit.

The lack of compliance with Agency policy along with the lack of monitoring the submission of DCO-29 Quality Control Error Response forms to the Quality Assurance Unit and DHHS-199 Benefit Overpayment reports to the Overpayment Unit has put program resources at risk and could lead to overpayments being made to eligible recipients or services being provided to individuals who are not eligible recipients.

This finding impacts grants #05-0705AR5028, #05-0705AR5048, #05-0805AR5028 and #05-0805AR5048.

We recommend the Agency review and strengthen internal controls related to the Quality Assurance process and train personnel on requirements of the program.

Response

The DCO-29 is the form that denotes that action has been taken by the county office on an overpayment identified by review of the Quality Assurance Unit. The County Office Economic Services Supervisor and the County Administrator are the employees responsible for ensuring that the DCO-29 is submitted timely when an error is confirmed. The first Friday of every month a deficiency report, which identifies all DCO-29's that are thirty days old or older, is developed and forwarded to the Assistant Director of Field Operations for follow-up and compliance. This new procedure was implemented in May 2007 based on an audit finding from State Fiscal Year 2006. Any case that does not have a DCO-29 submitted to Quality Assurance will remain on this list until the form is received by Quality Assurance. The QA tracking log has been placed on the Division's Share website for accessibility to all staff for monitoring and tracking of cases routed to QA, DCO-29 processing and the associated overpayments/underpayments. The Program Support Specialists also monitor the completion of this task. The tracking log indicates the Quality Assurance Unit received DCO-29's for all cases found in error in SFY 2008. However, there were three instances where the DCO-29 was not received until 34 days instead of thirty days. The following actions will be taken to address this finding:

- By the end of SFY 09, DCO will provide additional training to staff on computing and timely submitting overpayments.
- Increased monitoring will be implemented to assure the timely submission of DCO-29's and completion of over/under payments or vendor adjustments.

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-21 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER(S):	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	None

Response (Continued)

Anticipated completion date: June 30, 2009

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-22
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.777 – State Survey and Certification of Health Care Providers and Suppliers (Medicaid Cluster)
QUESTIONED COSTS:	None

REPORTING – The Agency is required by 45 CFR 74.52 (a)(2) to submit a PMS-272, *Quarterly Cash Transactions Report*. The report allows the federal awarding agency to monitor cash advanced and obtain disbursement information for each federal award granted to the Agency. The Agency failed to properly reconcile the PMS-272 reports to Agency records before submitting the reports to the U.S. Department of Health and Human Services' Division of Payment Management and as a result, failed to report \$3,905,300 in federal expenditures.

Agency employees responsible for the reporting of federal expenditures were not properly supervised by Agency management. The lack of management oversight along with failure to allocate costs properly has led to inaccurate reporting of grant expenditures to the federal cognizant agency.

This finding impacts grants #05-0705AR5001 and #05-0805AR5001.

We recommend the Agency strengthen internal controls related to reporting requirements by developing and implementing procedures to ensure that PMS-272 reports are properly completed and reviewed before being submitted.

Response

Prior to 2008, Arkansas DHHS-Division of Health prepared the PSC-272 reports on the Title XVIII portion of federal expenditures related to CMS-435. DHS agrees that these expenditures were not reported timely in 2008. Corrections to the PSC 272 were made on the September 30, 2008 report.

A recent directive has been issued and procedures have been implemented that require submission of all Quarterly Reports to the Grants Management Controller/Assistant Controller. The reports along with the reconciled supporting documentation will be reviewed prior to submission of the report to the Cognizant Federal Agency. A dated copy of each report, approved as indicated by signature, and all documentation will be maintained by the Controller/Assistant Controller.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-23
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	None

REPORTING – The Agency failed to provide adequate reconciliation of the CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program* report to the Agency's cost allocation system before submitting the report to the Centers for Medicare and Medicaid Services (CMS) for all four (4) quarters of State fiscal year 2008. As a result, we were unable to determine if the Agency complied with 42 CFR 430.30 (c)(2) which states the "report is the State's accounting of actual recorded expenditures."

The Agency also failed to submit the CMS-64 report within thirty (30) days after the end of the quarter for all four (4) quarters of State fiscal year 2008. According to 42 CFR 430.30 (c), the CMS-64 reports are required and are to be submitted within thirty (30) days after the end of the quarter.

Agency employees responsible for the reporting of federal expenditures have not been properly informed and trained on the reporting requirements of the CMS-64 report and have not been properly supervised by Agency management. Failure to maintain adequate internal controls related to reporting could lead to inaccurate reporting of grant expenditures to the federal cognizant agency and could result in misuse or misappropriation of federal monies.

This finding impacts grants #05-0705AR5028, #05-0705AR5048, #05-0805AR5028 and #05-0805AR5048.

We recommend the Agency strengthen internal controls related to reporting requirements by developing and implementing procedures that ensure that CMS-64 reports are properly prepared, reconciled, reviewed, and submitted to the Centers for Medicare and Medicaid Services (CMS) within thirty (30) days after the end of the quarter.

Response

During the 86th General Assembly, the Division of Administrative Services requested and received an additional 14 positions to improve the accounting function at DHS. Five of these positions (two Controllers and three Assistant Controllers) were assigned to Managerial Accounting and have been filled. One Controller has been assigned the specific duty of reconciliation of the CMS 64. On February 10, 2009, staff personnel completing the CMS 64 report along with the Controller attended formal training provided by CMS. This training included instruction on completion and submission of the CMS 64 report. Effective 2/23/09, the administrative portion of the CMS 64 has been reconciled. Reconciliation of the program portion is currently in process.

A new document is being developed to track due dates as well as report submission dates. This will be reviewed by management on a monthly basis.

Anticipated completion date: Training is complete, reconciliation ongoing.

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)

FINDING NUMBER:	08-710-24
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	\$18,633

SPECIAL TESTS AND PROVISIONS – PAYMENTS MADE FOR MEDICAID SERVICES AFTER RECIPIENTS INCARCERATION DATE - According to section 1348 of the DHS Medical Services Manual, inmates of public institutions are not eligible for Medicaid. This is in compliance with 42 CFR 435.1009, which states that Federal Financial Participations (FFP) is not available for expenditures paid for services provided to inmates of public institutions. The Agency has implemented a process of electronically matching Medicaid recipients with inmates of state correction facilities based on social security numbers (SSNs) and/or name and date of birth. However, at this time, matches are not reviewed by the county offices due to the amount of time that it takes to investigate the matches. Through data analysis, a comparison was made between a listing of recipients from Arkansas' Networked System for Welfare Eligibility Reporting (ANSWER) during state fiscal year 2008 and listings of individuals who were incarcerated during state fiscal year 2008, which were provided by the Arkansas Department of Correction and the Arkansas Department of Community Corrections, by SSN and/or name and date of birth. The comparison revealed ninety-one (91) cases where claims, totaling \$18,633, were paid for dates of service during the recipients' incarceration periods.

Agency personnel indicated that the Agency was receiving a file of all inmates from both the Arkansas Department of Correction (DOC) and from the Arkansas Department of Community Correction (DCC). These files were matched against a current recipient listing to identify recipients with open cases who had been incarcerated. The Agency is still completing the match process; however, the results are not being forwarded to the county offices due to the excess workload that it causes. Failure to identify recipients who have been incarcerated in a timely manner could result in the misappropriation of Medicaid funds.

This finding impacts grants #05-0705AR5028, #05-0705AR5048, #05-0805AR5028 and #05-0805AR5048.

We recommend the Agency review policies and procedures with appropriate office personnel to ensure that recipients who have been incarcerated are identified, and that their Medicaid cases are closed in a timely manner.

Response

DCO worked with the Departments of Corrections and Community Corrections to refine the data match that was originally implemented. DCO paid for changes to be made to the file and match that would result in a more reliable match, i.e., that those reported as being incarcerated were actually living in a correctional institution and not at home awaiting space in the institution. These changes did result in a higher degree of reliability (90%) but still not high enough for DCO to consider the match verified upon receipt so that additional contact or investigation was not required before county staff could take action to close the individual. Because of the workload this would cause on county staff at a time of staff vacancies and increasing caseloads, alternative methods of verifying the match results before sending them to the counties were explored. The DCO Special Investigations Unit will assume the responsibility to determine if the client is actually incarcerated. Once verified, the match results will then be provided to county staff to take appropriate action, i.e., send an adverse action notice of closure and close the case at the end of the notice period.

Anticipated completion date: Completed

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-25
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 Agency failed to effectively monitor the provider enrollment process and provider file maintenance, which is performed by Electronic Data Systems (EDS). The A-102 Common Rule and OMB Circular A-110 states that non-Federal entities, which receive Federal awards, are required to establish and maintain internal controls to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. According to 42 CFR 431.107 and 42 CFR 447.10, providers of medical services are required to be licensed in accordance with Federal, State, and local laws and regulations in order to be eligible for participation in the Medicaid program. In addition, 42 CFR 455, subpart B requires providers to make certain disclosures to the State.

The auditor reviewed the Agency's monitoring process, which includes monthly reviews of new and updated provider files, to determine if all necessary documentation was provided and keyed into the MMIS system correctly. The list of monthly review results provided to the auditor covered the period of November 2007 through August 2008. Seventy (70) provider files were selected from this time frame. The Agency's monitoring process had identified errors either in documentation maintained in the provider file or in information keyed into the MMIS system for thirty (30) of the selected providers. EDS responses and corrections to the provider file or MMIS system were only noted in eleven (11) of the thirty (30) provider files that contained errors, and these responses were not provided until September 2008 or later. Based on the above, the Agency is not performing follow-up reviews to ensure that missing documentation has been received and added to the provider's file.

In addition to the review stated above, the auditor also selected thirty (30) providers, who received payment for services during FY2008, for review of the provider files. The purpose of this review was to determine whether providers were eligible for participation in the Medicaid program and whether their file contained all of the required documentation for enrollment in the Medicaid program. The auditor identified the following deficiencies in nine (9) provider files, one (1) of which contained two (2) deficiencies:

- Eight (8) provider files did not contain a Request for Taxpayer Identification Number and Certification (Form W-9).
- One (1) provider file did not contain a current copy of their Nurse Practitioner license.
- One (1) provider file did not contain documentation of enrollment in the Medicare program.

The Agency did not properly inform EDS personnel on the documentation requirements for provider files and information keyed into the MMIS system, and Agency personnel did not perform follow-up reviews to ensure that missing documentation had been received and added to the provider's file. Failure to ensure that problems identified during the monthly file reviews are corrected could result in ineligible providers receiving payments from the Medicaid program for an extended period of time.

This finding impacts grants #05-0705AR5028, #05-0705AR5048, #05-0805AR5028 and #05-0805AR5048.

We recommend that the Agency review its EDS provider enrollment monitoring process and follow-up with EDS to ensure that all deficiencies identified have been corrected. Furthermore, we recommend that the Agency's supervisory staff follow-up with personnel responsible for conducting the reviews to ensure that the reviews are being conducted and that EDS responses are being received in a timely manner.

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

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

FINDING NUMBER:	08-710-25 (Continued)
STATE/EDUCATIONAL AGENCY:	Arkansas Department of Human Services
CFDA NUMBER:	93.778 – Medical Assistance Program (Medicaid Cluster)
QUESTIONED COSTS:	None

Response

The Division of Medical Services is reviewing the monitoring process for provider enrollment and provider file maintenance performed by EDS and developing some changes to ensure that items identified during a review are followed-up on and corrected in a timely manner. This process is being implemented in SFY 2009.

The division has requested Form W-9 from the eight providers whose files were incomplete.

The certification for the Nurse Practitioner was on file and keyed in MMIS on 6/24/08.

Documentation of enrollment in the Medicare program is being requested for the incomplete file.

Anticipated completion date: December 2009

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY

FINDING NUMBER:	08-150-01
STATE/EDUCATIONAL AGENCY:	University of Arkansas for Medical Sciences
CFDA NUMBER:	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 93.342- Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students 93.364- Nursing Student Loans 93.925- Scholarships for Health Professions Students from Disadvantaged Backgrounds (Student Financial Assistance Cluster)
QUESTIONED COSTS:	None

ELIGIBILITY, SPECIAL TESTS AND PROVISIONS - VERIFICATION, DISBURSEMENTS TO OR ON BEHALF OF STUDENTS, RETURN OF TITLE IV FUNDS, STUDENT STATUS CHANGES - During our testing, we noted Financial Aid Officers determine eligibility, process awards, complete verification, calculate return of funds, disburse funds and perform other procedures without review and oversight from management. Because of this, errors and noncompliance with program regulations have been noted during the audit process.

We recommend the Student Financial Aid Director implement procedures for review and oversight of the awarding process by management.

Response

The University has restructured the Student Financial Aid Office to provide additional staff and oversight as well as naming a new Director of Student Financial Aid for the University Student Financial Aid Office (not College of Medicine). All policies and procedures will be evaluated to ensure they are accurate and provide the needed structure and guidance to staff. Controls will be established to ensure federal regulations are followed according to federal guidelines. Time frames will be identified and reviewed by management to secure the proper award/disbursements of financial aid. Emphasis will be placed on oversight to affirm programs are administered according to all required regulations. All staff, including the Directors, will be evaluated periodically to ensure they are performing satisfactorily. The University of Arkansas System Office will provide additional support, training and oversight.

Anticipated Completion Date: December 2009 and Ongoing

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
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FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	08-150-02
STATE/EDUCATIONAL AGENCY:	University of Arkansas for Medical Sciences
CFDA NUMBER:	84.032- Federal Family Education Loans 84.038-Federal Perkins Loan Program_Federal Capital Contributions 84.063- Federal Pell Grant Program 93.342- Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students 93.364- Nursing Student Loans (Student Financial Assistance Cluster)
QUESTIONED COSTS:	None

SPECIAL TESTS AND PROVISIONS - DISBURSEMENT TO OR ON BEHALF OF STUDENTS - During our test of forty (40) students, we noted the following exceptions:

- We noted seven (7) students representing 12 different loans totaling \$84,502 in which the students' accounts were credited with the loan funds more than ten (10) days prior to the first day of class. Six (6) students' loans were processed by the College of Medicine Student Financial Aid Office and one (1) was processed by the Student Financial Aid Office for non-College of Medicine students.
- We noted six (6) students (of the seven noted above) for which the loan funds were requested more than thirteen (13) days prior to being disbursed to the students' accounts. Five (5) for the six (6) students were processed by the College of Medicine Student Financial Aid office and one (1) was processed by the Student Financial Aid office for non-College of Medicine students.
- We noted two (2) students representing 4 different loans totaling \$12,726 in which the loans funds were received more than three (3) days before the funds were posted to the students' accounts. The funds were processed by the Student Financial Aid office for non-College of Medicine students.

We recommend the current Student Financial Aid staff attend training on the current compliance regulations. We also recommend that both Student Financial Aid offices develop written policies on processes to ensure compliance with regulations, proper oversight and review.

Response

The College of Medicine Student Financial Aid Office has already changed the date disbursements are requested based on the first day of classes instead of the day of registration which will correct the majority of the problems identified in this finding.

University officials will develop a training program to ensure all staff is provided needed information to perform required tasks and remain compliant. Policies and procedures will be developed and reviewed to reinforce regulations.

Anticipated Completion Date: December 2008 and Ongoing

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

FINDING NUMBER:	08-150-03
STATE/EDUCATIONAL AGENCY:	University of Arkansas for Medical Sciences
CFDA NUMBER:	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
	93.342- Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students
	93.364- Nursing Student Loans
	(Student Financial Assistance Cluster)
QUESTIONED COSTS:	\$66.92

SPECIAL TESTS AND PROVISIONS - RETURN OF TITLE IV FUNDS - During our testwork, we noted 23 exceptions out of 42 sampled items as follows:

- Nineteen (19) students did not enroll in the period the loan was made and the funds were not returned to the lenders within 10 business days as required per 34 CFR 668.167(b).
- Four (4) students withdrew during the semester and the funds were not returned to the lenders within 45 days as required per 34 CFR 668.22).

We recommend the current Student Financial Aid staff attend training on the current compliance regulations. We recommend Management ensure college registrars are trained on the compliance regulations and understand the time period funds must be returned to the lenders. We also recommend the Student Financial Aid Office develop written policies on processes to ensure compliance with regulations, proper oversight and review.

Response

The University will take immediate steps to comply with the requirement to return funds timely and ensure all staff including Student Financial Aid staff and Registrars are fully aware of the requirements. Ongoing training will be provided to staff. Procedures will be developed to monitor return of funds beginning with the spring 2009 semester to enable staff to return funds in the required timeframe. All policies are currently being examined to determine where changes can best be made to facilitate compliance. The University intends to enhance its automated processes to assist with this requirement including the acquisition of an administrative software system.

The Division of Academic Affairs has noticed through this audit that organizational changes are necessary to strengthen the Student Financial Services Department. The Division of Academic Affairs has already joined with Finance and created a new department that combines Student Financial Service and Student Financial Aid. The department has hired one director who reports both to Academic Affairs and Finance. The director will focus on strengthening controls and processes. The two closely aligned processes of determining financial aid and distributing financial aid will function as one and be strengthened by one very organized director. This will enable successful completion of all the other areas of improvement.

Anticipated Completion Date: December 2008 and Ongoing

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

U.S. DEPARTMENT OF EDUCATION

FINDING NUMBER: 08-150-04
STATE/EDUCATIONAL AGENCY: University of Arkansas for Medical Sciences
CFDA NUMBER: 84.032 – Federal Family Education Loans
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

SPECIAL TESTS AND PROVISIONS - STUDENT STATUS CHANGES - During our test of thirty (30) students, four (4) exceptions were noted. In all four cases, the student had a change of status that was not reported within the required time period. Three (3) of the four (4) were related to the College of Medicine students and one was a non-College of Medicine student. We also noted that SFA staff does not add students to the report who are not already listed on the NSLDS report. We noted that in one case, a student had graduated, but was still listed on the NSLDS report as withdrawn from UAMS.

We recommend the Student Financial Aid staff implement procedures to review and verify that student status changes are correctly updated and reported on a periodic basis. The verification should be documented.

Response

According to the Non College of Medicine NSLDS Enrollment Reporting Summary Report, all submissions were processed within the required timeframe. The College of Medicine staff failed to submit their data within the required timeframe. However, the guarantor/lender was notified regarding two of the four exceptions cited within the required 30 day timeframe. Policies and procedures will be established to conform to compliance regulations.

Another exception cited was the result of a student not listed on the NSLDS disbursement file. NSLDS has not been able to determine why a student that UAMS certified did not appear on their disbursement file. Submissions are now carefully monitored to detect any future NSLDS discrepancies.

Additional training will be provided to ensure staff is aware of the importance of timely reporting to NSLDS. Policies and procedures will be updated to guarantee compliance in the future. Staff will work with the Director of Academic Computing to detect any future discrepancies in submissions. Furthermore, the University plans to enhance the automated process used to complete the SSCR to facilitate accurate and timely reports.

Anticipated Completion Date: January 2009 and Ongoing

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

U.S. DEPARTMENT OF EDUCATION (Continued)

FINDING NUMBER: 08-347-01
STATE/EDUCATIONAL AGENCY: Arkansas Student Loan Authority
CFDA NUMBER: 84.032 – Federal Family Education Loans
(Student Financial Assistance Cluster)
QUESTIONED COSTS: None

REPORTING – During the audit, we noted one bank account which had a material variance on the reconciliation. The variance had not been adjusted and recorded by management in the general ledger due to the timing of the receipt of information regarding these funds. However, the balance was controlled by the Authority and, accordingly, should be reflected on its financial statements.

We recommend the Authority implement internal control procedures to ensure all bank account activity is properly recorded in the general ledger.

Response

Facts regarding Audit Finding:

A material variance existed on a reconciliation of a particular bank account at June 30, 2008. A variance in this account has existed each month and year-end since the opening of the account in February 1981. Management and the independent auditors have been aware of this variance each month and year-end. I have discussed this variance with the independent auditors each year since I have been here. (Start date of January 2005) A joint decision has been made each year to not record the variance in the financial statements. The particular account is an "in and out" account. Payments collected by our loan servicers and loan cancellations are wired to this account on a daily basis. We receive a detailed report several business days later giving us specific information we need to post the funds to the proper bond series/trust account. The account always has un-reconciled funds in it at any given month-end or year-end. The detailed report is often pending at month-end or year-end. (At the end of a month) and at this point and we do not have the necessary information to post the payments to the correct bond series/trust account. In the past, we did not record the variance because it changes each month.

Action taken:

The decision to record the June 30, 2008, variance in the June 30, 2008, financial statement was a joint decision between our management and the independent auditors. The entry was a debit to Cash and a credit to Accounts Payable-Bond Series. We both agreed that the payments were in our possession at month-end, so they needed to be recorded.

Final Action to be taken:

Management decided, after discussions with the independent auditors, to record the variance each month during the fiscal year. The Comptroller will calculate and record the variance each month. The Chief Fiscal Officer will review the reconciliation and entry each month. Management implemented this policy effective July 1, 2008. We do not expect any findings related to this matter in subsequent years.

Anticipated Completion Date: July 1, 2008

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**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING NUMBER:	08-150-05
STATE/EDUCATIONAL AGENCY:	University of Arkansas for Medical Sciences
CFDA NUMBER:	93.600 – Head Start
QUESTIONED COSTS:	\$14,390

EQUIPMENT AND REAL PROPERTY MANAGEMENT - During our testwork, we noted two exceptions out of two sample items (100% of population) as follows:

- One (1) out of the two (2) equipment purchases was paid for and recorded as an expense on the grant in October 2007; however, the asset has never been received. The amount paid for the asset was \$14,390.
- One (1) out of the two (2) equipment purchases had an acquisition date of December 14, 2007; however, the asset was not set up in the fixed asset sub ledger until August 22, 2008, which was the next fiscal year.
- It was also noted that a laptop noted on the physical inventory exception report as being stolen, was not removed from the fixed asset system within SAP.

We recommend Management perform a detailed reconciliation of asset additions on a monthly basis to ensure corrections are identified and made in a timely manner. Assets not received can be followed up timely and expenses on the grant adjusted prior to closeout. Assets not capitalized when acquired will be identified and recorded in the proper period during this process.

Response

The expenditure has been transferred from the grant period in question and will be recorded in the proper grant period when the van is actually received. Future transactions of this nature will be monitored very closely and followed up more stringently, and better care will be taken to ensure that the transaction is recorded in the proper grant period.

Vehicle purchases for state institutions such as UAMS must be made through the Arkansas Department of Finance and Administration (DFA). DFA's procedures for vehicle purchases include:

- receipt of a check from the applicable state institution (UAMS) before ordering the vehicle
- the UAMS check is then deposited into a holding account
- DFA then issues its own purchase order to the vendor
- DFA places the vehicle order with the vendor, and finally
- DFA issues its own check to the vendor upon receipt of the vehicle.

Within this established set of DFA procedures, an expenditure must be made by the end user before receipt (and ordering) of the vehicle. Only in rare circumstances does the DFA system fail and the vehicle does not arrive in an acceptable timeframe. The status of this order was determined on numerous occasions during the course of this anticipated transaction, but the net result is that DFA system did not produce a van for UAMS Head Start prior to the grant close-out. Many follow up calls via telephone were made to determine the status of the Purchase Order and each time the program was assured that the van would be arriving. The vendor failed to honor the Purchase Order and they did not notify the agency in a timely manner, adding to the dilemma of the delay.

A quarterly reconciliation process will be established to review all entries related to grants in the movable equipment general ledger accounts to ensure that assets are received and capitalized in a timely manner. Additionally staff from Grants Accounting and Fixed Asset Accounting will meet quarterly to analyze and discuss the reconciliation.

**STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

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

FINDING NUMBER:	08-150-05 (Continued)
STATE/EDUCATIONAL AGENCY:	University of Arkansas for Medical Sciences
CFDA NUMBER:	93.600 – Head Start
QUESTIONED COSTS:	\$14,390

Response (Continued)

Anticipated Completion Date: January 2009

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