

State of Arkansas

Single Audit Report



For the Year Ended June 30, 2012

STATE OF ARKANSAS
SINGLE AUDIT REPORT
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FOR THE YEAR ENDED JUNE 30, 2012

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INTRODUCTION AND SUMMARY

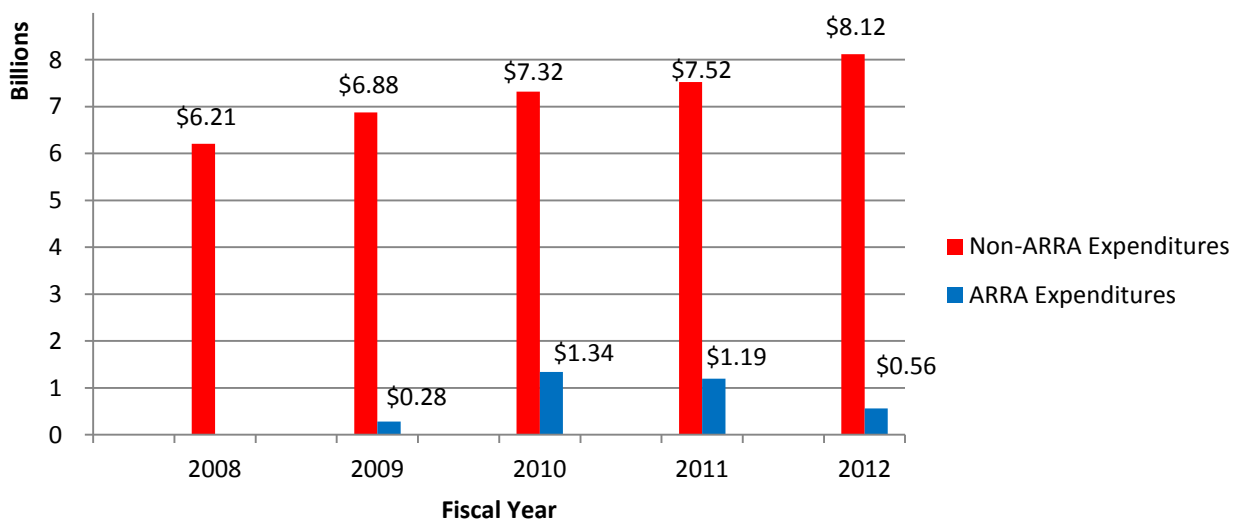
The Single Audit Act, as amended in 1996, was enacted to streamline the effectiveness of audits of federal awards. As a result, the Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, to establish audit guidelines and policy, providing a consistent and uniform system to audit states, local governments, and not-for-profits that expend federal awards. The A-133 audit is required to determine whether

- The State's financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles (GAAP).
- The Schedule of Expenditures of Federal Awards (SEFA) is presented fairly in all material respects in relation to the State's financial statements taken as a whole.
- The State has adequate internal controls in place to ensure compliance with the requirements of various federal awards.
- The State has complied with laws, regulations, and the provisions of contracts or grant agreements pertaining to federal awards that may have a direct and material effect on major programs.

The State of Arkansas Single Audit for the fiscal year ended June 30, 2012, as performed by the Division of Legislative Audit meets these requirements.

Beginning with the fiscal year ended June 30, 2009, additional federal funds were made available through the American Recovery and Reinvestment Act of 2009 (ARRA), which increased total expenditures of federal awards for the fiscal year ended June 30, 2009-2011. ARRA awards were made available for a limited period of time, and most ARRA awards were fully expended by the end of fiscal year 2012. The State of Arkansas expended a total of \$8,675,681,942 in federal awards during the year ended June 30, 2012. Of that total, \$558,043,307 (6%) was expended in ARRA awards.

Trend of Expenditures of Federal Awards Five Year Comparison



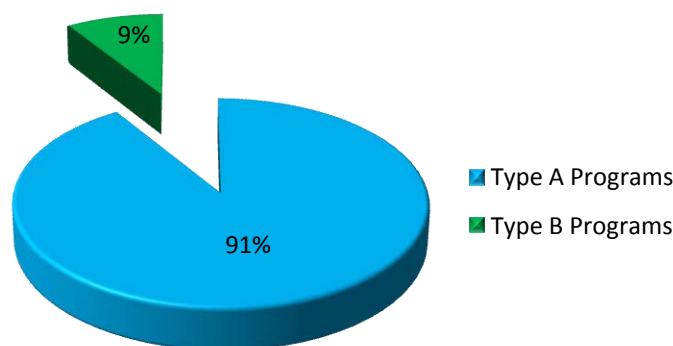
In accordance with OMB Circular A-133, larger federal programs are identified and labeled as Type A. The following table outlines how the Type A programs for the State of Arkansas were identified.

Type A Program Determination

Larger of:		\$ 3,000,000
		or
Total expenditures of federal awards	\$8,675,681,942	
Three-tenths of one percent	x 0.003	
		\$26,027,046
Type A threshold	<u>\$ 26,027,046</u>	

All federal programs with expenditures of at least \$26,027,046 were labeled Type A. All other federal programs were labeled Type B. Of the 477 federal programs represented in the June 30, 2012, State of Arkansas Single Audit, 24 were Type A programs with expenditures totaling \$7,899,088,515, which is 91% of total expenditures, and 453 were Type B programs with expenditures totaling \$776,593,427, which is 9% of total expenditures.

Type A and Type B Programs Expenditures of Federal Awards



OMB Circular A-133 requires the auditor to perform risk assessments on all Type A programs and to audit, as major, each Type A program assessed as high-risk based on various risk factors. Risk assessments were performed on each Type A program, and 15 of the 24 were determined to be high-risk or major.

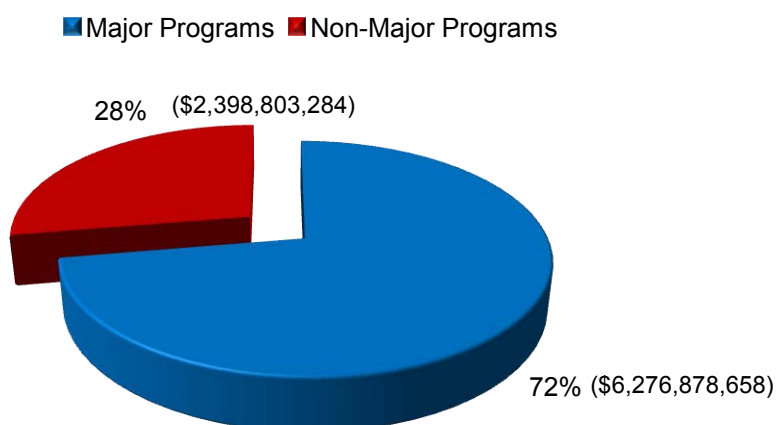
Additionally, OMB Circular A-133 requires the auditor to perform risk assessments on larger Type B programs to determine which ones will be audited as major to replace the Type A programs not being audited. Only Type B programs above the calculated threshold are included in the population to be assessed.

Threshold for Type B Programs			
Larger of:			\$ 300,000
			or
Total expenditure of federal awards		\$8,675,681,942	
Three-hundredths of one percent	x	0.0003	
			\$ 2,602,705
Threshold of Type B programs		\$ 2,602,705	

For the year ended June 30, 2012, major program expenditures represent 72% of total expenditures of federal awards.

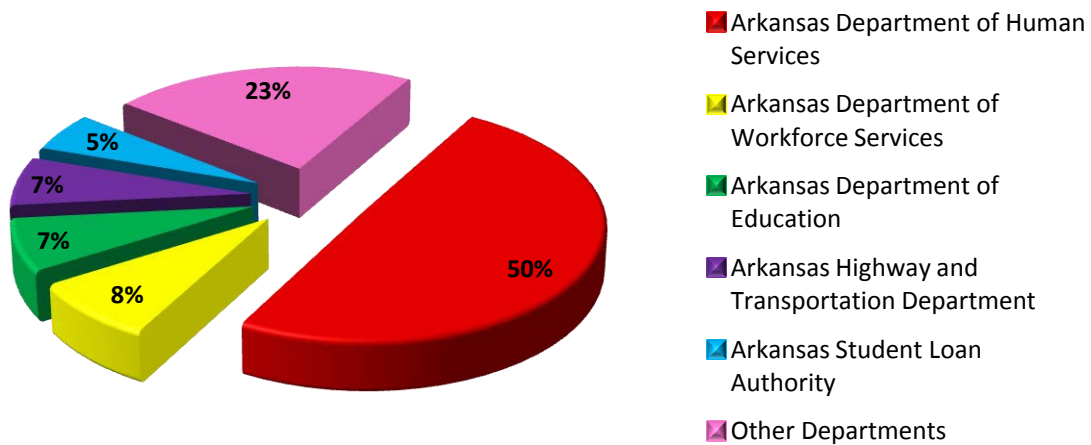
Fiscal Year 2012

Major vs. Non-Major Programs \$8,675,681,942



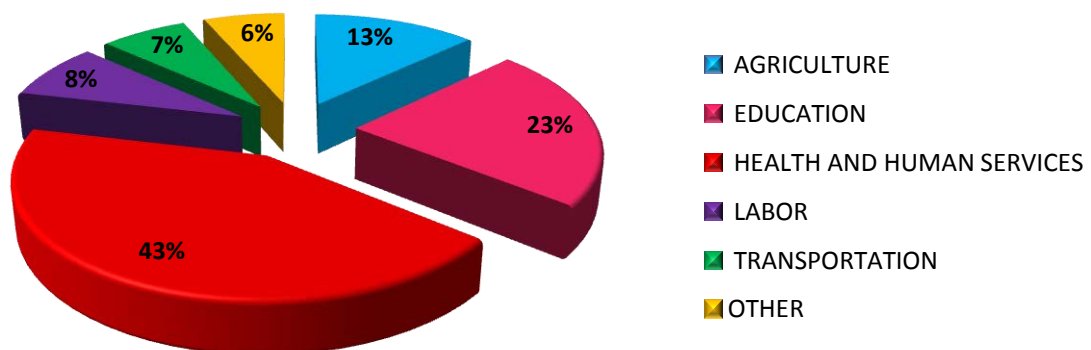
A majority (77%) of federal awards were expended by five state departments, as noted below.

Percentage of Total Expenditures of Federal Awards by State Department



The State received federal awards from 26 different federal agencies. Most of the federal awards (94%) came from five federal agencies.

Total Expenditures of Federal Awards By Federal Awarding Agency





State of Arkansas Single Audit

INDEPENDENT AUDITOR'S REPORTS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
House Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas (the State) as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 20, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component units, the University of Arkansas for Medical Sciences (a portion of the Higher Education Fund), the Department of Workforce Services (major enterprise fund), the Construction Assistance Revolving Loan Fund (non-major enterprise fund), and the Other Revolving Loan Funds (non-major enterprise funds) as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. (discretely presented component units) were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the State is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

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

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas
December 20, 2012

Sen. Bryan B. King
Senate Chair
Rep. Kim Hammer
House Chair
Sen. Linda Chesterfield
Senate Vice Chair
Rep. John W. Walker
House Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

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

Compliance

We have audited compliance of the State of Arkansas with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2012. The State's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of State's management. Our responsibility is to express an opinion on the State's compliance based on our audit. We did not audit compliance with those requirements by certain entities of the State of Arkansas as identified in the Notes to Schedule of Expenditures of Federal Awards Note 1(a). Compliance with the requirements by these entities was tested by other auditors whose report has been furnished to us. Our report, insofar as it relates to compliance with the requirements referred to previously by these entities, is based solely on the report of other auditors.

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

Because of the State's Disability Insurance/SSI Cluster's noncompliance with federal program requirements to timely complete and submit its federal audit to the appropriate federal agency, the scope of our work related to this portion of our audit was not sufficient to enable us to express, and we do not express, an opinion on the federal compliance of this portion of the State's major programs. This matter is further described in the accompanying Schedule of Findings and Questioned Costs as item 12-311-01.

Additionally, as described in item 12-710-05 in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with requirements regarding Activities Allowed or Unallowed that are applicable to its Medical Assistance Program and ARRA – Medical Assistance Program (CFDA 93.778). Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to those programs.

In our opinion, except for the effects of the noncompliance described in the preceding paragraphs, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 12-150-01 through 12-150-04, 12-160-01, 12-160-02, 12-175-01, 12-500-01, 12-500/710-01, 12-520-01 through 12-520-09, 12-710-01 through 12-710-04, 12-710-06, 12-710-07, and 12-710-09 through 12-710-11.

Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-311-01, and 12-710-05 through 12-710-08 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-150-03, 12-160-02, 12-175-01, 12-500-02, 12-500/710-01, 12-520-01 through 12-520-09, 12-710-01, 12-710-03 12-710-04, and 12-710-09 through 12-710-12 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012, which contained unqualified opinions on those financial statements. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the discretely presented component units, the University of Arkansas for Medical Sciences (a portion of the Higher Education Fund), the Department of Workforce Services (enterprise fund), and the Construction Assistance Revolving Loan Fund and Other Revolving Loan Funds (portions of the non-major enterprise funds) as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole. We did not audit the federal financial assistance of certain entities of the State of Arkansas included in the accompanying Schedule of Expenditures of Federal Awards as identified in the Notes to Schedule of Expenditures of Federal Awards Note 1(a). The Schedules of Expenditures of Federal Awards, related to those entities, were audited by other auditors whose reports have been furnished to us. This report, insofar as it relates to those entities, is based solely on the reports of other auditors.

The State's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State's responses and, accordingly, we express no opinion on the responses.

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

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas
March 8, 2013, except for the
Schedule of Expenditures of Federal
Awards, dated December 20, 2012



State of Arkansas Single Audit

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
SNAP CLUSTER			
United States Department of Agriculture			
Supplemental Nutrition Assistance Program	10.551	\$ 732,935,990	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	34,782,627	
Total United States Department of Agriculture		767,718,617	
Total SNAP CLUSTER		767,718,617	
CHILD NUTRITION CLUSTER			
United States Department of Agriculture			
School Breakfast Program	10.553	40,853,490	\$ 39,777,877
National School Lunch Program	10.555	129,158,824	115,995,776
Special Milk Program for Children	10.556	509	
Summer Food Service Program for Children	10.559	5,723,928	
Total United States Department of Agriculture		175,736,751	155,773,653
Total CHILD NUTRITION CLUSTER		175,736,751	155,773,653
EMERGENCY FOOD ASSISTANCE CLUSTER			
United States Department of Agriculture			
Emergency Food Assistance Program (Administrative Costs)	10.568	647,481	471,949
Emergency Food Assistance Program (Food Commodities)	10.569	3,440,449	
Total United States Department of Agriculture		4,087,930	471,949
Total EMERGENCY FOOD ASSISTANCE CLUSTER		4,087,930	471,949
FOREST SERVICE SCHOOLS AND ROADS CLUSTER			
United States Department of Agriculture			
Schools and Roads - Grants to States	10.665	7,924,723	7,924,723
Total United States Department of Agriculture		7,924,723	7,924,723
Total FOREST SERVICE SCHOOLS AND ROADS CLUSTER		7,924,723	7,924,723
ECONOMIC DEVELOPMENT CLUSTER			
United States Department of Commerce			
Economic Adjustment Assistance	11.307	1,822,790	
Total United States Department of Commerce		1,822,790	
Total ECONOMIC DEVELOPMENT CLUSTER		1,822,790	
CDBG – ENTITLEMENT GRANTS CLUSTER			
United States Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218	19,062,982	18,814,177
Total United States Department of Housing and Urban Development		19,062,982	18,814,177
Total CDBG – ENTITLEMENT GRANTS CLUSTER		19,062,982	18,814,177

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
CDBG – STATE-ADMINISTERED CDBG CLUSTER			
United States Department of Housing and Urban Development			
Community Development Block Grants/State's program and Non-Entitlement			
Grants in Hawaii	14.228	\$ 22,204,222	\$ 21,606,244
ARRA - Community Development Block Grants/State's program and Non-Entitlement			
Grants in Hawaii	14.255	1,101,881	1,043,024
Total United States Department of Housing and Urban Development		23,306,103	22,649,268
Total CDBG – STATE-ADMINISTERED CDBG CLUSTER		23,306,103	22,649,268
FISH AND WILDLIFE CLUSTER			
United States Department of the Interior			
Sport Fish Restoration Program	15.605	5,362,204	21,900
Wildlife Restoration and Basic Hunter Education	15.611	4,865,944	41,500
Total United States Department of the Interior		10,228,148	63,400
Total FISH AND WILDLIFE CLUSTER		10,228,148	63,400
JAG PROGRAM CLUSTER			
United States Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3,576,352	3,280,709
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to			
States and Territories	16.803	2,446,081	2,304,259
Total United States Department of Justice		6,022,433	5,584,968
Total JAG PROGRAM CLUSTER		6,022,433	5,584,968
EMPLOYMENT SERVICE CLUSTER			
United States Department of Labor			
Employment Service/Wagner-Peyser Funded Activities	17.207	6,432,531	
Disabled Veterans' Outreach Program (DVOP)	17.801	342,850	
Local Veterans' Employment Representative Program	17.804	940,080	
Total United States Department of Labor		7,715,461	
Total EMPLOYMENT SERVICE CLUSTER		7,715,461	
WIA CLUSTER			
United States Department of Labor			
WIA Adult Program	17.258	7,795,643	6,424,611
WIA Youth Activities	17.259	7,170,960	6,263,568
ARRA - WIA Youth Activities	17.259	662	662
WIA Dislocated Workers	17.260	195,275	141,663
ARRA - WIA Dislocated Workers	17.260	116,216	116,982
WIA Dislocated Worker Formula Grants	17.278	6,833,345	4,635,893
ARRA - WIA Dislocated Worker Formula Grants	17.278	39,628	
Total United States Department of Labor		22,151,729	17,583,379
Total WIA CLUSTER		22,151,729	17,583,379

STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
United States Department of Transportation			
Highway Planning and Construction	20.205	\$ 469,658,620	\$ 11,579,758
Pass-Through from University of Memphis and State of Tennessee	20.205	10,000	
ARRA - Highway Planning and Construction	20.205	78,065,893	
Recreational Trails Program	20.219	1,382,346	1,247,987
Total United States Department of Transportation		549,116,859	12,827,745
Total HIGHWAY PLANNING AND CONSTRUCTION CLUSTER		549,116,859	12,827,745
FEDERAL TRANSIT CLUSTER			
United States Department of Transportation			
Federal Transit_Capital Investment Grants	20.500	1,853,455	340,520
Pass-Through from Central Arkansas Transit Authority	20.500	17,826	
Federal Transit_Formula Grants	20.507	951,053	
Total United States Department of Transportation		2,822,334	340,520
Total FEDERAL TRANSIT CLUSTER		2,822,334	340,520
TRANSIT SERVICES PROGRAMS CLUSTER			
United States Department of Transportation			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	1,549,750	
Job Access_Reverse Commute	20.516	2,006,254	1,591,214
New Freedom Program	20.521	1,496,909	1,337,255
Total United States Department of Transportation		5,052,913	2,928,469
Total TRANSIT SERVICES PROGRAMS CLUSTER		5,052,913	2,928,469
HIGHWAY SAFETY CLUSTER			
United States Department of Transportation			
State and Community Highway Safety	20.600	2,859,561	748,865
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	2,489,346	552,430
Occupant Protection Incentive Grants	20.602	241,051	73,346
Safety Belt Performance Grants	20.609	1,369,115	
State Traffic Safety Information System Improvement Grants	20.610	416,341	
Incentive Grant Program to Increase Motorcyclist Safety	20.612	41,367	
Total United States Department of Transportation		7,416,781	1,374,641
Total HIGHWAY SAFETY CLUSTER		7,416,781	1,374,641
TITLE I, PART A CLUSTER			
United States Department of Education			
Title I Grants to Local Educational Agencies	84.010	145,748,493	144,036,549
Pass-Through from Pulaski County Special School District	84.010	3,772	
ARRA - Title I Grants to Local Educational Agencies	84.389	19,777,683	19,777,683
Total United States Department of Education		165,529,948	163,814,232
Total TITLE I, PART A CLUSTER		165,529,948	163,814,232

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
SPECIAL EDUCATION CLUSTER (IDEA)			
United States Department of Education			
Special Education_Grants to States	84.027	\$ 109,076,635	\$ 104,470,090
Special Education_Preschool Grants	84.173	5,316,369	4,992,888
ARRA - Special Education Grants to States	84.391	20,418,845	20,412,973
ARRA - Special Education - Preschool Grants	84.392	1,037,851	1,037,851
Total United States Department of Education		135,849,700	130,913,802
Total SPECIAL EDUCATION CLUSTER (IDEA)		135,849,700	130,913,802
TRIO CLUSTER			
United States Department of Education			
TRIO_Student Support Services	84.042	6,744,137	
TRIO_Talent Search	84.044	3,443,627	
TRIO_Upward Bound	84.047	6,352,167	
TRIO_Educational Opportunity Centers	84.066	1,622,093	
TRIO_McNair Post-Baccalaureate Achievement	84.217	841,215	
Total United States Department of Education		19,003,239	
Total TRIO CLUSTER		19,003,239	
VOCATIONAL REHABILITATION CLUSTER			
United States Department of Education			
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	45,049,709	
ARRA - Rehabilitation Services-Vocational Rehabilitation Grants to States	84.390	1,062,441	
Total United States Department of Education		46,112,150	
Total VOCATIONAL REHABILITATION CLUSTER		46,112,150	
INDEPENDENT LIVING STATE GRANTS CLUSTER			
United States Department of Education			
Independent Living_State Grants	84.169	514,351	
Total United States Department of Education		514,351	
Total INDEPENDENT LIVING STATE GRANTS CLUSTER		514,351	
INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND CLUSTER			
United States Department of Education			
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	147,542	
ARRA - Independent Living Services for Older Individuals Who are Blind	84.399	187,286	
Total United States Department of Education		334,828	
Total INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND CLUSTER		334,828	
EARLY INTERVENTION SERVICES (IDEA) CLUSTER			
United States Department of Education			
Special Education-Grants for Infants and Families	84.181	4,694,020	
ARRA - Special Education - Grants for Infants and Families	84.393	555,113	
Total United States Department of Education		5,249,133	
Total EARLY INTERVENTION SERVICES (IDEA) CLUSTER		5,249,133	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
EDUCATION OF HOMELESS CHILDREN AND YOUTH CLUSTER			
United States Department of Education			
Education for Homeless Children and Youth	84.196	\$ 584,804	\$ 568,000
ARRA - Education for Homeless Children and Youth	84.387	173,635	173,635
Total United States Department of Education		758,439	741,635
Total EDUCATION OF HOMELESS CHILDREN AND YOUTH CLUSTER		758,439	741,635
EDUCATION TECHNOLOGY STATE GRANTS CLUSTER			
United States Department of Education			
Educational Technology State Grants	84.318	(16,618)	(17,790)
ARRA - Education Technology State Grants	84.386	555,709	555,709
Total United States Department of Education		539,091	537,919
Total EDUCATION TECHNOLOGY STATE GRANTS CLUSTER		539,091	537,919
STATEWIDE DATA SYSTEMS CLUSTER			
United States Department of Education			
Statewide Data Systems	84.372	608,560	432,664
ARRA - Statewide Data Systems	84.384	2,649,569	1,763,750
Total United States Department of Education		3,258,129	2,196,414
Total STATEWIDE DATA SYSTEMS CLUSTER		3,258,129	2,196,414
SCHOOL IMPROVEMENT GRANTS CLUSTER			
United States Department of Education			
School Improvement Grants	84.377	4,164,531	3,873,826
ARRA - School Improvement Grants	84.388	8,355,295	8,038,617
Total United States Department of Education		12,519,826	11,912,443
Total SCHOOL IMPROVEMENT GRANTS CLUSTER		12,519,826	11,912,443
STATE FISCAL STABILIZATION FUND CLUSTER			
United States Department of Education			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	51,906,047	51,869,798
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services	84.397	15,431,815	1,853,813
Total United States Department of Education		67,337,862	53,723,611
Total STATE FISCAL STABILIZATION CLUSTER		67,337,862	53,723,611
AGING CLUSTER			
United States Department of Health and Human Services			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	4,167,155	3,661,493
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	6,037,513	6,037,513
Nutrition Services Incentive Program	93.053	2,472,087	2,472,087
Total United States Department of Health and Human Services		12,676,755	12,171,093
Total AGING CLUSTER		12,676,755	12,171,093

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
IMMUNIZATION CLUSTER			
United States Department of Health and Human Services			
Immunization Grants	93.268	\$ 42,278,646	
ARRA - Immunization	93.712	227,187	
Total United States Department of Health and Human Services		42,505,833	
Total IMMUNIZATION CLUSTER		42,505,833	
TANF CLUSTER			
United States Department of Health and Human Services			
Temporary Assistance for Needy Families	93.558	82,627,869	\$ 8,542,831
ARRA - Temporary Assistance for Needy Families (TANF) Supplemental Grants	93.716	1,205,538	
Total United States Department of Health and Human Services		83,833,407	8,542,831
Total TANF CLUSTER		83,833,407	8,542,831
CSBG CLUSTER			
United States Department of Health and Human Services			
Community Services Block Grant	93.569	9,547,846	9,079,381
Total United States Department of Health and Human Services		9,547,846	9,079,381
Total CSBG CLUSTER		9,547,846	9,079,381
CCDF CLUSTER			
United States Department of Health and Human Services			
Child Care and Development Block Grant	93.575	24,365,160	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	22,193,206	
Total United States Department of Health and Human Services		46,558,366	
Total CCDF CLUSTER		46,558,366	
HEAD START CLUSTER			
United States Department of Health and Human Services			
Head Start	93.600	7,678,369	149,412
Pass-Through from Head Start/Body Start National Center for Physical Development and Outdoor Play	93.600	5,000	
ARRA - Head Start	93.708	543,111	
ARRA - Early Head Start	93.709	166,337	
Total United States Department of Health and Human Services		8,392,817	149,412
Total HEAD START CLUSTER		8,392,817	149,412
MEDICAID CLUSTER			
United States Department of Health and Human Services			
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	93.720	37,332	
State Medicaid Fraud Control Units	93.775	1,712,873	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	9,641,215	
Medical Assistance Program	93.778	3,085,033,126	
Total United States Department of Health and Human Services		3,096,424,546	
Total MEDICAID CLUSTER		3,096,424,546	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER			
Corporation for National and Community Service			
Foster Grandparent Program	94.011	\$ 417,844	
Total Corporation for National and Community Service		417,844	
Total FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER		417,844	
DISABILITY INSURANCE/SSI CLUSTER			
Social Security Administration			
Social Security_Disability Insurance	96.001	42,470,085	
Supplemental Security Income	96.006	84,531	
Total Social Security Administration		42,554,616	
Total DISABILITY INSURANCE/SSI CLUSTER		42,554,616	
RESEARCH AND DEVELOPMENT CLUSTER			
United States Department of Agriculture			
Agricultural Research_Basic and Applied Research	10.001	1,441,884	\$ 98,531
Plant and Animal Disease, Pest Control, and Animal Care	10.025	112,289	53,080
Wetlands Reserve Program	10.072	5,000	
Federal-State Marketing Improvement Program	10.156	36,730	
Farmers' Market Promotion Program	10.168	18,720	
Specialty Crop Block Grant Program	10.169	16,518	
Specialty Crop Block Grant Program - Farm Bill	10.170	9,000	
Pass-Through from Arkansas Pecan Growers Association	10.170	34,775	
Grants for Agricultural Research, Special Research Grants	10.200	903,286	
Pass-Through from Iowa State University	10.200	1,418	
Pass-Through from University of Florida	10.200	57,194	
Pass-Through from University of Georgia	10.200	3,578	
Cooperative Forestry Research	10.202	438,802	
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	4,229,347	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	2,204,219	
Grants for Agricultural Research_Competitive Research Grants	10.206	573,460	107,404
Animal Health and Disease Research	10.207	49,166	
Small Business Innovation Research			
Pass-Through from BioStrategies	10.212	19,331	
Pass-Through from Infinite Enzymes	10.212	9,959	
Sustainable Agriculture Research and Education	10.215	6,440	
Pass-Through from University of Georgia	10.215	60,434	19,157
1890 Institution Capacity Building Grants	10.216	546,932	61,689
Pass-Through from Fort Valley State University	10.216	25,595	
Higher Education Challenge Grants	10.217	68,479	48,184
Pass-Through from Iowa State University	10.217	38,188	
Pass-Through from Kansas State University	10.217	28,423	
Pass-Through from Texas A & M	10.217	3,127	
Biotechnology Risk Assessment Research	10.219	56,067	
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226	7,373	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
United States Department of Agriculture (Continued)			
Agricultural and Rural Economic Research	10.250	\$ 7,280	
Integrated Programs	10.303	484,717	\$ 177,427
Pass-Through from Oklahoma State University	10.303	38,104	
Pass-Through from Texas A&M	10.303	5,970	6,756
Pass-Through from University of Georgia	10.303	3,026	
Pass-Through from Utah State University	10.303	20,737	
Specialty Crop Research Initiative			
Pass-Through from Michigan State University	10.309	16,591	
Pass-Through from University of Illinois	10.309	49,543	
Agriculture and Food Research Initiative (AFRI)	10.310	1,567,141	489,276
Pass-Through from Louisiana State University	10.310	82,648	
Pass-Through from Oregon State University	10.310	51,013	
Pass-Through from University of Connecticut	10.310	1,929	
Beginning Farmer and Rancher Development Program	10.311	154,298	15,980
ARRA - Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF)	10.315	29,195	
Cooperative Extension Service	10.500	85,280	16,238
Pass-Through from Oklahoma State University	10.500	5,182	
Pass-Through from Texas AgriLife Research	10.500	5,086	
Pass-Through from University of Illinois	10.500	7,000	
Forestry Research	10.652	505,011	
Forest Health Protection	10.680	169,716	
Soil and Water Conservation	10.902	150,166	
Soil Survey	10.903	173,448	
Environmental Quality Incentives Program	10.912	138,509	
Other Department of Agriculture Assistance	N/A	1,247,433	151,449
Pass-Through from Arkansas Pecan Growers Association	N/A	1,087	
Pass-Through from Dairy Research Institute	N/A	58,054	13,624
Total United States Department of Agriculture		<u>16,063,898</u>	<u>1,258,795</u>
United States Department of Commerce			
Economic Adjustment Assistance	11.307	339,316	
Pass-Through from Winrock Institute	11.307	46,859	
Sea Grant Support	11.417	10,600	
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program			
Pass-Through from Applied Food Technologies	11.427	14,174	
ARRA - Measurement and Engineering Research and Standards			
Pass-Through from Johns Hopkins University	11.609	63,211	
Other Department of Commerce Assistance	N/A	43,942	
Total United States Department of Commerce		<u>518,102</u>	
United States Department of Defense			
Collaborative Research and Development	12.114	3,440	
Pass-Through from Battelle Memorial Institute	12.114	9,486	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
United States Department of Defense (Continued)			
Basic and Applied Scientific Research	12.300	\$ 561,288	
Pass-Through from Arizona Board of Regents for and on behalf of Arizona State University	12.300	5,093	
Pass-Through from Solarity, LLC	12.300	14,167	
Pass-Through from University of Illinois	12.300	2,999	
Military Medical Research and Development	12.420	2,332,704	\$ 154,523
Pass-Through from University of Memphis	12.420	12,040	
Basic Scientific Research	12.431	1,685,403	202,636
Pass-Through from International Technology Center	12.431	264,136	
Pass-Through from Space Photonics, Inc.	12.431	23,572	
DOD, NDEP, DOTC-STEM Education Outreach Implementation	12.560	2,022	
Basic, Applied, and Advanced Research in Science and Engineering	12.630	360,998	
Uniformed Services University Medical Research Projects			
Pass-Through from HM Jackson Foundation for the Advancement of Military Medicine	12.750	74,046	
Air Force Defense Research Sciences Program	12.800	145,309	
Pass-Through from Purdue University	12.800	45,084	
Research and Technology Development	12.910	118,373	
Other Department of Defense Assistance	N/A	5,046,402	1,272,715
Pass-Through from Auburn University	N/A	221,700	
Pass-Through from HM Jackson Foundation for the Advancement of Military Medicine	N/A	83,279	
Pass-Through from Radiance Technologies	N/A	480,351	
Pass-Through from Systems Research and Applications Corporation	N/A	157,907	
Total United States Department of Defense		<u>11,649,799</u>	<u>1,629,874</u>
United States Department of the Interior			
Distribution of Receipts to State and Local Governments	15.227	12,945	
Fish and Wildlife Management Assistance	15.608	9,314	
Cooperative Endangered Species Conservation Fund	15.615	52,201	
Partners for Fish and Wildlife	15.631	858	
State Wildlife Grants	15.634	396,732	47,079
Migratory Bird Joint Ventures	15.637	13,826	6,042
Challenge Cost Share	15.642	10,242	
Research Grants (Generic)	15.650	23,986	2,500
Assistance to State Water Resources Research Institutes	15.805	68,747	
Pass-Through from Oklahoma State University	15.805	18,225	
Pass-Through from University of Minnesota	15.805	6,930	
U.S. Geological Survey_ Research and Data Collection	15.808	74,658	
Pass-Through from Montana State University	15.808	24,382	
Cooperative Research Units Program	15.812	41,753	
Other Department of the Interior Assistance	N/A	192,109	
Total United States Department of the Interior		<u>946,908</u>	<u>55,621</u>

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
United States Department of Labor			
H-1B Job Training Grants	17.268	\$ 2,814	
Total United States Department of Labor		<u>2,814</u>	
United States Department of Transportation			
Aviation Research Grants	20.108	41,506	
Highway Planning and Construction	20.205	546,255	
Pass-Through from Oregon State University	20.205	4,798	
State and Community Highway Safety	20.600	62,876	
University Transportation Centers Program	20.701	372,890	
Biobased Transportation Research			
Pass-Through from Oklahoma State University	20.761	96,031	\$ 9,239
Pass-Through from University of Missouri	20.761	3,949	
Total United States Department of Transportation		<u>1,128,305</u>	<u>9,239</u>
National Aeronautics and Space Administration			
Science	43.001	1,635,875	164,030
Pass-Through from Space Grant Consortium	43.001	16,027	
Exploration	43.003	4,000	
Construction & Environmental Compliance & Remediation	43.010	(142)	
Other National Aeronautics and Space Administration Assistance	N/A	319,071	
Pass-Through from Arkansas Power Electronics International, Inc.	N/A	20,564	
Pass-Through from PolyAdaptive, LLC	N/A	4,398	
Total National Aeronautics and Space Administration		<u>1,999,793</u>	<u>164,030</u>
National Endowment for the Arts and the Humanities			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	34,394	
Promotion of the Arts_Partnership Agreements	45.025	23,278	
Promotion of the Humanities_Federal/State Partnership			
Pass-Through from Arkansas Humanities Council	45.129	2,947	
Pass-Through from Humanities Council	45.129	925	
Promotion of the Humanities_Division of Preservation and Access	45.149	6,076	
Promotion of the Humanities_Research	45.161	23,710	
Promotion of the Humanities_Office of Digital Humanities	45.169	6,758	
Total National Endowment for the Arts and the Humanities		<u>98,088</u>	
National Science Foundation			
Engineering Grants	47.041	2,422,513	48,486
Pass-Through from Virginia Tech	47.041	77,464	
Mathematical and Physical Sciences	47.049	1,061,557	67,287
Pass-Through from University of Oklahoma	47.049	566,557	
Geosciences	47.050	137,615	
Pass-Through from University of Arizona	47.050	118	
Computer and Information Science and Engineering	47.070	1,009,328	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
National Science Foundation (Continued)			
Biological Sciences	47.074	\$ 2,714,538	\$ 583,088
Pass-Through from Cornell University	47.074	220,479	
Pass-Through from South Dakota State University	47.074	42,791	
Pass-Through from University of Delaware	47.074	113,333	
Pass-Through from University of Massachusetts	47.074	87,479	
Social, Behavioral, and Economic Sciences	47.075	137,818	5,177
Pass-Through from Texas AgriLife Research	47.075	10,274	
Pass-Through from University of Minnesota	47.075	11,508	
Education and Human Resources	47.076	858,591	16,360
International Science and Engineering (OISE)	47.079	115,139	
Office of Cyberinfrastructure	47.080	176,636	43,732
Office of Experimental Program to Stimulate Competitive Research	47.081	4,299,129	
ARRA - Trans-NSF Recovery Act Research Support	47.082	1,546,605	
Other National Science Foundation Assistance	N/A	16,471	
Pass-Through from Clemson University	N/A	3,758	
Pass-Through from Mathematical Association of America	N/A	22,571	
Total National Science Foundation		<u>15,652,272</u>	<u>764,130</u>
United States Department of Veterans Affairs			
Other Department of Veterans Affairs Assistance	N/A	34,796	
Pass-Through from VA Medical Center - Iowa City	N/A	35,461	
Total United States Department of Veterans Affairs		<u>70,257</u>	
Environmental Protection Agency			
Air Pollution Control Program Support	66.001	24,631	
Region 3 Environmental Priority Projects	66.113	25,655	
Nonpoint Source Implementation Grants	66.460	392,052	
Regional Wetland Program Development Grants	66.461	81,437	14,731
Environmental Protection_Consolidated Research			
Pass-Through from The Health Effects Institute	66.500	21,549	
Other Environmental Protection Agency Assistance			
Pass-Through from City of Siloam Springs	N/A	11,396	
Total Environmental Protection Agency		<u>556,720</u>	<u>14,731</u>
United States Department of Energy			
ARRA - State Energy Program	81.041	299,331	
Office of Science Financial Assistance Program	81.049	452,172	
Pass-Through from Arkansas Power Electronics International, Inc.	81.049	6,841	
Pass-Through from Oak Ridge Associated Universities	81.049	2,551	
Renewable Energy Research and Development	81.087	2,757,258	668,256
Fossil Energy Research and Development	81.089	99,476	72,415
Pass-Through from Houston Advanced Research Center	81.089	133,987	
ARRA - State Energy Program Special Projects			
Pass-Through from Georgia Environmental Finance Authority	81.119	127,452	

STATE OF ARKANSAS
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FOR THE YEAR ENDED JUNE 30, 2012

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
United States Department of Energy (Continued)			
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	\$ 205,642	
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	57,371	
ARRA - Advanced Research and Projects Agency Energy Financial Assistance Program			
Pass-Through from Arkansas Power Electronics International, Inc.	81.135	189,593	
Other Department of Energy Assistance	N/A	19,060	
Pass-Through from Argonne National Laboratory	N/A	17,965	
Pass-Through from National Renewable Energy Laboratory	N/A	50,982	
Total United States Department of Energy		<u>4,419,681</u>	<u>\$ 740,671</u>
United States Department of Education			
Special Education_Grants to States	84.027	451,812	
Fund for the Improvement of Postsecondary Education	84.116	6,373	
Pass-Through from Troy University	84.116	3,345	
Statewide Data Systems	84.372	80,375	
ARRA - Statewide Data Systems	84.384	606,542	
Total United States Department of Education		<u>1,148,447</u>	
United States Department of Health and Human Services			
Innovations in Applied Public Health Research			
Pass-Through from University of North Carolina-Chapel Hill	93.061	62,545	
Food and Drug Administration_Research	93.103	2,009	
Environmental Health	93.113	220,012	
Pass-Through from Louisiana State University Health Sciences Center	93.113	4,714	
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	383,514	
Human Genome Research	93.172	204,112	
Research Related to Deafness and Communication Disorders	93.173	531,382	
Pass-Through from Louisiana State University Health Sciences Center	93.173	34,225	
Research and Training in Complementary and Alternative Medicine	93.213	45,238	
Pass-Through from Mt. Sinai Medical Center	93.213	6,056	
Mental Health Research Grants	93.242	900,244	257,343
Pass-Through from Center for Psychological Consultation	93.242	31,346	
Pass-Through from Emory University	93.242	70,062	
Pass-Through from University of Massachusetts	93.242	140,386	
Pass-Through from University of Miami	93.242	18,866	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance			
Pass-Through from Benton County Drug Court	93.243	71,646	
Occupational Safety and Health Program	93.262	72,773	
Alcohol Research Programs	93.273	596,569	1,027
Pass-Through Dartmouth College	93.273	20,746	
Drug Abuse and Addiction Research Programs	93.279	5,169,490	1,214,057
Pass-Through from Baylor College of Medicine	93.279	455,171	
Pass-Through from University of Vermont	93.279	34,833	
Mental Health National Research Service Awards for Research Training	93.282	30,922	

**STATE OF ARKANSAS
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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
United States Department of Health and Human Services (Continued)			
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	\$ 105,154	
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	557,486	
Minority Health and Health Disparities Research	93.307	1,621,610	\$ 133,996
Trans-NIH Research Support	93.310	318,556	141,435
Nursing Research	93.361	306,005	
National Center for Research Resources	93.389	10,175,119	738,716
Pass-Through from Health Partners Research Foundation	93.389	3,883	
Academic Research Enhancement Award	93.390	16,953	
Cancer Cause and Prevention Research	93.393	401,377	
Pass-Through from University of Alabama-Birmingham	93.393	32,592	
Pass-Through from University of Utah	93.393	84,574	
Cancer Detection and Diagnosis Research	93.394	860,818	62,932
Pass-Through from American College of Radiology	93.394	7,835	
Pass-Through from Southwest Oncology Group	93.394	2,836	
Cancer Treatment Research	93.395	6,755,978	345,377
Pass-Through from CTSU-CALGB	93.395	568	
Pass-Through from Duke Clinical Research	93.395	(4,267)	
Pass-Through from National Surgical Adjuvant Breast and Bowel Project	93.395	8,752	
Pass-Through from Southwest Oncology Group	93.395	(22,616)	
Pass-Through from University of Alabama-Birmingham	93.395	87,578	
Pass-Through from University of California - Los Angeles	93.395	164,543	
Pass-Through from University of Michigan	93.395	11,891	
Pass-Through from University of Oklahoma	93.395	12,850	
Pass-Through from Vanderbilt University	93.395	45,387	
Pass-Through from Yale University	93.395	10,312	
Cancer Biology Research	93.396	632,415	
Cancer Research Manpower	93.398	355,200	
State Planning and Establishment Grants for the Affordable Care Act (ACA)s Exchanges	93.525	27,543	
Child Care and Development Block Grant	93.575	1,512	
ARRA - Trans-NIH Recovery Act Research Support	93.701	2,655,301	459,780
Pass-Through from InterVexion Therapeutics, LLC	93.701	148,051	
Pass-Through from Maine Medical Center	93.701	31,930	
Pass-Through from University of Tennessee	93.701	3,334	
Pass-Through from Wright State University	93.701	29,778	
ARRA - National Center for Research Resources, Recovery Act Construction Support	93.702	7,087,248	
Cardiovascular Diseases Research	93.837	3,316,189	173,190
Pass-Through from Wayne State University	93.837	21,565	
Lung Diseases Research	93.838	138,571	
Blood Diseases and Resources Research	93.839	214,144	
Pass-Through University of Iowa	93.839	182,380	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	1,242,643	
Pass-Through from University of Kentucky Research Foundation	93.846	11,270	

STATE OF ARKANSAS
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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
United States Department of Health and Human Services (Continued)			
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	\$ 3,053,928	\$ 81,165
Pass-Through from Biomedical Research Foundation	93.847	24,881	
Pass-Through from Cell & Tissue Systems	93.847	17,967	
Pass-Through from Jaeb Center for Health Research	93.847	10,478	
Pass-Through from Louisiana State University	93.847	6,036	
Pass-Through from Rhode Island Hospital	93.847	28,548	
Pass-Through from University of Alabama-Birmingham	93.847	79,035	
Pass-Through from University of Kentucky Research Foundation	93.847	8,218	
Pass-Through from University of Vermont	93.847	297,869	
Pass-Through from Wake Forest University	93.847	32,044	
Digestive Diseases and Nutrition Research	93.848	369,793	
Kidney Diseases, Urology and Hematology Research	93.849	614,235	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1,679,373	60,414
Pass-Through from University of Alabama-Birmingham	93.853	23,325	
Pass-Through from University of Medicine/Dental, New Jersey	93.853	196	
Pass-Through from University of Toledo	93.853	52,144	
Pass-Through from Yale University	93.853	14,559	
Allergy, Immunology and Transplantation Research	93.855	3,436,336	33,187
Pass-Through from Duke Clinical Research	93.855	279,055	
Pass-Through from Indiana University	93.855	31,870	
Pass-Through from Social & Scientific Systems, Inc.	93.855	20,041	
Pass-Through from University of Alabama-Birmingham	93.855	8,398	
Pass-Through from University of California at San Diego	93.855	38,363	
Microbiology and Infectious Diseases Research	93.856	2,615	
Pass-Through from University of Alabama-Birmingham	93.856	87,303	4,250
Biomedical Research and Research Training	93.859	2,441,258	196,385
Pass-Through from Board of Trustees of the University of Illinois	93.859	65,889	
Pass-Through from University of Pittsburgh	93.859	39,330	
Child Health and Human Development Extramural Research	93.865	528,296	
Pass-Through from Invotek, Inc.	93.865	1,700	
Aging Research	93.866	3,679,152	(26,935)
Pass-Through from Environmental and Health Group, Inc.	93.866	17,303	
Pass-Through from Invotek	93.866	18,757	
Pass-Through from University of Alabama-Birmingham	93.866	5,172	
Pass-Through from University of Kentucky	93.866	(526)	
Vision Research	93.867	960,247	20,214
Block Grants for Prevention and Treatment of Substance Abuse	93.959	30,000	
International Research and Research Training	93.989	434,877	
Other Department of Health and Human Services Assistance	N/A	1,416,955	798,437
Pass-Through from HIV Prevention Trial Network	N/A	4,130	
Pass-Through from Case Western Reserve University	N/A	44,015	
Pass-Through from Dartmouth College	N/A	23,472	
Pass-Through from EMMES Corporation	N/A	17,435	
Pass-Through from RTI International	N/A	67,890	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
United States Department of Health and Human Services (Continued)			
Other Department of Health and Human Services Assistance (Continued)			
Pass-Through from Southwest Oncology Group	N/A	\$ 23,263	
Pass-Through from University of California at San Diego	N/A	31,952	
Pass-Through from University of Tennessee	N/A	14,876	
Total United States Department of Health and Human Services		<u>66,853,762</u>	<u>\$ 4,694,970</u>
United States Department of Homeland Security			
Centers for Homeland Security	97.061	307,540	
Pass-Through from University of Maryland	97.061	327,837	6,000
Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies	97.108	<u>75,511</u>	<u>5,000</u>
Total United States Department of Homeland Security		<u>710,888</u>	<u>11,000</u>
United States Agency for International Development			
USAID Foreign Assistance for Programs Overseas	98.001	<u>41,453</u>	<u>12,100</u>
Total United States Agency for International Development		<u>41,453</u>	<u>12,100</u>
Total RESEARCH AND DEVELOPMENT CLUSTER		<u>121,861,187</u>	<u>9,355,161</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER			
United States Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007	4,036,328	
Federal Family Education Loans	84.032	470,951,174	
Federal Work-Study Program	84.033	5,837,114	
Federal Perkins Loan Program_Federal Capital Contributions	84.038	33,715,587	
Federal Pell Grant Program	84.063	297,732,573	
Federal Direct Student Loans	84.268	596,976,918	
Academic Competitiveness Grants	84.375	175,090	
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	31,931	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	<u>1,250,349</u>	
Total United States Department of Education		<u>1,410,707,064</u>	
United States Department of Health and Human Services			
Nurse Faculty Loan Program (NFLP)	93.264	12,093	
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	4,725,521	
Nursing Student Loans	93.364	265,269	
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	<u>216,589</u>	
Total United States Department of Health and Human Services		<u>5,219,472</u>	
Total STUDENT FINANCIAL ASSISTANCE CLUSTER		<u>1,415,926,536</u>	
United States Department of Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	1,069,463	
Conservation Reserve Program	10.069	77,539	
2009 Aquaculture Grant Program	10.103	97,773	97,425
Poultry Loss Contract Grant Assistance Program	10.104	89,127	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture (Continued)			
Market Protection and Promotion	10.163	\$ 22,800	
Specialty Crop Block Grant Program - Farm Bill	10.170	76,941	\$ 23,816
Grants for Agricultural Research, Special Research Grants	10.200	155,259	
Sustainable Agriculture Research and Education	10.215	21,287	
Pass-Through from North Carolina State University	10.215	29,423	
Pass-Through from University of Georgia	10.215	40,433	
1890 Institution Capacity Building Grants	10.216	158,411	
Higher Education Challenge Grants			
Pass-Through from Auburn University	10.217	65,808	
Integrated Programs	10.303	59,510	
Pass-Through from Texas Agri. Extension Service	10.303	6,766	
Homeland Security_Agricultural			
Pass-Through from Auburn University	10.304	1,556	
International Science and Education Grants			
Pass-Through from Mississippi State University	10.305	906	
Organic Agriculture Research and Extension Initiative			
Pass-Through from The University of Vermont	10.307	24,918	
ARRA - Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF)			
Pass-Through from University of Minnesota	10.315	186,153	
State Mediation Grants	10.435	65,687	
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	238,190	
Pass-Through from Audubon Arkansas	10.443	6,878	
Community Outreach and Assistance Partnership Program	10.455	220,713	
Cooperative Extension Service	10.500	9,981,237	421,360
Pass-Through from Auburn University	10.500	1,748	
Pass-Through from Colorado State University	10.500	17,146	
Pass-Through from Kansas State University	10.500	89,840	
Pass-Through from Purdue University	10.500	37,827	
Pass-Through from University of Florida	10.500	43,279	
Pass-Through from University of Georgia	10.500	22,948	
Pass-Through from University of Nebraska	10.500	1,734	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	73,404,781	
Child and Adult Care Food Program	10.558	51,810,511	
State Administrative Expenses for Child Nutrition	10.560	3,347,491	
Commodity Supplemental Food Program	10.565	993,840	
WIC Farmers' Market Nutrition Program (FMNP)	10.572	114,943	
Senior Farmers Market Nutrition Program	10.576	105,796	105,797
ARRA - WIC Grants To States (WGS)	10.578	132,419	
Child Nutrition Discretionary Grants Limited Availability	10.579	355	(749)
Pass-Through from Washington State University	10.579	21,773	
Fresh Fruit and Vegetable Program	10.582	1,922,247	1,848,963
Cooperative Forestry Assistance	10.664	2,254,869	633,435
Forest Legacy Program	10.676	36,945	
Forest Stewardship Program	10.678	476,855	
Forest Health Protection	10.680	585,214	196,065

STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture (Continued)			
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688	\$ 18,493	
Distance Learning and Telemedicine Loans and Grants	10.855	657,363	
1890 Land Grant Institutions Rural Entrepreneurial Outreach Program	10.856	131,384	
Rural Energy for America Program	10.868	55,297	
Delta Health Care Services Grant Program	10.874	91,264	
Soil and Water Conservation	10.902	268,823	\$ 206,309
Environmental Quality Incentives Program	10.912	62,032	62,032
Technical Agricultural Assistance	10.960	12,617	
Other Department of Agriculture Assistance	N/A	164,753	
Pass-Through from University of Michigan	N/A	64,419	
Total United States Department of Agriculture		<u>149,645,784</u>	<u>3,594,453</u>
United States Department of Commerce			
ITA Special Projects	11.113	805	
Economic Development_Technical Assistance	11.303	286,868	
Public Telecommunications Facilities Planning and Construction	11.550	54,747	
Special Projects	11.553	17,668	
Public Safety Interoperable Communications Grant Program	11.555	4,823,086	4,256,987
ARRA - Broadband Technology Opportunities Program (BTOP)	11.557	75,072,152	
Pass-Through from Connect Arkansas	11.557	295,220	
ARRA - State Broadband Data and Development Grant Program			
Pass-Through from Connect Arkansas	11.558	284,169	71,200
Manufacturing Extension Partnership	11.611	1,088,493	148,178
Total United States Department of Commerce		<u>81,923,208</u>	<u>4,476,365</u>
United States Department of Defense			
Procurement Technical Assistance For Business Firms	12.002	255,933	
Law Enforcement Support Office - 1033 Program	12.005	4,817,431	
Flood Control Projects	12.106	5,885,899	
Planning Assistance to States	12.110	147,885	
Payments to States in Lieu of Real Estate Taxes	12.112	1,227,054	1,227,054
Military Construction, National Guard	12.400	21,340,724	
National Guard Military Operations and Maintenance (O&M) Projects	12.401	49,134,547	
ARRA - National Guard Military Operations and Maintenance (O&M) Projects	12.401	132,708	
National Guard ChalleNGe Program	12.404	1,964,028	
Military Medical Research and Development	12.420	678	
Basic, Applied, and Advanced Research in Science and Engineering			
Pass-Through from Academy of Applied Science	12.630	12,406	
Information Security Grant Program	12.902	623	
Pass-Through from National Security Agency	12.902	2,433	
Other Department of Defense Assistance	N/A	25,855	
Total United States Department of Defense		<u>84,948,204</u>	<u>1,227,054</u>

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Housing and Urban Development			
Emergency Shelter Grants Program	14.231	\$ 1,203,830	
Shelter Plus Care	14.238	1,783,750	
Home Investment Partnerships Program	14.239	27,584,042	\$ 25,949,858
Housing Opportunities for Persons with AIDS	14.241	697,705	680,415
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	1,552,243	1,461,183
ARRA - Tax Credit Assistance Program	14.258	9,331	9,331
Fair Housing Assistance Program_State and Local	14.401	401,638	
Historically Black Colleges and Universities Program	14.520	260,384	93,903
Total United States Department of Housing and Urban Development		<u>33,492,923</u>	<u>28,194,690</u>
United States Department of the Interior			
Indian Education_Higher Education Grant Program	15.114	167,746	
Cultural Resource Management	15.224	64,838	
Distribution of Receipts to State and Local Governments	15.227	1,999,703	710,591
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	149,535	
Abandoned Mine Land Reclamation (AMLR) Program	15.252	1,954,071	
Cooperative Endangered Species Conservation Fund	15.615	1,610,782	17,995
Clean Vessel Act	15.616	392,416	315,247
Sportfishing and Boating Safety Act	15.622	200,000	200,000
Multistate Conservation Grant Program	15.628	69,818	69,818
State Wildlife Grants	15.634	500,909	289,456
Service Training and Technical Assistance (Generic Training)			
Pass-Through from Regents of New Mexico State University	15.649	7,740	
ARRA - Recovery Act Funds - Habitat Enhancement, Restoration and Improvement	15.656	42,299	
U.S. Geological Survey_ Research and Data Collection	15.808	164,363	
National Cooperative Geologic Mapping Program	15.810	72,160	
Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	15.819	15,004	
Historic Preservation Fund Grants-In-Aid	15.904	781,271	96,175
Outdoor Recreation_Acquisition, Development and Planning	15.916	220,920	134,550
Save America's Treasures	15.929	13,298	
Preservation of Japanese American Confinement Sites	15.933	149,762	
Other Department of the Interior Assistance	N/A	77,577	
Total United States Department of the Interior		<u>8,654,212</u>	<u>1,833,832</u>
United States Department of Justice			
Sexual Assault Services Formula Program	16.017	210,070	210,070
Community-Based Violence Prevention Program	16.123	2,902	
Juvenile Accountability Block Grants	16.523	485,196	402,551
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528	74,686	
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	230,031	7,000
Pass-Through from AR Collegiate Drug Education Committee	16.540	2,629	
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	87,213	
Missing Children's Assistance	16.543	189,510	51,607
Victims of Child Abuse	16.547	55,460	
Title V_Delinquency Prevention Program	16.548	1,974	

STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Justice (Continued)			
National Criminal History Improvement Program (NCHIP)	16.554	\$ 68,768	
Crime Victim Assistance	16.575	4,718,403	\$ 4,483,571
Crime Victim Compensation	16.576	1,219,897	
Edward Byrne Memorial Formula Grant Program	16.579	139,040	139,040
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	25,324	
Drug Court Discretionary Grant Program	16.585	203,758	
Violence Against Women Formula Grants	16.588	1,627,165	1,219,071
ARRA - Violence Against Women Formula Grants	16.588	426,203	364,661
Residential Substance Abuse Treatment for State Prisoners	16.593	120,466	
State Criminal Alien Assistance Program	16.606	403,867	
Bulletproof Vest Partnership Program	16.607	18,752	
Public Safety Partnership and Community Policing Grants	16.710	559,402	
Juvenile Mentoring Program	16.726	53,404	
Enforcing Underage Drinking Laws Program	16.727	462,975	358,206
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	316,817	
Forensic DNA Backlog Reduction Program	16.741	869,138	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	232,082	
Support for Adam Walsh Act Implementation Grant Program	16.750	112,673	
Congressionally Recommended Awards	16.753	101,110	101,110
Harold Rogers Prescription Drug Monitoring Program	16.754	3,229	
ARRA - Internet Crimes against Children Task Force Program (ICAC)	16.800	197,401	27,451
ARRA - State Victim Assistance Formula Grant Program	16.801	172,889	172,888
Second Chance Act Prisoner Reentry Initiative	16.812	655,249	
John R. Justice Prosecutors and Defenders Incentive Act	16.816	125,300	
Other Department of Justice Assistance	N/A	2,830,728	
Total United States Department of Justice		<u>17,003,711</u>	<u>7,537,226</u>
United States Department of Labor			
Labor Force Statistics	17.002	894,758	
Compensation and Working Conditions	17.005	97,890	
Unemployment Insurance	17.225	459,828,392	
ARRA - Unemployment Insurance	17.225	180,761,316	
Senior Community Service Employment Program	17.235	1,503,321	1,473,350
Trade Adjustment Assistance	17.245	6,525,395	
National Farmworker Jobs Program	17.264	264,698	
Work Incentive Grants	17.266	268,998	
H-1B Job Training Grants	17.268	224,387	
Community Based Job Training Grants	17.269	3,415,566	
Work Opportunity Tax Credit Program (WOTC)	17.271	324,008	
Temporary Labor Certification for Foreign Workers	17.273	83,328	
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	4,281,717	471,069
Pass-Through from Memphis BioWorks Foundation	17.275	108,462	
Workforce Investment Act (WIA) National Emergency Grants	17.277	3,512,960	3,457,551

**STATE OF ARKANSAS
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FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Labor (Continued)			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	\$ 2,535,906	
Pass-Through from Anne Arundel Community College	17.282	52,661	
Consultation Agreements	17.504	1,052,227	
OSHA Data Initiative	17.505	23,318	
Mine Health and Safety Grants	17.600	102,983	
Other Department of Labor Assistance	N/A	9,169	
Total United States Department of Labor		<u>665,871,460</u>	<u>\$ 5,401,970</u>
United States Department of State			
Academic Exchange Programs - Scholars Pass-Through from Institute of International Education, Inc.	19.401	9,878	
Academic Exchange Programs - Teachers	19.408	185,438	121,779
Total United States Department of State		<u>195,316</u>	<u>121,779</u>
United States Department of Transportation			
Airport Improvement Program	20.106	114,037	114,037
National Motor Carrier Safety	20.218	2,867,310	
Commercial Driver's License Program Improvement Grant	20.232	41,604	
Commercial Motor Vehicle Operator Training Grants	20.235	1,858	
Commercial Vehicle Information Systems and Networks	20.237	407,297	
Commercial Drivers License Information System (CDLIS) Modernization Grant	20.238	145,329	
Metropolitan Transportation Planning	20.505	1,850,293	1,755,427
Formula Grants for Other Than Urbanized Areas	20.509	8,993,883	7,666,515
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	720,756	398,204
Alcohol Open Container Requirements	20.607	4,020,766	
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	122,319	
E-911 Grant Program	20.615	174,600	174,600
Pipeline Safety Program Base Grants	20.700	356,747	
University Transportation Centers Program	20.701	10,863	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	223,184	38,153
ARRA - Surface Transportation Discretionary Grants for Capital Investment	20.932	8,635,814	
National Infrastructure Investments	20.933	1,022,469	1,022,469
Other Department of Transportation Assistance	N/A	142,926	
ARRA - Other Department of Transportation Assistance	N/A	38,609	
Total United States Department of Transportation		<u>29,890,664</u>	<u>11,169,405</u>
United States Department of Treasury			
Low Income Taxpayer Clinics	21.008	87,048	
Total United States Department of Treasury		<u>87,048</u>	
General Services Administration			
Donation of Federal Surplus Personal Property	39.003	8,078,610	
Total General Services Administration		<u>8,078,610</u>	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
Library of Congress			
Other Library of Congress Assistance			
Pass-Through from Illinois State University	N/A	\$ 19,995	
Total Library of Congress		19,995	
National Aeronautics and Space Administration			
Science	43.001	40,825	
Pass-Through from Space Grant Consortium	43.001	403	
Education			
Pass-Through from Rust College	43.008	38,356	
Other National Aeronautics and Space Administration Assistance	N/A	12,077	
Total National Aeronautics and Space Administration		91,661	
National Endowment for the Arts and the Humanities			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	30,000	
Promotion of the Arts_Partnership Agreements	45.025	673,075	\$ 518,177
Promotion of the Humanities_Federal/State Partnership			
Pass-Through from Arkansas Humanities Council	45.129	18,072	
Pass-Through from Humanities Council	45.129	13,038	
Promotion of the Humanities_Challenge Grants	45.130	4,751	
Promotion of the Humanities_Division of Preservation and Access	45.149	5,756	
Promotion of the Humanities_Teaching and Learning Resources and Curriculum Development	45.162	115,180	
Promotion of the Humanities_Public Programs			
Pass-Through from American Library Association	45.164	3,000	
Promotion of the Humanities_Office of Digital Humanities	45.169	115,712	
Museums for America	45.301	38,843	
Grants to States	45.310	1,869,825	
Total National Endowment for the Arts and the Humanities		2,887,252	518,177
National Science Foundation			
Engineering Grants	47.041	145,989	
Mathematical and Physical Sciences	47.049	42,303	
Biological Sciences	47.074	11,791	
Pass-Through from Rancho Santa Ana Botanic Garden	47.074	13,627	
Education and Human Resources	47.076	3,594,423	55,204
Pass-Through from America Association of Community Colleges	47.076	2,193	
Pass-Through from Missouri State University	47.076	36,057	
Pass-Through from Museum of Houston	47.076	3,000	
Pass-Through from NCSE	47.076	6,639	
International Science and Engineering (OISE)	47.079	17,252	
Office of Experimental Program to Stimulate Competitive Research	47.081	293,889	
ARRA - Trans-NSF Recovery Act Research Support	47.082	704,149	
Other National Science Foundation Assistance	N/A	447,192	
Pass-Through from The College Board	N/A	13,673	
Total National Science Foundation		5,332,177	55,204

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
Small Business Administration			
Small Business Development Centers	59.037	\$ 1,555,638	
PRIME Technical Assistance			
Pass-Through from Southeast Missouri State University	59.050	4,038	
Federal and State Technology Partnership Program	59.058	60,462	
Other Small Business Administration Assistance	N/A	783,517	
Total Small Business Administration		<u>2,403,655</u>	
United States Department of Veterans Affairs			
Veterans State Domiciliary Care	64.014	116,634	
Veterans State Nursing Home Care	64.015	5,104,323	
Post-9/11 Veterans Educational Assistance	64.027	89,168	
Vocational Rehabilitation for Disabled Veterans	64.116	9,745	
Post-Vietnam Era Veterans' Educational Assistance	64.120	107,724	
All-Volunteer Force Educational Assistance	64.124	216,257	
State Cemetery Grants	64.203	3,184,380	
Other Department of Veterans Affairs Assistance	N/A	74,483	
Pass-Through from Central Arkansas Veterans Healthcare System	N/A	105,484	
Total United States Department of Veterans Affairs		<u>9,008,198</u>	
Environmental Protection Agency			
Air Pollution Control Program Support	66.001	1,354,170	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose			
Activities Relating to the Clean Air Act	66.034	250,726	
ARRA - National Clean Diesel Emissions Reduction Program	66.039	5,695	
State Clean Diesel Grant Program	66.040	255,782	\$ 158,566
ARRA - State Clean Diesel Grant Program	66.040	135,742	79,511
Congressionally Mandated Projects	66.202	55,485	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	2,288,590	
State Public Water System Supervision	66.432	1,327,829	
State Underground Water Source Protection	66.433	100,467	
Water Quality Management Planning	66.454	102,357	
ARRA - Water Quality Management Planning	66.454	119,140	
Capitalization Grants for Clean Water State Revolving Funds	66.458	12,528,139	11,999,289
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	2,482,504	2,482,504
Nonpoint Source Implementation Grants	66.460	3,568,542	2,494,822
Regional Wetland Program Development Grants	66.461	185,738	
Capitalization Grants for Drinking Water State Revolving Funds	66.468	11,044,680	4,990,715
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	125,216	125,216
State Grants to Reimburse Operators of Small Water Systems for Training and			
Certification Costs	66.471	158,184	
Water Protection Grants to the States	66.474	43,056	
Wetland Program Grants - State/Tribal Environmental Outcome Wetland Demonstration			
Program	66.479	88,166	
Greater Research Opportunities (GRO) Fellowships For Undergraduate			
Environmental Study	66.513	4,604	

STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
Environmental Protection Agency (Continued)			
Science To Achieve Results (STAR) Fellowship Program	66.514	\$ 12,000	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	288,859	
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	473,738	\$ 8,908
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	43,400	
Pollution Prevention Grants Program	66.708	36,579	
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	94,000	
Hazardous Waste Management State Program Support	66.801	905,000	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	530,762	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	718,454	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	654,537	
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	431,207	
State and Tribal Response Program Grants	66.817	379,471	
Other Environmental Protection Agency Assistance	N/A	10,000	
Total Environmental Protection Agency		<u>40,802,819</u>	<u>22,339,531</u>
United States Department of Energy			
State Energy Program	81.041	353,845	50,957
ARRA - State Energy Program	81.041	12,674,600	1,623,821
Weatherization Assistance for Low-Income Persons	81.042	537,966	394,059
ARRA - Weatherization Assistance for Low-Income Persons	81.042	15,597,604	12,836,303
Renewable Energy Research and Development			
Pass-Through from Southern Forest Research Partnership, Inc	81.087	67	
Pass-Through from University of Memphis	81.087	84,499	
ARRA - Renewable Energy Research and Development	81.087	65,163	
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	3,489	
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	279,962	
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	5,535,480	5,178,523
Other Department of Energy Assistance	N/A	1,251,276	
Pass-Through from Los Alamos National Labs	N/A	5,000	
Pass-Through from Oak Ridge Associated Universities	N/A	66,760	
Total United States Department of Energy		<u>36,455,711</u>	<u>20,083,663</u>
United States Department of Education			
Adult Education - Basic Grants to States	84.002	6,271,679	3,908,601
Migrant Education_State Grant Program	84.011	5,100,843	5,050,018
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	422,824	224,550
Undergraduate International Studies and Foreign Language Programs	84.016	4,775	
Overseas Programs - Group Projects Abroad	84.021	24,036	
Higher Education_Institutional Aid	84.031	7,520,177	
Career and Technical Education -- Basic Grants to States	84.048	12,662,922	8,079,772
Fund for the Improvement of Postsecondary Education	84.116	466,070	40,481
Pass-Through from University of Kansas	84.116	3,719	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Education (Continued)			
Rehabilitation Long-Term Training	84.129	\$ 491,568	
National Institute on Disability and Rehabilitation Research	84.133	330,684	
Migrant Education_Coordination Program	84.144	66,666	\$ 66,666
Migrant Education_College Assistance Migrant Program	84.149	986	
Business and International Education Projects	84.153	53,827	
Safe and Drug-Free Schools and Communities_National Programs			
Pass-Through from Hot Springs School District	84.184	(7,203)	
Byrd Honors Scholarships	84.185	120,145	62,250
Safe and Drug-Free Schools and Communities_State Grants	84.186	17,396	(36,373)
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	151,361	
Graduate Assistance in Areas of National Need	84.200	148,452	
Javits Gifted and Talented Students Education	84.206	152,931	
Even Start_State Educational Agencies	84.213	34,079	9,420
Fund for the Improvement of Education	84.215	228,497	
Assistive Technology	84.224	400,451	
Rehabilitation Training_Continuing Education	84.264	821,653	
Pass-Through from George Washington University	84.264	74,978	
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265	146,775	
Charter Schools	84.282	2,298,350	2,056,660
Ready to Teach	84.286	329	
Twenty-First Century Community Learning Centers	84.287	12,021,435	11,362,469
Ready-To-Learn Television			
Pass-Through from Corporation for Public Broadcasting	84.295	130,250	
Civic Education - We the People and the Cooperative Education Exchange Program	84.304	2,659	
Parental Information and Resource Centers			
Pass-Through from Jones Center for Families	84.310	87,688	
Special Education - State Personnel Development	84.323	726,815	675,844
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	443,990	
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	156,239	
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	(1,000)	(1,000)
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331	148,965	
Comprehensive School Reform Demonstration	84.332	(168,907)	(168,907)
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	526,948	
Child Care Access Means Parents in School	84.335	4,371	
Transition to Teaching	84.350	156,739	
Reading First State Grants	84.357	(133,598)	(140,627)
Rural Education	84.358	3,002,462	2,845,298
High School Graduation Initiative	84.360	7,452	
English Language Acquisition Grants	84.365	3,175,214	3,077,408
Mathematics and Science Partnerships	84.366	1,435,969	546,138
Improving Teacher Quality State Grants	84.367	22,937,976	21,556,768

STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Education (Continued)			
Grants for State Assessments and Related Activities	84.369	\$ 5,564,926	
Striving Readers	84.371	83,187	\$ 4,005
College Access Challenge Grant Program	84.378	1,051,231	15,182
Strengthening Minority-Serving Institutions	84.382	713,399	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants			
Pass-Through from State of Florida	84.395	41,413	
ARRA - State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund			
Pass-Through from Ohio State University	84.396	302,664	
ARRA - Education Jobs Fund	84.410	24,740,614	24,638,485
American Printing House for the Blind	84.906	43,124	
Advanced Certification or Advanced Credentialing	84.925	(281)	
National Writing Project	84.928	68,726	
Pass-Through from National Writing Project Corporation	84.928	34,144	
Pass-Through from Pathway Book Services	84.928	6,818	
Hurricane Education Recovery	84.938	(177,072)	(177,072)
Other Department of Education Assistance	N/A	472,011	
Total United States Department of Education		<u>115,615,541</u>	<u>83,696,036</u>
Delta Regional Authority			
Delta Regional Development	90.200	84,779	
Delta Area Economic Development	90.201	18,614	
Help America Vote Act Requirements Payments	90.401	<u>512,442</u>	
Total Delta Regional Authority		<u>615,835</u>	
United States Department of Health and Human Services			
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	51,250	
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	160,559	136,233
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	182,297	181,185
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	502,191	16,500
National Family Caregiver Support, Title III, Part E	93.052	1,450,359	1,450,359
Public Health Emergency Preparedness	93.069	7,270,074	
Medicare Enrollment Assistance Program	93.071	3,652	
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	120,113	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	292,851	186,603
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	406,976	
Pass-Through from Mid South Health Systems	93.104	220,809	
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	509,083	
Maternal and Child Health Federal Consolidated Programs	93.110	1,203,585	152,614
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	652,855	
Nurse Anesthetist Traineeships	93.124	27,508	
Emergency Medical Services for Children	93.127	124,605	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services (Continued)			
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	\$ 199,268	
Injury Prevention and Control Research and State and Community Based Programs	93.136	113,309	
NIEHS Superfund Hazardous Substances_Basic Research and Education			
Pass-Through from University of California - Davis	93.143	3,519	
Projects for Assistance in Transition from Homelessness (PATH)	93.150	295,439	\$ 291,574
Disabilities Prevention	93.184	346,260	
Pass-Through from University of Illinois	93.184	1,108	
Patient Navigator and Chronic Disease Prevention Program	93.191	77,458	
Urban Indian Health Services	93.193	322,027	
Telehealth Programs	93.211	652,973	
Research and Training in Complementary and Alternative Medicine	93.213	9,035	
Family Planning_Services	93.217	4,211,202	86,602
Affordable Care Act (ACA) Abstinence Education Program	93.235	949,341	918,794
Grants for Dental Public Health Residency Training	93.236	316,723	82,408
State Capacity Building	93.240	211,476	
State Rural Hospital Flexibility Program	93.241	477,518	
Mental Health Research Grants			
Pass-Through from Center for Psychological Consultation	93.242	12,094	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	480,441	322,973
Geriatric Academic Career Awards	93.250	55,860	
Universal Newborn Hearing Screening	93.251	310,092	
Poison Control Support and Enhancement Grant Program	93.253	226,702	
State Health Access Program	93.256	(14,846)	(14,846)
Adult Viral Hepatitis Prevention and Control	93.270	48,959	
Alcohol National Research Service Awards for Research Training	93.272	8,881	
Alcohol Research Programs	93.273	19,029	
Substance Abuse and Mental Health Services-Access to Recovery	93.275	3,392,511	
Drug-Free Communities Support Program Grants	93.276	1,952	
Drug Abuse and Addiction Research Programs	93.279	367,483	
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	8,379,533	173,641
Pass-Through from St. Louis University	93.283	25,023	
Small Rural Hospital Improvement Grant Program	93.301	219,000	198,240
Minority Health and Health Disparities Research	93.307	14,718	
Advanced Nursing Education Traineeships	93.358	116,471	
National Center for Research Resources	93.389	25,000	
Cancer Cause and Prevention Research	93.393	70,478	
Cancer Research Manpower	93.398	159,316	
ARRA - Equipment to Enhance Training for Health Professionals	93.411	294,660	
ARRA - State Primary Care Offices	93.414	60,687	
Food Safety and Security Monitoring Project	93.448	398,124	
Pregnancy Assistance Fund Program	93.500	525,364	314,644
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	1,201,466	
Pass-Through from Arkansas Children's Hospital	93.505	88,027	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services (Continued)			
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	\$ 202,584	
Affordable Care Act (ACA) Primary Care Residency Expansion Program	93.510	376,810	
Affordable Care Act (ACA) Grants To States For Health Insurance Premium Review	93.511	880,279	
93.518 - Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	248,014	\$ 122,935
Affordable Care Act (ACA) Consumer Assistance Program Grants	93.519	233,978	
Centers for Disease Control and Prevention Affordable Care Act (ACA) Communities Putting Prevention to Work	93.520	1,373,815	1,090,291
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	93.521	482,554	
State Planning and Establishment Grants for the Affordable Care Act (ACA) Exchanges	93.525	984,571	
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	546,841	61,050
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	93.544	127,238	
The Patient Protection and Affordable Care Act of 2010 Nutrition, Physical Activity and Obesity Program	93.548	550,070	
Promoting Safe and Stable Families	93.556	4,340,470	
Child Support Enforcement	93.563	25,746,811	
Refugee and Entrant Assistance_State Administered Programs	93.566	2,365	
Low-Income Home Energy Assistance	93.568	37,274,430	36,414,167
State Court Improvement Program	93.586	812,979	
Community-Based Child Abuse Prevention Grants	93.590	268,525	197,256
Grants to States for Access and Visitation Programs	93.597	106,027	
Chafee Education and Training Vouchers Program (ETV)	93.599	214,252	
Adoption Incentive Payments	93.603	1,553,363	
Voting Access for Individuals with Disabilities_Grants to States	93.617	17,480	17,480
Developmental Disabilities Basic Support and Advocacy Grants	93.630	393,605	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	536,923	
Children's Justice Grants to States	93.643	148,920	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	3,135,258	
Child Welfare Research Training or Demonstration Pass-Through from University of Missouri	93.648	10,160	
Adoption Opportunities	93.652	35,833	
Foster Care_Title IV-E	93.658	38,244,717	
ARRA - Foster Care_Title IV-E	93.658	(315)	
Adoption Assistance	93.659	15,159,855	
ARRA - Adoption Assistance	93.659	(1,710)	
Social Services Block Grant	93.667	14,509,321	7,955,617
Child Abuse and Neglect State Grants	93.669	273,533	
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	1,027,859	992,778
Chafee Foster Care Independence Program	93.674	1,121,045	
ARRA - Trans-NIH Recovery Act Research Support	93.701	76,110	

STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services (Continued)			
ARRA - Child Care and Development Block Grant	93.713	\$ (1,520)	
ARRA - Preventing Healthcare-Associated Infections	93.717	35,322	
ARRA - State Grants to Promote Health Information Technology	93.719	1,419,755	
ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723	722,067	
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	192,647	
Children's Health Insurance Program	93.767	99,714,957	
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	531,726	\$ 384,255
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1,022,595	
Money Follows the Person Rebalancing Demonstration	93.791	6,401,013	
Health Careers Opportunity Program	93.822	422,784	
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	30,420	
Pass-Through from Case Western Reserve University	93.847	76,193	
Kidney Diseases, Urology and Hematology Research	93.849	21,394	
Biomedical Research and Research Training	93.859	405,303	
Grants for Training in Primary Care Medicine and Dentistry	93.884	1,256,085	
Health Care and Other Facilities	93.887	177,167	
Specially Selected Health Projects	93.888	157,506	
National Bioterrorism Hospital Preparedness Program	93.889	3,569,202	1,501,613
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program			
Pass-Through from Mid Delta Community Consortium	93.912	93,057	
Grants to States for Operation of Offices of Rural Health	93.913	211,494	
HIV Care Formula Grants	93.917	7,982,829	1,977,230
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	529,600	8,023
HIV Prevention Activities_Health Department Based	93.940	1,927,629	282,566
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	271,213	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	129,291	
Block Grants for Community Mental Health Services	93.958	3,684,415	3,684,415
Block Grants for Prevention and Treatment of Substance Abuse	93.959	12,670,999	11,087,321
Public Health Traineeships	93.964	9,711	
Geriatric Education Centers	93.969	371,005	3,536
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	1,197,963	32,982
Preventive Health and Health Services Block Grant	93.991	424,106	
Maternal and Child Health Services Block Grant to the States	93.994	7,164,482	
Other Department of Health and Human Services Assistance	N/A	4,395,066	
Pass-Through from Better Life Counseling Center	N/A	339	
Pass-Through from Center for Youth and Families	N/A	156,588	

**STATE OF ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services (Continued)			
Other Department of Health and Human Services Assistance (Continued)			
Pass-Through from Houston Academy of Medicine -Texas Medical Center	N/A	\$ 31,659	
Pass-Through from University of Kentucky	N/A	(25)	
Total United States Department of Health and Human Services		<u>346,273,055</u>	<u>\$ 70,311,039</u>
Corporation for National and Community Service			
State Commissions	94.003	232,487	
Learn and Serve America_School and Community Based Programs	94.004	60,517	
AmeriCorps	94.006	2,719,880	2,369,532
Program Development and Innovation Grants	94.007	53,681	
Training and Technical Assistance	94.009	<u>66,669</u>	
Total Corporation for National and Community Service		<u>3,133,234</u>	<u>2,369,532</u>
United States Department of Homeland Security			
State and Local Homeland Security National Training Program			
Pass-Through from Eastern Kentucky University	97.005	400,568	
Homeland Security Preparedness Technical Assistance Program	97.007	3,513	
Boating Safety Financial Assistance	97.012	489,140	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	121,945	
Flood Mitigation Assistance	97.029	59,287	47,468
Disaster Unemployment Assistance	97.034	17,954	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	48,764,679	45,875,521
Hazard Mitigation Grant	97.039	19,039,102	18,915,044
Chemical Stockpile Emergency Preparedness Program	97.040	7,859	(27,518)
National Dam Safety Program	97.041	118,515	
Emergency Management Performance Grants	97.042	4,545,563	2,192,926
State Fire Training Systems Grants	97.043	18,931	
Pre-Disaster Mitigation	97.047	686,010	687,325
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050	(5,990)	
Emergency Operations Centers	97.052	646,122	646,122
Interoperable Emergency Communications	97.055	121,433	74,890
Centers for Homeland Security	97.061	4,517	
Scientific Leadership Awards	97.062	99,332	
Homeland Security Grant Program	97.067	8,829,616	7,991,341
Buffer Zone Protection Program (BZPP)	97.078	277,788	277,787
Earthquake Consortium	97.082	38,869	5,000
Driver's License Security Grant Program	97.089	767,591	
National Incident Management System (NIMS)	97.107	3,068	
Other Department of Homeland Security Assistance	N/A	<u>303,254</u>	
Total United States Department of Homeland Security		<u>85,358,666</u>	<u>76,685,906</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 8,675,681,942</u>	<u>\$ 989,090,688</u>

STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

ENTITY/Program	CFDA Number(s)	Expenditures
ARKANSAS DEVELOPMENT FINANCE AUTHORITY:		
CDBG – Entitlement Grants Cluster	14.218	\$ 4,214,596
CDGB – State-Administered CDGB Cluster	14.228	4,954,262
Home Investment Partnerships Program	14.239	27,584,042
ARKANSAS DEPARTMENT OF WORKFORCE SERVICES:		
Unemployment Insurance	17.225	459,828,392
ARRA – Unemployment Insurance	17.225	180,761,316
Trade Adjustment Assistance	17.245	6,507,925
TANF Cluster	93.558, 93.716	82,526,481
STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND:		
Capitalization Grants for Clean Water State Revolving Funds	66.458	12,528,139
ARRA – Capitalization Grants for Clean Water State Revolving Funds	66.458	2,482,504
STATE OF ARKANSAS SAFE DRINKING WATER REVOLVING LOAN FUND:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	11,062,625
ARRA – Capitalization Grants for Drinking Water State Revolving Funds	66.468	125,216
ARKANSAS STUDENT LOAN AUTHORITY:		
Federal Family Education Loans	84.032-L	470,952,210
UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES:		
ARRA – Broadband Technology Opportunities Program (BTOP)	11.557	70,766,440
Head Start Cluster	93.600, 93.709	7,725,836
Student Financial Assistance Cluster	various	48,142,038
Research and Development Cluster	various	66,981,349
SOCIAL SECURITY DETERMINATION:		
Disability Insurance/SSI Cluster	96.001	42,304,208

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

**STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

(1) Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation

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

The Schedule presents both Type A and Type B federal assistance programs administered by the State of Arkansas. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and Type B federal financial assistance programs. For the State of Arkansas, Type A programs are those that exceed \$26,027,046 in disbursements, expenditures, or distributions. Major and nonmajor programs are determined by the risk-based approach outlined in OMB Circular A-133.

(c) Basis of Accounting

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

(2) Relationship to Federal Financial Reports

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

(3) Federally Funded Loan Programs

The balances of loans as of June 30, 2012, for which the federal government imposes continuing compliance requirements are as follows. The expenditures reported in the Schedule include outstanding loan balances and current-year disbursements.

CFDA Number	Program Name	Amount
84.038	Federal Perkins Loan Program_Federal Capital Contributions	\$ 33,715,587
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	4,725,521
93.364	Nursing Student Loans	265,269
	Total	<u>\$ 38,706,377</u>

STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

(3) Federally Funded Loan Programs (Continued)

The State also participates in the Federal Direct Loan Program (Direct) and the Federal Family Education Loans Program (FFELP), which includes the Federal Stafford Loan Program and the Federal Parents' Loans for Undergraduate Students Program. These programs do not require universities to disburse the funds. Instead, the federal government disburses Direct proceeds, and lending institutions disburse FFELP proceeds. Loan guarantees are issued by the Arkansas Guaranteed Student Loan Corporation and other for-profit and not-for-profit guarantee agencies. The federal government reinsures these guarantee agencies. New loans were made to students enrolled at state universities for \$596,976,918 for Direct and \$0 for FFELP during the year ended June 30, 2012; accordingly, these amounts are included in the Schedule.

Education loans made or purchased by the Arkansas Student Loan Authority (the Authority) are guaranteed by the Student Loan Guarantee Foundation of Arkansas, United Student Aid Fund, or the U.S. Department of Education. Student loans outstanding on the books of the Authority and guaranteed by the U.S. Department of Education are considered non-cash awards and amounted to approximately \$468,000,000 at July 1, 2011; this amount is included in the Schedule.

Expenditures reflected in CFDA 66.458, Capitalization Grants for State Revolving Funds, include loans to local governments for developing or constructing water treatment facilities. The funding source for these loans includes federal grant funds and state funds. In subsequent years, local governments will be required to repay these funds to the State of Arkansas. When received, these funds will be redistributed to local governments through new loans for additional water treatment facility projects. The outstanding loan balance for the year ended June 30, 2012, was \$222,061,000. Total disbursements for new loans for the year ended June 30, 2012, totaled \$19,017,000. Administrative costs associated with the program for the year ended June 30, 2012, totaled \$252,000.

Expenditures reflected in CFDA 66.468, Capitalization Grants for Drinking Water State Revolving Fund, include loans to counties, municipalities, and other tax-exempt water systems organizations for construction of new water systems, expansion or repair of existing water systems, and/or consolidation of new or existing water systems. The funding source for these loans includes federal grant funds and state funds. When received, these funds will be used to make new loans for program activities. The outstanding loan balance for the year ended June 30, 2012, was \$151,634,000. Total disbursements for new loans made during fiscal year 2012 totaled \$19,954,000. Administrative costs associated with the program for the year ended June 30, 2012, totaled \$160,000.

STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

(4) Non-Monetary Assistance

The State is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Non-cash awards received by the State are included in the Schedule as follows:

CFDA Number	Program Name	Grant Awards
10.555	National School Lunch Program	\$ 10,787,683
10.558	Child and Adult Care Food Program	33,047
10.565	Commodity Supplemental Food Program	796,720
10.569	Emergency Food Assistance Program (Food Commodities)	3,440,449
12.005	Law Enforcement Support Office – 1033 Program	4,817,431
39.003	Donation of Federal Surplus Personal Property	8,078,610
93.268	Immunization Grants	227,187
93.712	ARRA – Immunization Grants	42,278,646
Total		<u>\$ 70,459,773</u>

(5) Supplemental Nutrition Assistance Program

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP; CFDA No. 10.551) are supported by both regularly–appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act (Recovery Act) of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan and changes in participating households' income, deductions, and assets. This condition prevents the USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, the USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual state level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds accounted for 10.95% of the USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2012.

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

During fiscal year 2012, the State received cash rebates totaling \$21,805,924 from infant formula manufacturers on sales of formula to participants in the WIC program (CFDA 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFR § 246.16a as a cost–containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received to such costs enabled the State to extend program benefits to 326,468 more persons than could have been served this fiscal year in the absence of the rebate contract.

STATE OF ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

(7) Disability Determination for Social Security

Reported expenditures for benefits under the Social Security Disability Insurance program are not audited by the Arkansas Division of Legislative Audit, but by a private firm, S&P Company. Its audit follows the federal fiscal year ending September 30. The audit report for September 30, 2011, has not been issued as of the date of the State of Arkansas Single Audit report.

(8) Unemployment Insurance

The unemployment compensation system is a unique federal-state partnership, founded upon federal law but implemented through state law. Expenditures reported for the Unemployment Insurance Program (CFDA No. 17.225) include unemployment benefits from the State Unemployment Compensation Fund totaling \$354,483,473.



State of Arkansas Single Audit

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:			
Material weakness(es) identified?	___ <u>X</u>	Yes	___ No
Significant deficiency(s) identified not considered to be a material weakness(es)?	___ <u>X</u>	Yes	___ None reported
Type of auditor's report issued on compliance for major programs:			<u>Unqualified*</u>
* Except for the programs listed on page 7 of this report, which were disclaimed and qualified.			

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

	CFDA Numbers	Name of Federal Program or Cluster
1.		Child Nutrition Cluster
	10.553	School Breakfast Program
	10.555	National School Lunch Program
	10.556	Special Milk Program for Children
	10.559	Summer Food Service Program for Children
2.		CDBG - Entitlement Grants Cluster
	14.218	Community Development Block Grants/Entitlement Grants
3.		CDBG - State-Administered CDBG Cluster
	14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
	14.255	ARRA - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
4.		Special Education Cluster (IDEA)
	84.027	Special Education_Grants to States
	84.173	Special Education_Preschool Grants
	84.391	ARRA - Special Education Grants to States
	84.392	ARRA - Special Education - Preschool Grants
5.		Vocational Rehabilitation Cluster
	84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States
	84.390	ARRA - Rehabilitation Services-Vocational Rehabilitation Grants to States
6.		State Fiscal Stabilization Fund Cluster
	84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants
	84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS (Continued)

Identification of major programs (Continued):

	CFDA Numbers	Name of Federal Program or Cluster
7.		TANF Cluster
	93.558	Temporary Assistance for Needy Families
	93.716	ARRA - Temporary Assistance for Needy Families (TANF) Supplemental Grants
8.		CCDF Cluster
	93.575	Child Care and Development Block Grant
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
9.		Head Start Cluster
	93.600	Head Start
	93.708	ARRA - Head Start
	93.709	ARRA - Early Head Start
10.		Medicaid Cluster
	93.720	ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative
	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program
11.		Disability Insurance/SSI Cluster
	96.001	Social Security Disability Insurance
	96.006	Supplemental Security Income
12.	Various	Research and Development Cluster
13.		Student Financial Assistance Cluster
	84.007	Federal Supplemental Educational Opportunity Grants
	84.032	Federal Family Education Loans
	84.033	Federal Work-Study Program
	84.038	Federal Perkins Loan Program_Federal Capital Contributions
	84.063	Federal Pell Grant Program
	84.268	Federal Direct Student Loans
	84.375	Academic Competitiveness Grants
	84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants
	84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
	93.264	Nurse Faculty Loan Program (NFLP)
	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
14.	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
15.	11.557	ARRA - Broadband Technology Opportunities Program (BTOP)
16.	12.400	Military Construction, National Guard
17.	14.239	Home Investment Partnerships Program
18.	17.225	Unemployment Insurance; ARRA - Unemployment Insurance
19.	17.245	Trade Adjustment Assistance

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS (Continued)

Identification of major programs (Continued):

	<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.	66.458	Capitalization Grants for Clean Water State Revolving Funds; ARRA - Capitalization Grants for Clean Water State Revolving Funds
21.	66.468	Capitalization Grants for Drinking Water State Revolving Funds; ARRA - Capitalization Grants for Drinking Water State Revolving Funds
22.	84.410	ARRA - Education Jobs Fund
23.	93.563	Child Support Enforcement
24.	93.658	Foster Care_Title IV-E; ARRA - Foster Care_Title IV-E
25.	93.659	Adoption Assistance; ARRA - Adoption Assistance
26.	97.039	Hazard Mitigation Grant

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

\$26,027,046

Auditee qualified as low-risk auditee?

 Yes X No

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION 2 – FINANCIAL STATEMENT FINDINGS

No findings reported

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FEDERAL/STATE/EDUCATIONAL AGENCY NAME	STATE/EDUCATIONAL AGENCY IDENTIFICATION NUMBER	PAGE NUMBER
U.S. DEPARTMENT OF AGRICULTURE		
Arkansas Department of Education	500	49
Arkansas Department of Human Services	710	51
U.S. DEPARTMENT OF EDUCATION		
University of Arkansas at Pine Bluff	160	53
National Park Community College	175	57
Arkansas Department of Education	500	59
Arkansas Department of Career Education - Arkansas Rehabilitation Services	520	61
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Arkansas Department of Education	500	80
Arkansas Department of Human Services	710	80
SOCIAL SECURITY ADMINISTRATION		
Disability Determination for Social Security Administration	311	118
FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS		
FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY		
University of Arkansas for Medical Sciences	150	120
U.S. DEPARTMENT OF EDUCATION		
University of Arkansas for Medical Sciences	150	124
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
University of Arkansas for Medical Sciences	150	126

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF AGRICULTURE

Finding Number:	12-500-01
State/Educational Agency(s):	Arkansas Department of Education
CFDA Number(s) and Program Title(s):	10.553 – School Breakfast Program 10.555 – National School Lunch Program 10.556 – Special Milk Program for Children 10.559 – Summer Food Service Program for Children (Child Nutrition Cluster)
Federal Award Number(s):	2012IN109946; 2011IN109946; 2011CN109946
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance

Criteria:

Interim final guidance by the Office of Management and Budget (OMB) published as 2 CFR § 170 requires recipients of federal financial assistance awards to report first-tier subawards when an obligation of \$25,000 or more is made through an award or amendment to an award. The triggering event for reporting is the obligation of funds under a subaward or subaward amendment rather than a payment made pursuant to the subaward. Reporting must be accomplished by the end of the month following the month in which the subaward or subaward amendment occurred. Reporting is accomplished through the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) and should be publicly available at USASpending.gov.

Condition and Context:

Review of subaward reporting by the Arkansas Department of Education (ADE) for 25 subrecipients revealed subaward spending data for state fiscal year (SFY) 2012 was not listed on the USASpending.gov website for the 2011 and 2012 Child Nutrition Cluster grant awards.

Questioned Costs:

None

Cause:

ADE personnel submitted the required subaward information for SFY 2012 utilizing the Arkansas Department of Information Systems; however, submission dates could not be determined. In addition, the Agency failed to monitor the submission of information input to FSRS to determine if further follow-up was required.

Effect:

The required FFATA first-tier subaward spending data were not listed at USASpending.gov for the 2011 and 2012 Child Nutrition Cluster grant awards, and the Agency could not provide documentation of submission dates to FSRS.

Recommendation:

We recommend the Agency develop procedures to comply with FFATA submission requirements relating to first-tier subaward reporting by monitoring the USASpending.gov website for information input to FSRS.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

Finding Number:	12-500-01 (Continued)
State/Educational Agency(s):	Arkansas Department of Education
CFDA Number(s) and Program Title(s):	10.553 – School Breakfast Program 10.555 – National School Lunch Program 10.556 – Special Milk Program for Children 10.559 – Summer Food Service Program for Children (Child Nutrition Cluster)
Federal Award Number(s):	2012IN109946; 2011IN109946; 2011CN109946
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance

Views of Responsible Officials and Planned Corrective Action:

The ADE worked with DIS in an attempt to comply with the FFATA requirements. However, the FFATA Subaward Reporting System had technical issues that prevented it from accepting large amounts of data due to the newness of the system. The transmission would time out before it was received by their system. We failed to obtain documentation regarding these time-outs and the frequency with which we attempted to transmit the data. Our understanding is that several states experienced the same problems in their attempts to transmit large amounts of data.

With future transmission efforts we will check the USASpending.gov website to ensure the data is displayed. In the event of transmission failures, or the failure of the data to appear on the website, we will document all attempts to rectify the problems of transmission until either the data appears on the website or FFATA personnel confirms in writing that their system cannot accept the data.

Anticipated Completion Date: Complete

Contact Person: Ron Byrns
Controller
Department of Education
4 Capitol Mall, Room 204A
Little Rock, AR 72201-1019
Phone: (501) 683-4740
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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

Finding Number:	12-710-01
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	10.553 – School Breakfast Program 10.555 – National School Lunch Program 10.556 – Special Milk Program for Children 10.559 – Summer Food Service Program for Children (Child Nutrition Cluster)
Federal Award Number(s):	2012IN109946
Federal Award Year(s):	2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

Section 13(b)(3) of the National School Lunch Act, codified as 42 USC § 1761 (b)(3), allows sponsors of Child Nutrition Programs to receive administrative cost reimbursement at established rates. Rates are higher for sponsors of sites located in rural areas and for “self-prep” sponsors that prepare their own meals at the Summer Food Service Program (SFSP) site or a central facility, as opposed to purchasing meals from vendors.

Condition and Context:

The recalculation of 10 SFSP sponsors revealed the Arkansas Department of Human Services (DHS) overpaid administrative reimbursements of \$926 to one sponsor for June 2012. The error was due to the Special Nutrition Program (SNP) Claims System utilizing the reimbursement rates for the SFSP Type for rural or self-prep rather than the SFSP Site Information Document.

Questioned Costs:

\$926

Cause:

Historically, a sponsor has been paid administrative reimbursement based on the overall sponsor designation, regardless of actual site designation. Separate sponsor sites were not evaluated individually; thus, DHS has never determined the administrative rate for SFSP claims at the site level. As noted in the 2012 Management Evaluation performed by the U.S. Department of Agriculture, administrative reimbursements should be determined by site.

Effect:

A difference in a sponsor’s actual site designation compared to the sponsor’s overall designation would affect the amount of administrative reimbursement, thus creating the potential for an over or under-payment.

Recommendations:

We recommend the Agency recover the administrative cost overpayment of \$926 identified in the June 2012 reimbursement claims. Additionally, we recommend DHS perform analysis to identify other sponsors that were over or under reimbursed and take appropriate action. We also recommend DHS develop procedures or edit checks within the SNP Claims System to determine the administrative rate at the site level and to calculate sponsor reimbursement rates based on site.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF AGRICULTURE (Continued)

Finding Number:	12-710-01 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	10.553 – School Breakfast Program 10.555 – National School Lunch Program 10.556 – Special Milk Program for Children 10.559 – Summer Food Service Program for Children (Child Nutrition Cluster)
Federal Award Number(s):	2012IN109946
Federal Award Year(s):	2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Type of Finding:	Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action:

The Division of Child Care and Early Childhood Education (DCCECE) has reviewed the finding by Legislative Audit detailing possible payment errors and is in agreement with that finding. DCCECE had identified the error prior to the Legislative Audit review and it has been corrected in the SNP Claims System. The system now appropriately verifies that the proper reimbursement rate is utilized for rural and urban sites, rather than through analysis of the sponsor location. DCCECE will analyze the sponsor payments in question and take appropriate action with regard to recovery of any funding discrepancies.

Anticipated Completion Date: September 30, 2013

Contact Person: Mark Story
Assistant Director / Chief Fiscal Officer
Division of Child Care and Early Childhood Education
P.O. Box 1437, Slot S140
Little Rock, AR 72203-1437
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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION

Finding Number:	12-160-01
State/Educational Agency(s):	University of Arkansas at Pine Bluff
CFDA Number(s) and Program Title(s):	84.038 – Federal Perkins Loan Program_Federal Capital Contributions (Student Financial Assistance Cluster)
Federal Award Number(s):	N/A
Federal Award Year(s):	2012
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance

Criteria:

In accordance with 34 CFR § 668.16(m)(1)(ii) of the Student Assistance General Provisions and 34 CFR § 674.5 of the Federal Perkins Loan Program, an institution that begins and continues to participate in any Title IV, Higher Education Act (HEA) program must demonstrate that it is capable of adequately administering that program under the standards established. The Secretary considers an institution to have that administrative capability if the institution's cohort default rate under the Federal Perkins Loan Program does not exceed 15%. In addition, as stated in 34 CFR § 674.5(a)(1), if an institution's cohort default rate equals or exceeds 25%, the institution's Federal Capital Contribution (FCC) is reduced to zero.

Condition and Context:

Part III of the University's Fiscal Operations Report and Application to Participate (FISAP) was obtained, and the cohort default rate, a key line item, was examined. The University's current year cohort default rate was 44%. A similar finding has been reported in previous audits.

Questioned Costs:

None

Cause:

The Federal Perkins Loan Program cohort default rate was significant because of the small population of borrowers included in the calculation. The University reported that 7 of 16 borrowers who had entered repayment status during the prescribed period were in default.

Effect:

The University exceeded the allowable Federal Perkins Loan program cohort default rate.

Recommendation:

We recommend the University establish procedures to lower its cohort default rate to an acceptable level.

Views of Responsible Officials and Planned Corrective Action:

As previously reported the University is liquidating the Federal Loan Program and has not awarded any new loans to students. Less than 30 borrowers entered repayment in FY11 so the default rate was based on the average for the past three years. Sixteen borrowers entered repayment in this three year period with seven defaulting resulting in the default rate of 43.75%. None of the seven borrowers who first entered repayment in the most recent year (7/1/10-6/30/11) defaulted.

The University has extended its agreement with an outside agency, Campus Partners, to service the loan portfolio and ensure timely billing and due diligence is performed through June 30, 2013.

The University is continuing its process of assigning loans to the U. S. Department of Education and efforts will continue to fully liquidate the program with plans to have completed by June 30, 2013.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-160-01 (Continued)
State/Educational Agency(s):	University of Arkansas at Pine Bluff
CFDA Number(s) and Program Title(s):	84.038 – Federal Perkins Loan Program_Federal Capital Contributions (Student Financial Assistance Cluster)
Federal Award Number(s):	N/A
Federal Award Year(s):	2012
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance

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

Anticipated Completion Date: June 30, 2013

Contact Person: Mrs. Pauline Thomas
Vice Chancellor for Finance and Administration
University of Arkansas at Pine Bluff
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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-160-02
State/Educational Agency(s):	University of Arkansas at Pine Bluff
CFDA Number(s) and Program Title(s):	84.268 – Federal Direct Student Loans (Student Financial Assistance Cluster)
Federal Award Number(s):	P268K121072
Federal Award Year(s):	2012
Compliance Requirement(s) Affected:	Special Tests and Provisions
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

In accordance with 34 CFR § 685.303 (b)(4)(i) of the Student Assistance General Provisions, if a student is enrolled in the first year of an undergraduate program of study and has not previously received a Federal Stafford Loan, Federal Supplemental Loans for Students, Direct Subsidized Loan, or Direct Unsubsidized Loan, a school may not disburse the proceeds of a Direct Subsidized or Direct Unsubsidized Loan until 30 days after the first day of the student's program of study.

Condition and Context:

The University did not comply with regulations concerning disposition of Direct Loans. During our examination of loan proceeds for four first-year, first-time borrowers, we noted the University inappropriately disbursed loan proceeds to one student's account prior to the 30th day after the first day of class. To determine the prevalence of the errors, we compiled a list of freshman students who received loan disbursements prior to the 30th day after the first day of class during the fall 2011 semester. We selected 15 of the 229 freshman students and determined that all 15 students were first-year, first-time borrowers.

Questioned Costs:

None

Cause:

The University failed to establish adequate internal controls to ensure compliance with loan disposition requirements.

Effect:

Loan disbursements were made to first-year, first-time borrowers prior to the 30th day after the first day of class.

Recommendation:

We recommend the University establish procedures to ensure compliance with loan disposition requirements.

Views of Responsible Officials and Planned Corrective Action:

The University has procedures in place to identify and flag loan disbursement records for students who are first time undergraduates enrolled in the first year of their program who has not previously received a loan. We have evaluated internal controls and as a result implemented a new procedure to ensure that the mechanism we have in place is working properly. We have rules defined in our student financial aid system; the Director of Student Financial Services will run a test prior to each award period to make sure these rules are working properly. To assure this task is performed it was immediately added to our check-list of activities that must be performed to process all student awards.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-160-02 (Continued)
State/Educational Agency(s):	University of Arkansas at Pine Bluff
CFDA Number(s) and Program Title(s):	84.268 – Federal Direct Student Loans (Student Financial Assistance Cluster)
Federal Award Number(s):	P268K121072
Federal Award Year(s):	2012
Compliance Requirement(s) Affected:	Special Tests and Provisions
Type of Finding:	Noncompliance and Significant Deficiency

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

Anticipated Completion Date: Complete

Contact Person: Mrs. Pauline Thomas
Vice Chancellor for Finance and Administration
University of Arkansas at Pine Bluff
1200 North University Drive, Mail Slot 4922
Pine Bluff, AR 71601
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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-175-01
State/Educational Agency(s):	National Park Community College
CFDA Number(s) and Program Title(s):	84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans (Student Financial Assistance Cluster)
Federal Award Number(s):	PO63P113508; P268K123508
Federal Award Year(s):	2012
Compliance Requirement(s) Affected:	Special Tests and Provisions
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

In accordance with 34 CFR § 668.22 of the Student Assistance General Provisions, when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the amount disbursed to the student is greater than the amount the student earned, the unearned funds must be returned to the Title IV programs. If the amount disbursed to the student is less than the amount the student earned and for which the student is otherwise eligible, he or she is eligible to receive a post-withdrawal disbursement (PWD) of the earned aid that was not received.

Condition and Context:

Initially, five returns were tested for compliance with the above criteria and four exceptions were detected. An additional 10 returns were selected for examination, and five more exceptions were detected. Due to the number of exceptions, College personnel recalculated all returns for the year ended June 30, 2012, and provided a listing of the recalculations for testing. Our testing confirmed the cause of the exceptions and the resulting financial effects.

Questioned Costs:

None

Cause:

The College's calculations of returns to the Title IV programs were performed based on specific criteria input into the database. When inputting the total number of calendar days in a payment period or period of enrollment, the College failed to exclude breaks of at least five consecutive days from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period as required by 34 CFR § 668.22 (f)(ii)(C)(2)(i).

Effect:

The College returned institutional costs of \$4,590 to the Federal Pell Grant Program and \$15,846 to Federal Direct Student Loans in excess of the amounts required. Additionally, the amount due to students for aid earned but not received (PWD) increased by a total of \$1,348, of which \$1,092 related to the Federal Pell Grant Program and \$256 to the Federal Direct Student Loans program.

Recommendation:

We recommend the College strengthen procedures to ensure that returns to the Title IV programs are calculated correctly and contact the U.S. Department of Education for resolution of this matter.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-175-01 (Continued)
State/Educational Agency(s):	National Park Community College
CFDA Number(s) and Program Title(s):	84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans (Student Financial Assistance Cluster)
Federal Award Number(s):	PO63P113508; P268K123508
Federal Award Year(s):	2012
Compliance Requirement(s) Affected:	Special Tests and Provisions
Type of Finding:	Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action:

Incorrect Return to Title IV Calculations

Issue: Upon testing R2T4 calculations, Legislative Audit determined that the denominator in the calculation was not correctly excluding the holidays of 5 consecutive days in fall or spring terms for the 2011-2012 year. The auditor brought this to the attention of the Director of Financial Aid, the PeopleSoft consultant was contacted, and it was determined that the Registrar's Office is the office responsible for entering the holiday days into the system. With the new management information system, the holiday schedule was not updated to accurately reflect the correct number of holidays.

Immediate Solution Steps Taken

The PeopleSoft consultant contacted the Assistant Registrar and determined the correct dates for start and end of terms and holidays for year 2011-2012. The dates were entered into the correct tables in PeopleSoft.

The Financial Aid Director and Default Management Coordinator printed R2T4 calculation pages from the Image Now system to gain the correct information. The original data was recalculated by the PeopleSoft R2T4 System to utilize the corrected data. These changes resulted in fewer funds needing to be returned on behalf of the school for each student. A spreadsheet which records the R2T4s performed each year was expanded to include columns for the correct calculation amounts if funds were due to the student (PWD- post withdrawal disbursements), funds required to be returned by the school, and any loan funds students owe (but which are still repaid based on the terms of the MPN, Master Promissory Note, for each student). Columns for those three amounts by student and total were calculated, showing the difference or change the recalculations made. The PWD amount to pay to students changed a total of \$1,348, (\$1,092 related to Pell grants and \$256 to Direct Loan program). Funds to be returned by the school to the USDE were reduced by \$20,436 (\$4,590 related to the Pell grant program and \$15,846 related to the Direct Loan Program).

Long-term plan (to insure future accuracy)

Instructions on how this should be updated each year have been drafted. The Financial Aid Director, Financial Aid Counselors, and processors have been given view access to this schedule, and will review this schedule and start and end dates of the terms as part of the aid year set up process each year.

The College has strengthened procedures to ensure that returns to the Title IV programs are calculated correctly and has assured the U.S. Department of Education that these discrepancies will not occur again.

We have addressed this finding, and have corrected our records accordingly. The staff members involved understand the rationale behind this finding and have assured me these discrepancies will not occur again.

Anticipated Completion Date: Complete

Contact Person: Janis Sawyer
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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-500-02
State/Educational Agency(s):	Arkansas Department of Education
CFDA Number(s) and Program Title(s):	84.027 – Special Education_Grants to States 84.173 – Special Education_Preschool Grants 84.391 – ARRA – Special Education Grants to States 84.392 – ARRA – Special Education_Preschool Grants (Special Education Cluster)
Federal Award Number(s):	H027A090018; H027A100018A; H027A110018; H173A090021; H173A200021; H173A110021; H391A090018A; H392A090021A
Federal Award Year(s):	2010, 2011 and 2012
Compliance Requirement(s) Affected:	Matching, Level of Effort, Earmarking
Type of Finding:	Significant Deficiency

Criteria:

As noted in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Also, 34 CFR § 300.705 requires the Agency to allocate any funds under this program that the State Education Agency (SEA) does not retain for administration and other state-level activities to eligible Local Education Agencies (LEAs) in the State.

Condition and Context:

One employee at the Agency is responsible for the allocation of Special Education funds, but there is no review of the allocations by another knowledgeable individual. Additionally, information and documentation to support the allocations and distributions were not readily available for audit purposes.

Questioned Costs:

Unknown

Cause:

The Agency did not establish internal controls to adequately review allocation of Special Education funds and to ensure that Special Education calculations and allocations were in accordance with program requirements or that supporting documentation was retained and readily available.

Effect:

Inappropriate allocations could result in an improper payment to an LEA.

Recommendation:

We recommend the Agency establish and implement procedures to ensure that knowledgeable Agency personnel adequately review, test, and approve allocation worksheets used to distribute federal funding to LEAs and that documentation supporting the allocation of grant awards be retained and readily available for audit purposes.

Views of Responsible Officials and Planned Corrective Action:

The ADE has assigned a knowledgeable supervisor to review the allocation figures that are prepared by his employee. We are requiring that supervisor to acknowledge in writing that the review has been performed and that any errors identified have been corrected. We have also assigned responsibility for appropriate staff to ensure all information and documentation regarding the allocations and distributions of Special Education funds are readily available for audit purposes.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-500-02 (Continued)
State/Educational Agency(s):	Arkansas Department of Education
CFDA Number(s) and Program Title(s):	84.027 – Special Education_Grants to States 84.173 – Special Education_Preschool Grants 84.391 – ARRA – Special Education Grants to States 84.392 – ARRA – Special Education_Preschool Grants (Special Education Cluster)
Federal Award Number(s):	H027A090018; H027A100018A; H027A110018; H173A090021; H173A200021; H173A110021; H391A090018A; H392A090021A
Federal Award Year(s):	2010, 2011 and 2012
Compliance Requirement(s) Affected:	Matching, Level of Effort, Earmarking
Type of Finding:	Significant Deficiency

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

Anticipated Completion Date: Complete

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number: 12-520-01
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
(Vocational Rehabilitation Cluster)
Federal Award Number(s): H126A110003; H126A120003
Federal Award Year(s): 2011 and 2012
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking;
Reporting
Type of Finding: Noncompliance and Significant Deficiency

Criteria:

The U.S. Department of Education - Rehabilitation Services Administration (USDOE - RSA) issued Policy Directive 11-02 with instructions for completing the Quarterly Financial Reports (SF-425), which includes reporting the recipient's share of expenditures (i.e., matching). 34 CFR § 361.60 establishes the federal share of expenditures for the program at 78.7%, and 34 CFR § 361.62 reduces the amount otherwise payable to a state for a fiscal year by the amount by which the total expenditures from non-federal sources for the previous fiscal year were less than the total of those expenditures for the fiscal year two years prior to the previous fiscal year.

In addition, 34 CFR § 80.20(a) requires that the Agency's financial management systems be sufficient to permit preparing required reports and tracing funds to a level of expenditures adequate to establish that such funds have not been used in violation of restrictions, prohibitions, and statutes.

2 CFR § 215.21 requires the Agency to submit accurate and complete financial data to the federal awarding agency. Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition and Context:

The Agency incorrectly reported its state match expenditures on its March 2011 SF-425 report. RSA notified the Agency in July 2012 that it was not in compliance with maintenance of effort (MOE) requirements for federal fiscal year 2011; thus, the State's federal fiscal year 2012 allotment would be reduced by that shortfall in accordance with federal law and RSA policy. The Agency was also notified at that time that it had until August 3, 2012, to submit a revised SF-425 that might change the shortfall amount and, if approved, could result in restoration of all or part of the amount reduced from the federal fiscal year 2012 allotment.

The Agency submitted a revised report in November 2012, which showed that it would have met the MOE requirement if the report had been submitted accurately. Per review of communication between the Agency and David Steele, the Fiscal Unit Chief for RSA, the \$2,922,884 was restored through a reallocation process for the fiscal year 2012 grant.

Questioned Costs:

Unknown

Cause:

Agency employees responsible for preparing the reports were not adequately trained on the reporting requirements; the Agency did not have procedures in place to ensure that reports were properly reviewed for accuracy and completeness; and the Agency did not have a financial management system in place that permits tracing funds to state or federal expenditures.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number: 12-520-01 (Continued)
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
(Vocational Rehabilitation Cluster)
Federal Award Number(s): H126A110003; H126A120003
Federal Award Year(s): 2011 and 2012
Compliance Requirement(s) Affected: Matching, Level of Effort, Earmarking;
Reporting
Type of Finding: Noncompliance and Significant Deficiency

Effect:

The under-reporting of state match expenditures and the Agency's inability to submit accurate SF-425 reports caused the Agency's 2012 grant award to be reduced by the \$2,922,884 MOE shortfall.

Recommendation:

We recommend the Agency strengthen controls and procedures to ensure that state match expenditures are properly reported in accordance with program requirements.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

After the retirement of the CFO and other key Finance personnel, a new employee unfamiliar with the RSA/MIS reporting system submitted the agency's SF-425 report which included calculation errors. Extensive training was given in November, 2012, and the affected reports were corrected. The corrected reports confirmed that the Maintenance of Effort requirements for FFY2011 were indeed met during the fiscal year of record.

Although the amount of the grant was initially reduced, \$8M in additional funding was received during the re-allotment process on August 21, 2012 in effect restoring the \$3M reduction in the FY2012 grant award. This process was discussed and confirmed with David Steele of RSA via a phone conference that included the ARS Commissioner and CFO.

ARS Action Taken

The finance employee responsible for the SF-425 report has been relieved of this duty. SF-425 report training is being conducted for the replacement supervisor and will be complete prior to producing the next required report. Additional technical assistance and training is being provided by DHS, Division of the Services for the Blind, senior fiscal staff members trained in RSA reporting requirements. The CFO will continue to monitor the training and data collection requirements throughout the reporting period. The CFO will verify and approve the accuracy of the report prior to submission and ensure timeliness of report submission.

Anticipated Completion Date: July 1, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-02
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H390A090003; H126A110003; H126A120003
Federal Award Year(s):	2009, 2011, and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

34 CFR § 80.20(a) requires that the Agency's financial management systems be sufficient to permit preparing required reports and tracing funds to a level of expenditures adequate to establish that such funds have not been used in violation of restrictions, prohibitions, and statutes.

Condition and Context:

The Agency was unable to provide a reconciliation to ensure all expenditures were captured for testing. The value of the population of Vocational Rehabilitation (VR) Cluster client payments provided to the auditors from System 7, the Agency's client management software, was \$18,286,533. This amount was \$1,041,187 less than the \$19,327,720 in payments disbursed for assistance, grants, and aid reported as VR Cluster expenditures in the Arkansas Administrative Statewide Information System (AASIS), the State's accounting system. As such, auditors were not able to test this \$1,041,187 variance and could not determine whether the expenditures were in compliance with OMB A-133 requirements.

Questioned Costs:

Unknown

Cause:

The Agency did not have procedures in place to ensure that appropriate reconciliations were performed between AASIS and System 7.

Effect:

Failure to reconcile, by grant award, expenditures in AASIS to client expenditures in System 7 could result in costs of other programs using System 7 to be inappropriately expended from VR Cluster funds.

Recommendation:

We recommend the Agency strengthen controls and procedures to ensure that monthly reconciliations between AASIS and System 7 are performed.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number: 12-520-02 (Continued)
State/Educational Agency(s): Arkansas Department of Career Education –
Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s): 84.126 – Rehabilitation Services_Vocational Rehabilitation
Grants to States
84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation
Grants to States
(Vocational Rehabilitation Cluster)
Federal Award Number(s): H390A090003; H126A110003; H126A120003
Federal Award Year(s): 2009, 2011, and 2012
Compliance Requirement(s) Affected: Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

The agency purchased the Libera system in the summer of 2010 and began its use in the October of 2010. Because the CFO who designed the account setup had retired, key Finance personnel were unaware of certain setup decisions that were made which resulted in a conflict between the cost center and internal order numbers (CC/IO). This conflict was discovered only when the software company provided a list of all 3500 service types. SF-425's are prepared from AASIS data using the internal order number, therefore VR and other grant expenditures are stated correctly. Libera, however, displays only cost center information in its reports which resulted in the agency being unaware of the CC/IO conflict. Once we identified the service types which were in conflict, we were able to reconcile the two systems to within \$30,000 of each other. The remaining difference appears to be due to another software issue that was repaired in 2012 where warrants voided in AASIS continue to show as outstanding in Libera. Documents supporting this reconciliation were provided to audit personnel.

At no time was there a loss of agency grant funds or an adverse impact on the vocational rehabilitation program.

ARS Action Taken

Libera to AASIS reconciliation procedures are defined and implemented. Continuous review to identify any future potential conflicts in reporting will be conducted with ARS personnel and Libera software technicians.

Anticipated Completion Date: July 1, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-03
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H390A090003; H126A110003; H126A120003
Federal Award Year(s):	2009, 2011, and 2012
Compliance Requirement(s) Affected:	Allowable Costs/Cost Principles
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

34 CFR § 80.20(a) requires that the Agency's financial management systems be sufficient to permit preparing required reports and tracing funds to a level of expenditures adequate to establish that use of such funds does not violate restrictions, prohibitions, and statutes. In addition, 2 CFR § 225, Appendix A, paragraph C(1)(j), requires costs to be adequately documented.

Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

In addition, specific guidance is also provided relative to improper payments as outlined in the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010, Presidential memorandum to enhance payment accuracy. The term *improper payment* refers to the following:

- Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements
- Incorrect amounts, which include overpayments or underpayments made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments)
- Any payment made to an ineligible recipient or for an ineligible good or service or payments for goods or services not received (except for such payments where authorized by law)
- Any payment that an agency cannot determine was appropriate because of insufficient or lack of documentation

Condition and Context:

Of the 132 expenditures totaling \$303,513 paid on behalf of clients reviewed at Arkansas Rehabilitation Services, three items totaling \$22,453 were not supported by adequate documentation within System 7, the Agency's electronic case management system:

- A payment totaling \$17,400 to a hospital without details of services provided
- A payment totaling \$3,972 reimbursed to a client for tool and wood purchases
- A payment totaling \$1,081 reimbursed to a client for tuition

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-03 (Continued)
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H390A090003; H126A110003; H126A120003
Federal Award Year(s):	2009, 2011, and 2012
Compliance Requirement(s) Affected:	Allowable Costs/Cost Principles
Type of Finding:	Noncompliance and Significant Deficiency

Condition and Context (Continued):

Subsequent to audit fieldwork, the Agency provided additional supporting documentation for the deficiencies noted above. However, this documentation was not being maintained in System 7. During our initial review, the Agency stated that beginning in October 2010, all supporting documentation for reimbursements is maintained in System 7. Agency personnel review the supporting documentation in the system and approve or deny reimbursements. Our review included testing the Agency's controls to ensure the system contained adequate supporting documentation for the reimbursements approved.

Questioned Costs:

None

Cause:

Agency counselors and administrative staff were not adequately trained, and disbursements were not adequately reviewed to ensure that proper documentation was maintained in the case files prior to payment approval.

Effect:

Failure to maintain supporting documentation for expenditures made on behalf of clients could lead to misappropriation of funds and inaccurate reporting of client case costs, which could jeopardize future awards.

Recommendation:

We recommend the Agency strengthen procedures and controls to ensure all supporting documentation for reimbursements are maintained in System 7.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

In some situations the agency may accept hand-written invoices as adequate documentation to authorize payment for services. We do understand that this may not fall under a best practice, but this action is not prohibited in 34 CFR § 80.20, Section C.1.j. of 2 CFR § 225 Appendix A or in agency policy. The agency is requesting reconsideration on Finding 3 based on no violation of 34 CFR § 80.20, Section C.1.j. of 2 CFR § 225 Appendix A or in agency policy.

ARS Action Taken

The agency will monitor hand-written invoices on a case by case basis.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-03 (Continued)
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H390A090003; H126A110003; H126A120003
Federal Award Year(s):	2009, 2011, and 2012
Compliance Requirement(s) Affected:	Allowable Costs/Cost Principles
Type of Finding:	Noncompliance and Significant Deficiency

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

Anticipated Completion Date: July 1, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-04
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H126A110003; H126A120003
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Allowable Costs/Cost Principles
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

2 CFR § 225, Appendix B, 8.h(4) and 8.h(5) requires that the distribution of salaries or wages of employees who work on multiple activities or cost objectives be supported by personnel activity reports or equivalent documentation that reflects an after-the-fact distribution of each employee's actual activity.

Condition and Context:

Of the 496 positions paid with Vocational Rehabilitation (VR) Cluster funds, 13 positions were also paid from other federal grant programs or cost objectives. The Agency could not provide activity reports to support the time charged to the VR Cluster. For most of these 13 positions, the Agency appeared to charge a flat 80% of the position's salary to the VR Cluster.

Questioned Costs:

Unknown

Cause:

The Agency did not have procedures in place to properly record personnel activity after-the-fact for multiple grants or cost objectives.

Effect:

Paying positions based on a flat rate and not actual activity could result in VR Cluster funds being used to support non-VR activities. Noncompliance with program requirements could jeopardize future awards.

Recommendation:

We recommend the Agency establish procedures to accurately distribute the costs of employees who work on multiple activities or cost objectives.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

In November 2012, ARS received technical assistance in training on personal activity reports (PAR) to actual time charged procedures.

ARS Action Taken

The PAR form has been adopted. The form will be distributed, and tracking of actual time in AASIS will be completed by June 30, 2013.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-04 (Continued)
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H126A110003; H126A120003
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Allowable Costs/Cost Principles
Type of Finding:	Noncompliance and Significant Deficiency

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

Anticipated Completion Date: July 1, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-05
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H390A090003; H126A110003; H126A120003
Federal Award Year(s):	2009, 2011, and 2012
Compliance Requirement(s) Affected:	Cash Management
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

31 CFR § 205.33 requires that the timing and amount of funds transfers must be as close as administratively possible to a state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. In addition, 34 CFR § 76.731 requires states to keep records to show their compliance with program requirements.

Condition and Context:

While the Agency did not appear to have a balance of federal funds on hand at the end of the fiscal year, several inaccuracies existed between individual cash draw amounts tested and the Agency's documentation supporting those cash draws.

Questioned Costs:

None

Cause:

Agency employees responsible for making cash draws against grants were not adequately trained regarding cash management requirements, and the Agency did not have procedures in place to ensure that cash draws were adequately supported.

Effect:

If cash draws are not made based on accurate calculations, the Agency could potentially draw federal funds to which it is not yet entitled.

Recommendation:

We recommend the Agency strengthen controls and procedures to ensure that the amounts drawn on its grants are supported by direct program costs and the proportionate share of allowable indirect costs.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

Cash draws were supported by AASIS reports detailing VR expenditures. Calculations were performed showing FFY expenditures to date, Federal funds drawn to date, and the amount of the prior FFY carryover, confirming that the agency was consistently under-drawn.

Due to the Federal requirement of matching the entire amount of a VR grant in the first year, the agency has elected for several years to use state revenue first, then draw federal funds only when necessary, thus producing the grant receivable. The draws are for expenditures anticipated during the next few days, thus the even amounts of \$1,000,000 and \$1,200,000, etc., were commonly drawn rather than specific dollar amounts to reimburse past expenses. Quarterly spreadsheets were maintained to ensure that the carryover continued to exist.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-05 (Continued)
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H390A090003; H126A110003; H126A120003
Federal Award Year(s):	2009, 2011, and 2012
Compliance Requirement(s) Affected:	Cash Management
Type of Finding:	Noncompliance and Significant Deficiency

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

ARS Discussion (Continued)

At no time was there a loss of agency grant funds or an adverse impact on the vocational rehabilitation program.

ARS Action Taken

The finance employee responsible for draw calculations has been relieved of this duty. Cash draw calculations and processing training is being conducted for the replacement supervisor and will be completed prior to conducting the next federal draw. The CFO will continue to monitor the training and draw calculations process. The CFO will verify and approve the accuracy of the draw prior to submission.

Anticipated Completion Date: July 1, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-06
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H390A090003; H126A110003; H126A120003
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

The Arkansas Rehabilitation Services (ARS) Policy and Procedure Manual establishes the Agency's procedures for administration of its vocational rehabilitation services, generally regulated by 34 CFR §§ 361.1 — 361.57.

Condition and Context:

Client case files support vocational rehabilitation services and aid provided by the Agency. We reviewed 68 client case files to test compliance with the above criteria and noted the following deficiencies:

- Six client files were not supported by verification of client income, as required by Section V of the ARS Policy and Procedures Manual. Of the 68 files reviewed, this attribute applied to 45 cases.
- Seven clients did not have the RS-16 Financial Resources form re-assessed annually, as required by Section V of the ARS Policy and Procedures Manual. Of the 68 files reviewed, this attribute applied to 39 cases.
- Three client files were noted in which equipment was purchased for clients without an appropriate title agreement, as required by Section VI of the ARS Policy and Procedures Manual. Of the 68 files reviewed, this attribute only applied to these 3 cases.
- Four client files did not include adequate closure documentation, as required by 34 CFR § 361.56. Of the 68 files reviewed, this attribute applied to 26 cases.

Subsequent to audit fieldwork, the Agency provided additional supporting documentation for many of the deficiencies noted above, except for the title agreements. However, this documentation was not being maintained in System 7, the Agency's electronic case management system. During our initial review, the Agency stated that beginning in October 2010, all documentation is maintained in System 7. Of the deficiencies noted above, all were for dates after October 2010.

Questioned Costs:

Unknown

Cause:

Agency employees responsible for determining eligibility and maintaining client files were not properly trained to maintain appropriate client documentation required by the ARS Policy and Procedures Manual.

Effect:

Failure to maintain supporting documentation in client files could lead to funds being misappropriated, clients receiving services for which they are not eligible, and client status data being inaccurately reported.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-06 (Continued)
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H390A090003; H126A110003; H126A120003
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Noncompliance and Significant Deficiency

Recommendation:

We recommend the Agency establish controls and procedures to ensure that client case files are adequately maintained in System 7 to document adherence to the ARS Policy and Procedures Manual and 34 CFR §§ 361.1 — 361.57.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

The agency found a lack of income verification with one case only. The information for this case is being researched through the actual paper case file, because the file is located in a local storage facility. The agency is requesting reconsideration of the other 9 files cited, based upon documentation found in the manual file. The agency acknowledges the lack of RS-16 and/or updated RS-16; the reason for the lack of the RS-16 was that the clients could not be located for signature, and therefore the cases were closed or moved to a service interrupted status. Following the same response from Finding 3, the agency may accept hand-written invoices as adequate documentation to authorize payment for services. We do understand that this may not fall under a best practice, but this action is not prohibited in 34 CFR § 361, or agency policy. The agency is requesting reconsideration on hand-written invoices, based on no violation of CFR 361. The agency acknowledges that there were four clients without Title Agreement forms. The agency is requesting reconsideration on closure documentation based on no violation of CFR § 361.56

ARS Action Taken

The agency will continue to research the case that is located at the local storage facility. The agency has addressed the lack of RS-16 and /or updates. In some cases, the client files were previously closed or updated with status 24 (Services Interrupted). The agency is providing ongoing training in reference to the Title Agreement documentation. In addition, the agency is contacting clients for signature and will provide documentation once this has been completed.

Anticipated Completion Date: July 1, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-07
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H126A110003; H126A120003
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Program Income
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

The U.S. Department of Education - Rehabilitation Services Administration (USDOE - RSA) issued Policy Directive 11-02 with instructions for completing quarterly financial reports (SF-425). These instructions, along with 34 CFR § 361.63, state that program income is considered earned when it is received and should be reported as of the end of the reporting period. 34 CFR § 80.21(f)(2) requires grantees to disburse program income, rebates, refunds, contract settlements, audit recoveries, and interest earned from these activities before requesting additional cash payments.

2 CFR § 215.21 requires the Agency to submit accurate and complete financial data to the federal awarding agency. Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition and Context:

The program income could not be verified due to lack of adequate supporting documentation. Calculation errors in the supporting documentation that was provided resulted in reporting \$488,880 in program income at September 30, 2012, when the Agency's calculations reflect \$802,084, a difference of \$313,204.

Questioned Costs:

Unknown

Cause:

Agency employees responsible for preparing the reports were not adequately trained regarding reporting requirements, and the Agency did not have procedures in place to ensure that reports were properly reviewed for accuracy and completeness.

Effect:

Inaccurate reporting and noncompliance with program requirements could jeopardize future awards.

Recommendation:

We recommend the Agency strengthen controls and procedures to ensure that amounts received as program income are properly reported and disbursed in accordance with program requirements.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

During ARS' quality control review and training, the division discovered two columns had not been correctly added on the referenced report thus leading to a calculation error. ARS petitioned and received permission to reopen its report in RSA MIS for the purpose of correcting the error.

At no time was there a loss of agency grant funds or an adverse impact on the vocational rehabilitation program.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-07 (Continued)
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H126A110003; H126A120003
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Program Income
Type of Finding:	Noncompliance and Significant Deficiency

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

ARS Action Taken

The finance employee responsible for this report has been relieved of this duty. Corrected SF-425 reports documenting program income will be submitted NLT May 15, 2013. SF-425 report training is being conducted for the replacement supervisor and will be completed prior to producing the next required report. Additional technical assistance and training is being provided by DHS, Division of the Services for the Blind, senior fiscal staff members trained in RSA reporting requirements. The CFO will continue to monitor the training and data collection requirements throughout the reporting period. The CFO will verify and approve the accuracy of the report prior to submission and ensure timeliness of report submission.

Anticipated Completion Date: July 1, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-08
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H126A110003; H126A120003
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

2 CFR § 215.21 requires the Agency to submit accurate and complete financial data to the awarding federal agency.

Condition and Context:

The Agency did not have controls in place to allow for accurate submissions of the required financial reports. SF-425s for the following grants were submitted timely; however, they were later reopened and materially changed in November 2012:

- the 2011 grant for March 31, 2011
- the 2011 grant for September 30, 2011
- the 2011 grant for March 31, 2012
- the 2012 grant for March 31, 2012

Questioned Costs:

None

Cause:

Agency employees responsible for preparing the reports were not adequately trained regarding reporting requirements, and the Agency did not have procedures in place to ensure that reports were properly reviewed for accuracy and completeness.

Effect:

Failure to submit required reports timely and accurately could jeopardize future awards.

Recommendation:

We recommend the Agency strengthen controls and procedures to ensure that SF-425 financial reports are submitted accurately.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

ARS discovered an input reporting error on the March 31, 2012, SF-425 report for the 2011 VR grant and received permission from RSA to correct the reporting error to ensure the accuracy of the report. The other three referenced reports were reopened for corrections identified during training provided in November, 2012.

At no time was there was a loss of funds or an adverse financial impact on the vocational rehabilitation program.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-08 (Continued)
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H126A110003; H126A120003
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance and Significant Deficiency

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

ARS Action Taken

The finance employee responsible for this report has been relieved of this duty. SF-425 report training is being conducted for the replacement supervisor and will be complete prior to producing the next required report. Additional technical assistance and training is being provided by DHS, Division of the Services for the Blind, senior fiscal staff members trained in RSA reporting requirements. The CFO will continue to monitor the training and data collection requirements throughout the reporting period. The CFO will verify and approve the accuracy of the report prior to submission and ensure timeliness of report submission.

Anticipated Completion Date: July 1, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-09
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H126A100003; H126A110003
Federal Award Year(s):	2010 and 2011
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

RSA Policy Directive RSA-PD-09-04 and 34 CFR § 361.40 require the Agency to submit Annual Vocational Rehabilitation Program/Cost Reports (RSA-2 reports) to the U.S. Department of Education - Rehabilitation Services Administration (USDOE - RSA). Requirements for the RSA-2 include submission of yearly reports no later than December 31 for the federal fiscal year ended September 30.

2 CFR § 215.21 requires the Agency to submit accurate and complete financial data to the federal awarding agency. Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition and Context:

The RSA-2 for the year ended September 30, 2011, due on December 31, 2011, was not submitted by the Agency until May 31, 2012, 152 days late. The Agency did not have controls in place to accurately prepare the report and could not provide adequate documentation to support the report eventually submitted.

Questioned Costs:

Unknown

Cause:

Agency employees responsible for preparing reports were not adequately trained regarding the Agency's reporting requirements, and the Agency did not have procedures in place to ensure that reports were properly reviewed for accuracy, completeness, and timely submission in accordance with federal requirements.

Effect:

Inaccurate reporting and noncompliance with program requirements could jeopardize future awards.

Recommendation:

We recommend the Agency strengthen controls and procedures to ensure that reports are submitted timely and accurately.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

The RSA-2 report is available through the agency's case management software system, Libera. Due to Libera reporting limitations at that time, however, an accurate RSA-2 report was not available after September 30, 2011. After lengthy consultation with DFA Internal Audit, the agency elected to file the report on a cash basis as reported in AASIS. A 24 page document detailing the calculations and amounts in the RSA-2 that was filed May 31, 2012, was provided to Legislative Audit in November, 2012. Eleven Excel spreadsheets that were referenced in this document were available upon request. Controls are now in place to assure that the Libera software data at the end of the federal fiscal year is transferred to an external hard drive and shipped to the agency. In addition, the agency has controls which will ensure that a hard copy of the RSA-2 data out of Libera at the end of the federal fiscal year is printed and stored until needed for report preparation.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-520-09 (Continued)
State/Educational Agency(s):	Arkansas Department of Career Education – Arkansas Rehabilitation Services
CFDA Number(s) and Program Title(s):	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)
Federal Award Number(s):	H126A100003; H126A110003
Federal Award Year(s):	2010 and 2011
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance and Significant Deficiency

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

ARS Action Taken

The finance employee responsible for this report has been relieved of this duty. RSA-2 report training is being conducted for the replacement supervisor and will be completed prior to producing the next required report. Additional technical assistance and training is being provided by DHS, Division of the Services for the Blind, senior fiscal staff members trained in RSA reporting requirements. The CFO will continue to monitor the training and data collection requirements throughout the reporting period. The CFO will verify and approve the accuracy of the report prior to submission and ensure timeliness of report submission.

Anticipated Completion Date: July 1, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding Number: 12-500/710-01
State/Educational Agency(s): Arkansas Department of Education;
Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.558 – Temporary Assistance for Needy Families
(TANF Cluster)
Federal Award Number(s): G-1102ARTANF
Federal Award Year(s): 2011
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles;
Subrecipient Monitoring
Type of Finding: Noncompliance and Significant Deficiency

Criteria:

45 CFR § 92.26(b) requires state governments that provide federal awards to a subgrantee expending \$500,000 or more in federal awards in a fiscal year to determine whether the subgrantee has met the audit requirements of OMB Circular A-133. In addition, 45 CFR § 92.20 requires fiscal control and accounting procedures sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. 45 CFR § 92.20 also requires grantees and subgrantees to maintain records that adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant and subgrant awards and expenditures, among other things.

Condition and Context:

Of the \$11,299,357 reported last year as subrecipient payments made by the Arkansas Department of Education (ADE) for the Temporary Assistance for Needy Families (TANF) Cluster grant money to subrecipients receiving in excess of \$500,000, only \$6,255 was reported as expenditures by those subrecipients, as evidenced by a review of the audits submitted in the current fiscal year to the Federal Audit Clearinghouse. This indicates that grant award information is not being communicated to those subrecipients, and audits of those subrecipients are not being monitored by the pass-through agency as required by OMB Circular A-133 §___.400(d).

Questioned Costs:

None

Cause:

Internal control deficiencies at ADE and the Department of Human Services – Division of Early Childhood Education did not permit the identification of specific TANF federal expenditures. The \$11,500,000 (FY2011) and \$7,500,000 (FY2012) transfers of TANF funds made from the Department of Workforce Services to ADE lost their federal identity prior to their distribution to the subgrantees of the Arkansas Better Chance program. In addition, the amounts reported as TANF subrecipient expenditures by ADE were not communicated to the subrecipient.

Effect:

If federal awards are not properly identified to the subrecipient, the subrecipient could erroneously omit them from its Schedule of Expenditures of Federal Awards (SEFA). Such an omission could cause those expenditures to escape testing under an OMB Circular A-133 Audit. The FY2011 audits submitted to the Federal Audit Clearinghouse in FY2012 for the Little Rock School District and Pulaski County Special School District did not appropriately reflect TANF expenditures on their SEFA. As a result, TANF expenditures were not considered in the major program determination of these entities.

Recommendation:

We recommend the Agencies establish and implement policies and procedures to properly identify TANF Cluster expenditures. In addition, the Agencies should establish an internal control structure to foster the appropriate recording, communication, and monitoring of TANF Cluster transfers to subrecipients.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number: 12-500/710-01 (Continued)
State/Educational Agency(s): Arkansas Department of Education;
Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.558 – Temporary Assistance for Needy Families
(TANF Cluster)
Federal Award Number(s): G-1102ARTANF
Federal Award Year(s): 2011
Compliance Requirement(s) Affected: Allowable Costs/Cost Principles;
Subrecipient Monitoring
Type of Finding: Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action:

Arkansas Department of Education:

Act 282 of 2012, Section 24 states *"Each fiscal year, the Department of Workforce Services shall transfer the sum of seven million five hundred thousand dollars (\$7,500,000) from the state's federal Temporary Assistance for Needy Families block grant to the Department of Education, Public School Fund to be used solely for the Arkansas Better Chance Program."*

The Public School Fund is a general revenue fund and the Federal funds lose their identity at the point of transfer into the Public School Fund. These combined State/Federal Better Chance funds are disbursed by ADE to providers at the direction and approval of the DHS Division of Child Care and Early Childhood Education (DHS-DCCECE). (DHS-DCCECE administers the Better Chance Program, but the ADE serves as their disbursing agent.) DHS-DCCECE subsequently monitors the Better Chance Program providers to ensure the funds are properly utilized.

DHS-DCCECE has advised that they will communicate this grant award information to the subrecipients of Better Chance program funding. They will also provide ADE with documentation to have on hand for audit review regarding how the TANF funds are allocated to the various subrecipients.

Anticipated Completion Date: Complete

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-500/710-01 (Continued)
State/Educational Agency(s):	Arkansas Department of Education; Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.558 – Temporary Assistance for Needy Families (TANF Cluster)
Federal Award Number(s):	G-1102ARTANF
Federal Award Year(s):	2011
Compliance Requirement(s) Affected:	Allowable Costs/Cost Principles; Subrecipient Monitoring
Type of Finding:	Noncompliance and Significant Deficiency

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

Arkansas Department of Human Services:

The Division of Child Care and Early Childhood Education (DCCECE) has reviewed the finding by Legislative Audit detailed above and is in agreement with the finding. DCCECE will work in conjunction with the Arkansas Department of Education (ADE) to appropriately identify and provide reporting guidance, including information pertaining to grant and subgrant awards and the related expenditures of federal funding. In addition DCCECE, in cooperation with ADE, will also ensure that audits of those sub recipients are properly monitored by the agencies as required by OMB Circular A-133.

Anticipated Completion Date: Ongoing

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-02
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(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)
Federal Award Number(s):	G-1001ARCCDF; G-1101ARCCDF; G-1201RCCDF
Federal Award Year(s):	2010, 2011, and 2012
Compliance Requirement(s) Affected:	Allowable Costs/Cost Principles
Type of Finding:	Noncompliance

Criteria:

The Arkansas Department of Human Services (DHS) is responsible for administering the State's Child Care and Development Fund (CCDF) "child care" program. The Agency's responsibility includes determining eligibility for each applicant and documenting that eligibility criteria were met. The Agency outlines eligibility for the program in its State Plan.

Condition and Context:

Between October 1, 2011 and September 30, 2012, the Division of Child Care and Early Childhood Education identified 82 cases of client and provider overpayments totaling \$44,244. The Agency also identified 47 additional cases of possible overpayments totaling \$73,003 that are currently under investigation.

In addition to the above, we selected 95 clients for audit testing from the data-base of child care billings, including the 48 clients receiving the highest benefits ranging from \$18,500 to \$84,611. The highest of these was for a client who also worked at the child care facility. As a result of this testing, we referred six clients to the Agency for further analysis due to questions regarding eligibility and appropriateness of payments.

Questioned Cost:

Unknown

Cause:

Factors contributing to these issues included case heads and/or clients failing to report changes in client eligibility criteria that affected their eligibility status, clients willfully misrepresenting their eligibility data, and providers billing for services not provided.

Effect:

Benefits could have been provided to ineligible clients and providers.

Recommendation:

We recommend the Agency continue to provide training for employees, implement policy changes, and increase monitoring to reduce overpayments to clients and providers.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-02 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(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)
Federal Award Number(s):	G-1001ARCCDF; G-1101ARCCDF; G-1201RCCDF
Federal Award Year(s):	2010, 2011, and 2012
Compliance Requirement(s) Affected:	Allowable Costs/Cost Principles
Type of Finding:	Noncompliance

Views of Responsible Officials and Planned Corrective Action:

The Division of Child Care and Early Childhood Education (DCCECE) has reviewed the finding by Legislative Audit detailing the possible client overpayments and fraud referenced above. Possible provider overpayments or fraud continue to drop in comparison to prior years, a representation of the continuing efforts of DCCECE to control and or reduce such occurrences. In addition, historically, after completion of the investigations noted above the actual proven overpayments or fraud will be further moderated from this preliminary amount.

DCCECE 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 strong and compelling evidence of the efficacy of the internal control structure currently in place. DCCECE, in concert with Northrup Grumman, continues to upgrade and improve the automated control environment in the KIDCare system via multiple program enhancement releases each year.

DCCECE is reviewing the cases referred by Legislative Audit and will take appropriate action after completion of those individual reviews.

Anticipated Completion Date: Ongoing

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-03
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.658 – Foster Care Title IV-E
Federal Award Number(s):	1201AR1401; 1101AR1401
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

For an activity or cost to be considered allowable, it must meet the general criteria outlined in 2 CFR § 225 and the program regulations set forth in 42 USC § 672 and 45 CFR § 1356.

Condition and Context:

We reviewed child care payments on behalf of 60 foster children. Each child's eligibility status was verified using the Agency's Children's Reporting and Information System (CHRIS). Our review revealed the following:

- Fourteen children were determined by the State to be eligible but not claimable due to placement. The foster child as well as the foster family home must meet all eligibility criteria to receive Title IV-E funds. If the foster family home does not meet all criteria, the result is non-claimable status. Questioned costs for these instances totaled \$10,003.
- Eight children were determined by the State to be eligible but not claimable due to factors other than those stated above, which may include the child receiving Supplemental Security Income (SSI) benefits, the court order did not contain adequate documentation supporting whether reasonable efforts were made to keep the child in the home, and the State no longer had care/placement responsibility. Questioned costs for these instances totaled \$3,500.
- Five children were determined by the State to be ineligible to receive Title IV-E child care benefits. These children had exited care at the time of the payment. Questioned costs for these instances totaled \$171.

Similar instances were also reported in the 2009, 2010, and 2011 State of Arkansas Single Audit reports.

Questioned Costs:

\$13,674

Cause:

Payments for child care for non-claimable and ineligible foster children continue to be processed because the Agency has not developed or implemented a new system, as stated in the Agency's planned corrective action from the 2011 Single Audit report. In November 2012, the Division of Children and Family Service's CFO stated the system would be modified, not redeveloped. However, no modifications have been made. As a result, incompatibility continues between the CHRIS and KidCare Systems.

Effect:

Payments for child care continue to be made for non-claimable and ineligible foster children. Failure by the Agency to address incompatibility between the CHRIS and KidCare systems continues to place assets at risk and may jeopardize the Agency's ability to provide program funding to claimable and eligible foster children.

Recommendation:

We continue to recommend the Agency establish and implement effective procedures to ensure child care payments are made on behalf of claimable and eligible foster children.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-03 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.658 – Foster Care Title IV-E
Federal Award Number(s):	1201AR1401; 1101AR1401
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Type of Finding:	Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action:

The Division of Children and Family Services (DCFS) agrees with the above finding. DCFS is currently working with the Division of Child Care and Early Childhood Education to develop the needed programming between the CHRIS and KidCare systems to resolve this issue. The two divisions are forming a workgroup that will identify the code, in both systems, requiring revision.

Anticipated Completion Date: December 31, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-04
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.659 – Adoption Assistance
Federal Award Number(s):	1101AR1407; 1201AR1407
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

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

Condition and Context:

During reconciliation of payments issued as recorded in the Agency's Children's Reporting and Information System (CHRIS) to warrants issued in the Arkansas Administrative Statewide Information System (AASIS), it was discovered that subsidy payments were made to parents past the date the subsidy had ended. The overpayments were made to 11 adoptive parents representing 14 children.

Questioned Costs:

\$10,063

Cause:

Agency staff did not enter subsidy end dates into CHRIS timely because notification was not received from the parents or relatives of the adopted child and because appropriate staff were not notified timely when the adoptive parents' parental rights had been terminated. Subsidies end due to circumstances that may include death of the adoptive parent or the adopted child or the adoptive parent's inability to maintain responsibility for the adopted child.

Effect:

Overpayments were made to 11 adoptive parents. As a result, the Agency could be required to reimburse the federal awarding agency the amount of questioned costs noted above. In addition, it was discovered that the Division of Children and Family Services did not have a process in place to notify the Agency's accounts receivable department that an overpayment had occurred.

Recommendation:

We again recommend the Agency establish a process for identifying instances in which subsidy end dates entered by staff result in an overpayment to an adoptive parent. In addition, we again strongly recommend the Agency develop procedures to notify the accounts receivable department when overpayments occur. This issue was addressed with the Agency in the Single Audit report for the year ended June 30, 2011. In the 2011 report, the Agency responded that it concurred with the finding and would put policies and manual procedures in place to notify the accounts receivable department of overpayments and that the manual process was complete. However, as of the end of fieldwork for this report (2012), the Agency had not implemented policies or a manual process.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-04 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.659 – Adoption Assistance
Federal Award Number(s):	1101AR1407; 1201AR1407
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action:

The Division of Children and Family Services (DCFS) agrees with the above finding. DCFS has a computer generated report that identifies subsidy recipients six months prior to the adoptees 18th birthday. One staff member failed to monitor this report on a timely basis, thus causing overpayments; the staff member in question is no longer employed with DCFS. DCFS has retrained the staff to review this report and update the CHRIS system with subsidy end dates. Additionally, DCFS has implemented manager review, on a test basis, to verify end dates have been entered in the CHRIS system. DCFS has also implemented a process whereby any identified overpayment is reported to the section manager, and the section manager, in turn, is required to notify Accounts Receivable of the adoption subsidy overpayment. DCFS has notified Accounts Receivable of the cases identified in this finding.

Anticipated Completion Date: Ongoing

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-05
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Material Noncompliance and Material Weakness

Criteria:

A state may obtain a waiver of statutory requirements to provide an array of home and community-based services that may permit an individual to avoid institutionalization (42 CFR §§ 441.300 — 441.310). The U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) issued a special fraud alert concerning home health care. Problems noted include cost report frauds, billing for excessive services or services not rendered, and use of unlicensed staff. The full alert was published in the Federal Register on August 10, 1995 (page 40847), and is available online from the HHS OIG home page in the Special Fraud Alerts section.

Currently, Arkansas has five Section 1915(c) Home and Community-Based Services waivers for Medicaid:

1. Division of Developmental Disabilities Alternative Community Services Waiver (ACS)
2. ElderChoices
3. Alternatives for Adults with Physical Disabilities Waiver (APD). (The manual for APD Attendant Care providers imposes one significant restriction on who can enroll and receive payment as an APD Attendant Care provider: The manual stipulates that the provider shall not be an individual who is considered legally responsible for the participant, e.g., spouse, guardian, or anyone acting as a guardian.)
4. Respite Care Waivers (includes Home and Community-Based Waiver for Children with Physical Disabilities and Home and Community-Based Waiver for Children with Mental Retardation or Developmental Disabilities)
5. Living Choices Assisted Living

For our review, we selected three programs operated under the Home and Community-Based Service waivers: 1) the Assisted Living Services program, which is covered by the ACS waiver; 2) the ElderChoices program; and 3) the Independent Choices program, which is covered under the Respite Care waiver.

In addition, we selected the Personal Care Services program, which does not operate under a waiver but is defined and regulated by 42 CFR § 440.167.

We also considered qualitative factors such as management oversight and the Medicaid Program's high profile and public interest, which could have a significant impact on the integrity of the program.

Arkansas Provider Manuals for the various Home and Community-Based Services waivers and the Personal Care Services program dictate the information that must be documented and maintained in provider files to support the services billed.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-05 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Material Noncompliance and Material Weakness

Condition and Context:

We selected 90 provider files for review to determine if required documentation was being maintained. Fifteen were selected from the Assisted Living Services program, and 25 were selected from the ElderChoices, Independent Choices, and Personal Care Services programs.

The documentation required for the Assisted Living Services program is covered under the Division of Developmental Disabilities Alternative Community Services (ACS) Wavier § 202.100, which states that the provider must maintain sufficient written documentation in the beneficiary's case file supporting billing for services rendered. At minimum, this includes the following:

- A copy of the beneficiary's person-centered service plan.
- The specific services rendered.
- The date and actual time the services were rendered.
- The name and title of the individual who provided the service.
- Updates describing the beneficiary's progress or lack thereof. Updates should be maintained on a daily basis or at each contact with or on behalf of the beneficiary. Progress notes must be signed and dated by the provider of the service.

Our review of this program revealed all 15 case files lacked some form of documentation to support the services billed. Related questioned costs totaled \$906,192.

The documentation required for the ElderChoices program is covered by the ElderChoices Home and Community-Based 2176 Waiver § 214.000, which states that ElderChoices providers must maintain sufficient documentation to support each service for which billing is made. At minimum, this includes the following:

- a) A copy of the participant's plan of care
- b) A brief description of the specific service(s) provided
- c) The signature and title of the individual rendering the service(s)
- d) The date and actual time the service(s) was rendered

In addition, the section states that "if more than one category of service is provided on the same date of service...the documentation must delineate items 'a' through 'd' above for each service billed. For audit purposes, the auditor must readily be able to discern which service was billed in a particular time period based upon supporting documentation for that particular billing."

Our review of this program revealed that 16 case files lacked some form of documentation to support the services billed. Related questioned costs totaled \$246,568.

Our review of the Independent Choices program revealed no errors.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-05 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Material Noncompliance and Material Weakness

Condition and Context (Continued):

The documentation required for the Personal Care Services program is covered by the Personal Care Manual § 220.110 (D), which states that for each service date, for each beneficiary, the personal care aide must record the following:

- The time of day the aide begins the beneficiary's services
- The time of day the aide ends a beneficiary's services (i.e., the time of day the aide concludes the service delivery, not necessarily the time the aide leaves the beneficiary's service delivery location)
- Notes regarding the beneficiary's condition as instructed by the service supervisor
- Task performance difficulties
- Justification for any emergency unscheduled tasks and documentation of prior-approval or post-approval of the unscheduled tasks
- Justification for not performing any scheduled tasks required by the service plan
- Any other observations the aide believes are of note or should be reported to the supervisor

Our review of this program revealed 24 case files lacked some form of documentation to support the services billed. Related questioned costs totaled \$183,057.

Questioned Costs:

\$1,335,817

Cause:

The Agency failed to ensure that all required documentation was maintained.

Effect:

Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

Recommendation:

We recommend the Agency establish and implement procedures to ensure all required documentation is maintained in beneficiary case files.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-05 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Material Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action:

Assisted Living Services (covered by ACS Waiver)

The Developmental Disability Services Alternative Community Services (ACS) Waiver is a state and federally funded program for individuals with intellectual and developmental disabilities with an age of onset before age 22. The waiver is an alternative to institutionalization, and individuals served through the ACS Waiver live as independently as possible in the community with waiver services and other supports instead of living in an institution.

All individuals served through the ACS Waiver must be eligible for the level of care required by an Intermediate Care Facility for individuals with Intellectual or Developmental Disabilities (ICF/IDD). To qualify, there must be substantial limitations in 3 or more of 6 areas of major life activity (self care, language, learning, mobility, self direction or independent living) and these needs can be met through the waiver instead of through living in an institution (ICF/IDD) or nursing home. The waiver provides individually tailored services and supports that assist individuals in acquiring, retaining and improving targeted skills necessary to reside in the community. The ACS Waiver program is administered through the Division of Developmental Disabilities Services (DDS), with authority and responsibility for the waiver through the Division of Medical Services (DMS).

The Division of Legislative Audit (DLA) reviewed 15 case files of individuals served and concluded that there were documentation discrepancies resulting in 15 (100%) for a total of \$906,192 in questioned costs.

The breakdowns of findings are as follows:

15 recipients—Lack of documentation.

DDS/DMS response to each category identified:

15 recipients—Lack of documentation.

DDS/DMS disagrees with this finding. The most common finding was daily updates of beneficiaries' progress notes, signed and dated by provider. DDS/DMS' review of provider documentation established that services were delivered per care plans. Accordingly, payments were not improper. Furthermore, the Medicaid Fairness Act limits recoupments based on missing dates and signatures.

In response to the audit findings, DDS assigned ACS Waiver staff to conduct follow-up audits of the 15 beneficiary case files reviewed by DLA. DDS/DMS believes there was sufficient documentation to support the billing submitted by the providers.

DDS suggests that in order to obtain a more accurate view of the ACS Waiver program, an in-depth knowledge of operations and administration at the provider level is required of both an auditor and the representative of the waiver provider assisting with DLA inquiries. The follow up survey by DDS staff revealed instances where DLA auditors made requests to provider staff who are not knowledgeable in the areas being reviewed, e.g. an individual responsible for human resource functions in a provider organization's headquarter office.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-05 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Material Noncompliance and Material Weakness

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

DDS/DMS Planned Actions:

As a result of DLA's review and recommendations, DDS/DMS will undertake the following actions:

- DDS/DMS management will review all current documentation requirements to ensure that they are related to and in furtherance of state and federal statutory and regulatory requirements for providing services through the ACS Waiver program, and to clarify interpretation differences noted between DLA and DDS/DMS.
- DDS staff will increase monitoring visits to home and community based service providers to ensure compliance with all program requirements.
- Training will be provided to home and community based service providers at the corporate level to make sure billing is adequately supported by underlying documentation.

ElderChoices

The ElderChoices (EC) waiver is a Medicaid home and community based services program (HCBS) designed for the elderly population. EC was approved effective August 1, 1991, and is designed for persons who due to physical, cognitive or medical reasons, require a level of assistance that would have to be provided in a nursing facility, if it were not for the services offered through this program. The major goal of this program is to provide services that assist eligible persons to remain in their homes or live with family in order to prevent or delay institutionalization. *The services offered through this program include: Homemaker, Adult Companion, Respite, Chore, Adult Day Care, Adult Day Health Care, Home Delivered Meals, Personal Emergency Response Systems, and Adult Family Homes. The EC waiver program is administered through the Division of Aging and Adult Services (DAAS), with authority and responsibility for the waiver through the Division of Medical Services (DMS).*

The Division of Legislative Audit reviewed 25 recipients of EC and concluded 16 cases (64%) "lacked some form of documentation to support the services billed" during the year. Questioned costs of the review for EC was \$246,568.

The breakdowns of findings are as follows:

15 recipients—Lack of documentation.

1 recipient—Unable to locate.

9 recipients—No errors or questioned costs.

DAAS/DMS Response to each category identified:

15 recipients—Lack of documentation.

DAAS/DMS disagrees with this finding. The most common finding was a provider's recording of arrival and departure time at participant's home with a summary of time spent performing each authorized service. DLA's interpretation of policy is provider should have an "actual" start and stop time for each service performed during the day. DAAS/DMS' review of provider documentation does not indicate that providers were incorrectly paid according to the participant's authorized plan of care.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-05 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Material Noncompliance and Material Weakness

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

DAAS/DMS Response to each category identified (Continued):

1 recipient—Unable to locate.

DAAS contacted provider after audit and obtained records for the time period in question. Based on the records obtained, no issues were identified. DAAS/DMS disagrees that auditor's failure to locate a provider during a retrospective audit indicates any program error or deficiency. Neither DAAS nor DMS was notified at time of auditor's fieldwork that locating the provider was an issue.

DAAS/DMS Planned Actions:

As a result of DLA's review and recommendations, DAAS/DMS will undertake the following actions:

- Review all written waiver documents and Medicaid Provider Manual for clarity, consistency, and enhancement, and clarify interpretation differences noted between DLA and DAAS/DMS.
- Provider Information Memorandum (PIM) will be issued to all EC providers. PIM will clarify documentation requirements as outlined in Medicaid Provider Manual.
- Beginning May 2013, DAAS will conduct desk reviews of 3 provider agencies each month. Review will include 3 recipients from the DMS Quality Assurance review and one month of billing for the recipient. Reviews will determine if on-site monitoring visit or further action is necessary.

Provider training is provided twice a year. Billing and documentation is reviewed. Training will continue to include review of documentation requirements.

Personal Care Services

Personal Care Services are primarily based on the assessed physical dependency need for "hands-on" services with the following activities of daily living (ADL): eating, bathing, dressing, personal hygiene, toileting and ambulating. Hands-on assistance in at least one of these areas is required. This type of assistance is provided by a personal care aide based on a beneficiary's physical dependency needs (as opposed to purely housekeeping services). A plan of care is developed through the assessment process and is based on a beneficiary's dependency in at least one of the above-listed activities of daily living. While not a part of the eligibility criteria, the need for assistance with other tasks and IADLs (Instrumental Activities of Daily Living) are considered in the assessment. Both types of assistance are considered when determining the amount of overall personal care assistance authorized. Routines or IADLs include meal preparation, incidental housekeeping, laundry, medication assistance, etc.

The DLA reviewed 25 recipients served by 2 providers for Personal Care Services (Arkansas Department of Health and Central Arkansas AAA) and concluded that there were discrepancies in 24 of the 25 recipients (96%) and 2 of the 2 providers (100%); however 100% of claims did not have discrepancies. Total questioned costs were \$183,057.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-05 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Material Noncompliance and Material Weakness

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

The breakdowns of findings are as follows:

24 recipients–Lack of documentation.

1 recipient–No errors or questioned costs.

DMS response to each category identified:

24 recipients–Lack of documentation.

DMS disagrees with these findings because they are based on conjecture rather than fact. For example, the workpapers state: “An aide that provided care during this week *could have been* in a fiduciary relationship to the beneficiary as there is no documentation to the contrary. No relationship forms were noted.” (Emphasis added). However, the Medicaid Provider Manual does not require a “relationship form” be in the beneficiary’s file disproving relationship. DMS’ review of these cases identified no: 1) prohibited relationships; 2) provider failure to deliver services in accordance with plans of care; or 3) provider bills for services that were not provided.

DMS Planned Actions:

As a result of DLA’s review and recommendations, the following actions will be taken by DMS:

- Review all documentation and Medicaid Provider Manual for clarity, consistency and enhancement, and clarify interpretation differences noted between DLA and DMS.
- DMS program staff will increase monitoring visits to providers to ensure compliance with all program requirements.
- Training will be provided to Personal Care providers at the corporate level as well as at the direct care level to make sure billing is adequately supported by underlying documentation required by Medicaid Provider Manual.

Anticipated Completion Date: Promulgated changes will be effective after legislative approval.
Training and monitoring will continue on an ongoing basis.

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-06
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Special Tests and Provisions
Type of Finding:	Noncompliance and Material Weakness

Criteria:

Arkansas Medicaid Provider Manual section 142.100 requires each provider to immediately notify the Medicaid Provider Enrollment Unit in writing regarding any changes to its application or contract, including conviction of crime.

In addition, DHS Policy 1088, also known as the “DHS Participant Exclusion Rule,” outlines very specific causes for exclusion. The policy purpose states, “DHS shall conduct business only with responsible participants. Participants will be excluded from participation in DHS programs not as penalty, but rather to protect public funds, the integrity of publicly funded programs, and public confidence in those programs.” The policy further states that “participant exclusion is a serious action that shall be used only in the State’s best interests and for the protection of the public and DHS.”

Additional language in Policy 1088 provides various causes for participant exclusion. The policy states that DHS *shall automatically exclude* a participant if the participant is the subject of final determination that the participant has wrongfully acted or failed to act with respect to, *or has been found guilty*, or pled guilty to any crime related to any offense indicating “moral turpitude.” Merriam-Webster Dictionary defines *moral turpitude* as an act or behavior that gravely violates the moral sentiment or accepted moral standards of the community.

We also considered qualitative factors such as management oversight and the Medicaid Program’s high profile and public interest, which could have a significant impact on the integrity of the program.

Condition and Context:

To determine if disclosures were required for Medicaid providers, an offender listing was obtained from the Arkansas Crime Information Center and compared to a provider listing obtained from the Agency’s Medicaid Management Information System (MMIS) database. One match was discovered.

Our inquiry regarding the provider discovered in the match revealed that the provider had been convicted of possessing child pornography in violation of 18 USC § 2252(a)(4)(B) (1994 & Supp. IV 1998) and was sentenced to 37 months imprisonment. The provider was released from prison in January 2005.

The provider, a Primary Care Physician (PCP), was re-enrolled as a Medicaid provider on August 1, 2006. The Agency was unable to provide documentation supporting the disclosure required of the provider in accordance with the provider manual section referenced in the criteria above. In addition, the Agency failed to automatically exclude this provider, in accordance with Policy 1088.

It should be noted that the duties of a PCP could include the treatment of Medicaid-eligible children, which could also include foster children.

Question Costs:

\$460,317 has been paid directly to the provider since re-enrollment through November 29, 2012. It is possible that other costs could have been paid for services performed by this provider if the services were submitted under an approved Group Practice Organization. Group Practice Organizations would typically include entities like hospitals and medical clinics. Potential costs for these types of organizations have not been identified.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-06 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Special Tests and Provisions
Type of Finding:	Noncompliance and Material Weakness

Cause:

Management failed to ensure established policies were followed.

Effect:

Failure to ensure compliance with regulations could result in sanctions against the Medicaid Program and could also weaken the integrity of the program.

Recommendation:

We recommend the Agency strengthen controls to ensure compliance with existing policies. In addition, we recommend the Agency address the specific disclosure and exclusion issue for this provider.

Views of Responsible Officials and Planned Corrective Action:

Nothing in the provider's history suggests any impropriety related to the practice of medicine or the delivery of care to Medicaid patients. Nevertheless, the report recommends that DHS require the provider to report a conviction that is already known and exclude the provider from delivering Medicaid services. In determining whether to impose a sanction or terminate the provider's Medicaid provider agreement, DMS considered the following:

- Because DMS has knowledge of the provider's conviction, no purpose would be served by requiring disclosure now; For non-reporting that does not involve a Medicaid overpayment or any patient care issues, DMS would not terminate or suspend a provider, but rather, would require a corrective action plan. Because the provider's conviction is not a repetitious event, a corrective action plan doesn't make sense.
- Having knowledge of Dr. L.P.'s conviction, the State Medical Board chose not to take action under Ark. Code Ann. § 17-95-409(a)(2)(A)(i), which authorizes the Board to revoke the medical license of any physician who is convicted of "any crime involving moral turpitude or ... a felony." The State Medical Board, not DMS, determines whether a person is qualified and fit to practice medicine. DMS will not substitute its judgment for the Board's by prohibiting the provider from delivering health care services to Medicaid recipients.
- DMS sanctions providers for rule violations in order to mitigate any harm resulting from the violation, and to deter similar conduct in the provider pool at large. Imposition of sanctions in this case would advance neither of those goals. Furthermore, the report does not suggest any violation of federal laws or rules, so no Medicaid funds are at risk. We are, therefore, unable to discern any reason for the report to state how much the provider was paid over the years.

Anticipated Completion Date: No further action needed.

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-07
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Special Tests and Provisions – Utilization Control and Program Integrity
Type of Finding:	Noncompliance and Material Weakness

Criteria:

42 CFR §§ 455, 456, and 1002 outline requirements for Utilization Control and Program Integrity. These sections require the State Medicaid Agency to develop methods to identify and investigate suspected fraud cases and to develop procedures for referring these cases to law enforcement officials. The Agency's Program Integrity (PI) Unit serves this function.

Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

In addition, specific guidance is provided relative to improper payments as outlined in the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010, Presidential memorandum to enhance payment accuracy. The term *improper payment* refers to the following:

- Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements
- Incorrect amounts, which include overpayments or underpayments made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments)
- Any payment made to an ineligible recipient or for an ineligible good or service or payments for goods or services not received (except for such payments where authorized by law)
- Any payment that an agency cannot determine was appropriate because of insufficient or lack of documentation.

We also considered qualitative factors such as management oversight and the Medicaid Program's high profile and public interest, which could have a significant impact on the integrity of the program.

Condition and Context:

Our review of the Agency's PI Unit revealed that six reports written by the Agency's PI Unit regarding Home and Community-Based Services providers with improper payments totaling \$79,921 were not issued at the request of management.

The PI Unit is currently organized directly under Program and Provider Management of the Division of Medical Services (DMS). To ensure the PI Unit's effectiveness, the PI Unit should be organized directly under the DMS Director or the Department of Human Services Director.

Questioned Costs:

\$79,921

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-07 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Special Tests and Provisions – Utilization Control and Program Integrity
Type of Finding:	Noncompliance and Material Weakness

Cause:

The current organizational structure of the PI Unit allowed management override and the failure to immediately report improper payments of \$79,921.

Effect:

Management override of PI Unit reports renders the Unit ineffective and jeopardizes the overall integrity of the Agency.

Recommendation:

We recommend the Agency establish and implement adequate internal controls to ensure the independence, effectiveness, and integrity of the PI Unit, which may include organizing the PI Unit outside Program and Provider Management. In addition, we recommend the Agency establish and implement procedures and controls to ensure all Agency reports are issued immediately.

Views of Responsible Officials and Planned Corrective Action:

In conjunction with this finding, DLA has offered comments on the reporting structure of DHS's Medicaid Program Integrity Unit (PI). However, the comments on the PI Unit's reporting structure do not follow directly from the audit's subject matter and findings, nor do they follow from the regulatory citations referenced by DLA in its audit findings. DLA's summary describes the effect of their findings as including potential non-compliance with federal and state regulations, but there is no reference to any violation or suspected violation of federal or state regulations. We are left to speculate that DLA might be alluding to one of two possible sources for violations or suspected violations of state or federal regulations: (1) the PI Unit's organizational placement within DHS and (2) the disposition of the PI Unit's investigations. We address these two possibilities in order.

Federal requirements regarding the Medicaid PI Unit's organizational structure:

One might infer from DLA's findings that the reporting relationship between the PI Unit and agency leadership is somehow at odds with state or federal regulation. That is not the case. DLA cites no state rules in its findings, but does refer to 42 C.F.R. Part 455. These federal regulations describe state and federal Medicaid program integrity efforts, but include no reference whatsoever to the potential organizational placement or reporting relationships for Medicaid agency staff assigned the responsibility of investigating waste, fraud and abuse in the Medicaid program. Indeed, there is no mention of a so-called "Program Integrity" (PI) Unit at all in the regulation. Rather, the federal regulations establish requirements for a state Medicaid agency's functional capacity in the area of program integrity. Specifically, 42 C.F.R. § 455.12 through 455.17 describe "methods for identification, investigation, and referral," "preliminary investigations," "full investigations," "resolution of full investigations," and "reporting requirements." In none of these sections is there an indication of the required—nor even preferred—size, placement, nor reporting relationship of the resources a state Medicaid agency chooses to devote to fraud detection and investigation program.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-07 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Special Tests and Provisions – Utilization Control and Program Integrity
Type of Finding:	Noncompliance and Material Weakness

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

The only inference that may be drawn directly from the federal regulation that DLA references is that “The Medicaid agency must have methods ... for identifying ... [and] investigating” suspected cases of fraud.” DMS’s PI Unit satisfies that requirement, and compliance with federal regulations could actually be put at risk by DLA’s recommendations, especially in light of separate federal limits on delegation of the single state agency’s duties. According to the foundational guidance for States’ administration of the Medicaid program, “In order for an agency to qualify as the Medicaid agency –

1. The agency must not delegate to other than its own officials, authority to –
 - (i) Exercise administrative discretion in the administration or supervision of the plan, or
 - (ii) Issue policies, rules, and regulations on program matters.
2. The authority of the agency must not be impaired if any of its rules, regulations, or decisions are subject to review, clearance, or similar action by other offices or agencies of the state.
3. If other State or local agencies or offices perform services for the Medicaid agency, they must not have the authority to change or disapprove any administrative decision of that agency, or otherwise substitute their judgment for that of the Medicaid agency with respect to the application of policies, rules, and regulations issued by the Medicaid agency.”

42 C.F.R. § 431.10(e) Authority of the single State agency.

DLA’s alternative recommendation to locate the PI Unit outside of DHS altogether would eliminate the Arkansas Medicaid agency’s capacity to identify and investigate potential cases of fraud, and would impede the Arkansas Medicaid agency’s ability to apply reasonable judgment in the interpretation of policies and rules that the PI Unit is intended to enforce, thereby *creating* potential violations of both 42 C.F.R. § 455.13 and 42 C.F.R. § 431.10(e). Critically, 42 C.F.R. § 431.10(e) explicitly prohibits state Medicaid agencies from delegating to anyone but its own officials the “authority to exercise administrative discretion in the administration or supervision of the plan,” as well as authority to “issue policies, rules, and regulations on program matters.” Taken together, we interpret these federal regulations to both prohibit the removal of investigative authority from DHS—the state Medicaid agency— and to require DHS to assign to its own officials the administrative requirements associated with program integrity. As to Medicaid program integrity functions that are not part of Medicaid program administration as described above (for example, criminal law enforcement), the Attorney General’s Medicaid Fraud Control Unit is an existing Program Integrity Unit that is external to Medicaid. So also is the audit capacity of DLA and various federal oversight agencies, all of which supplement or duplicate the PI Unit’s role, but cannot serve in place of it.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-07 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Special Tests and Provisions – Utilization Control and Program Integrity
Type of Finding:	Noncompliance and Material Weakness

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

Disposition of the Medicaid PI Unit's investigations:

We speculate that DLA's reference in this finding to potential violations of state and federal regulations may be an allusion to DMS's actions in completing audits and taking appropriate actions with providers found to be in violation of Medicaid policies. In the course of the single state audit process, DHS provided clear documentation of the disposition of the Medicaid PI Unit's investigations over the last three years. In SFYs 10, 11, and 12, the PI Unit completed and issued 410 reports. In those 410 reports, Program Integrity initially identified over \$16 million dollars in questioned costs. Those amounts were reduced in the course of reviews, reconsiderations, and appeals. For reports issued in fiscal years 2010 and 2011, the amount collected to date totals over \$3.8 million, nearly the same as the amount which was requested after administrative reconsideration and appeal. According to DLA work papers, over that same timeframe, the number of reports that were completed but not issued due to management review impacted only six (6) provider numbers. The total original questioned cost before any reconsideration or appeal for the six (6) provider numbers was \$79,921.36. Upon review, it was determined that no clear violation could be shown as to four (4) of the six (6) providers. Since the date of the DLA request, those four (4) cases have been closed with no request for refunded payments from providers, and two (2) reports were issued to two (2) provider numbers: One (1) report for \$486.00 and one for \$3,803.52 in questioned costs prior to reconsideration or appeal. Thus, nearly all of the "questioned costs" in DLA's findings represent preliminary findings that were eventually dismissed for lack of merit.

Three (3) of the cases were related to individual attendant care providers, and the field work was conducted in SFY10 and SFY11. One of these reports had been referred to the Medicaid Fraud Control Unit (MFCU) at the Office of the Attorney General. That report has been returned from the MFCU and will be issued to the provider for \$486.00 in questioned costs. In SFY12, the other two reports had not been issued and were placed on hold pending resolution of a pending policy interpretation and subsequent clarification. Because DHS ultimately concluded that its own policies were unclear, a decision was made in the spring of 2012 to issue a policy clarification. The specific policy issue was also addressed in DLA's SFY11 single state audit, and the matter was discussed in the Joint Audit Committee on April 13, 2012. In that discussion, DHS leadership expressed to the Committee members the difficulties and trade-offs associated with the reporting requirements at the heart of these two (2) (and other) investigations. At that time, DHS stated its belief that DHS policies were too vague to enforce, and that DHS intended to amend the policies to clarify attendant care provider reporting requirements. The new DHS policy was effective 1-1-13, and the two (2) investigations closed on 1-14-13.

The other three (3) cases cited by DLA were not directly related to the policy issue discussed above. However, those three (3) reports are related to one another and were part of the same Program Integrity review. One (1) of those reports totals \$3,803.52 in questioned costs and was issued on 1/14/13. The remaining two (2) cases were closed because the provider serves as the fiscal intermediary for the beneficiary, acted in good faith, and paid the fees as directed by the beneficiary.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-07 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Special Tests and Provisions – Utilization Control and Program Integrity
Type of Finding:	Noncompliance and Material Weakness

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

Based upon the above explanations, among Medicaid PI Unit's 416 investigations over the past three (3) years, DLA identified just two (2) cases of a delayed finding. Investigations and reports can take time to resolve, and DHS acknowledges delay in issuing the \$486.00 and \$3,803.52 findings. As described above, the other four (4) investigations cited in this audit finding were delayed for reasons directly material to provider obligations under the Medicaid program, and were resolved with no finding against the provider. Therefore, DLA cannot support its claim that in as many as six (6) cases "Management override resulted in the withholding of reports that noted improper payments based upon approved policies at the time services were rendered." To the contrary, DHS has not overridden any reports with noted "improper" payments. DHS believes that it is entirely appropriate to hold participating providers accountable to clear policies. The organizational placement of the Medicaid PI Unit alongside programmatic Units helped to ensure that providers were not held accountable for actions and policies that were beyond their control, including cases where agency policies could reasonably be misunderstood by providers. The specific facts and circumstances of the investigations highlighted in DLA's audit finding (E20.2.504) draw helpful attention to the Department's efforts to comply with 42 C.F.R. § 455.13(b), which requires that "The Medicaid agency must have methods for investigating these cases (of suspected fraud) *that do not infringe on the legal rights of persons involved; and afford due process of law.*" (emphasis added)

In summary, DLA's recommendation that the PI Unit should move to a different organizational location has no basis in federal regulation, nor is it justified by past performance of the PI Unit, nor did DLA establish any basis in fact to question the effectiveness and oversight of the Medicaid PI Unit in its existing organizational structure. To the contrary, DLA's recommendations could potentially create violations of federal regulations in this area by removing DHS' investigative capacity, and by making it more difficult to properly interpret and administer state Medicaid policy and take into account provider rights and due process.

Anticipated Completion Date: No further action needed.

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-08
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Material Weakness

Criteria:

45 CFR § 95 Subpart F requires government agencies to implement and maintain a security program and conduct biennial system security reviews of installations that administer U.S. Department of Health and Human Services (HHS) programs, such as Medicaid. The State Medicaid Agency stores all protected health information in the Medicaid Management Information System (MMIS). Access to this system is controlled by the Division of Medical Services (DMS). All users must be state employees or contract employees with appropriate business and confidentiality agreements on file.

Also, as noted in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

We also considered qualitative factors such as management oversight and the Medicaid Program's high profile and public interest, which could have a significant impact on the integrity of the program.

Condition and Context:

During our review, it was discovered that an employee of the Southeast Arkansas Education Service Cooperative, Arkansas Medicaid in the Schools Unit, had unlimited access to the MMIS system as well as other Department of Human Services (DHS) systems. This individual indicated on an Agency access form that she was an employee of the education cooperative. However, despite this declaration, DMS believed the individual to be a state employee and, as a result, did not request or confirm that a business or confidentiality agreement was on file. This individual regularly accessed and transferred information in MMIS to other non-state agencies. DMS noted this violation in a DHS Office of Chief Counsel memorandum on September 25, 2012.

In addition to the deficiency noted above, the HHS Office of Inspector General issued a report in February 2012. The report, *Information Technology Control Weaknesses Found at the Arkansas Department of Human Services*, cited several access vulnerabilities.

Questions Costs:

None

Cause:

The Agency did not have effective procedures in place to ensure access to MMIS and other Agency systems was restricted to state and contract employees with appropriate business and confidentiality agreements on file.

Effect:

Access to program information was obtained without proper credentials and agreements, which jeopardized all data stored in MMIS.

Recommendation:

We recommend the Agency establish and implement stronger policies and procedures to ensure that only authorized personnel are granted access to MMIS and other DHS systems.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-08 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Material Weakness

Views of Responsible Officials and Planned Corrective Action:

As the finding states, the Division of Medical Services (DMS) mistakenly believed that E.F. was a Department of Education (DOE) employee. DMS' belief was based upon, among other things, E.F.'s completed security form indicating that E.F. was a state employee and E.F.'s state email address. After E.F. accessed the Medicaid Management Information System (MMIS) it was learned that she was an employee of Medicaid in the Schools (MITS). Some background information is necessary to explain these facts.

Local school districts provide Medicaid services, for example, speech therapy, to Medicaid-eligible students. DOE pays the Medicaid matching funds for these services, and uses MITS to help calculate the correct Medicaid match payments. The Health Insurance Portability and Accountability Act (HIPAA) authorizes Medicaid and Medicaid providers to share information for purposes of providing and paying for health care. 45 C.F.R. § 164.502. Accordingly, Medicaid's disclosure of protected health information (PHI) to the DOE and the school districts is a permissible disclosure of PHI. DMS has taken appropriate actions to ensure that it discloses PHI only to the DOE, and that the re-disclosures by DOE to MITS comply with applicable laws. To that end, DMS is assuring that all necessary business associate-type agreements are put in place.

HIPAA requires covered entities such as Medicaid to designate privacy officers and assign them the duty of investigating and making determinations regarding erroneous PHI disclosures. 45 C.F.R. § 164.530(a). HIPAA also provides that mistaken disclosures are breaches only if the incident poses a significant risk of financial, reputational, or other harm to the affected individuals. 42 C.F.R. § 164.402. Upon learning of the disclosures to MITS, the privacy officer investigated and determined that no breach occurred as that term is defined by HIPAA because the incident did not pose a significant risk of financial, reputational, or other harm to the affected individuals.

After discovering the mistake, the Division of Medical Services (DMS):

1. Provided written authorization giving the DOE permission to re-disclose PHI to MITS for payment calculation purposes as required by the current contract and permitted by law;
2. Limited the amount of PHI disclosed to MITS to the minimum necessary required to accomplish DMS's purposes;
3. Implemented quarterly data security audits to validate state employment and appropriate access to DMS systems;
4. Ensured all PHI disclosures made by DOE were made pursuant to an appropriate business associate-type agreement;
5. Obtained confidentiality agreements from all contractors who have access to DMS systems; and
6. Initiated a process for new audit procedures for contractors who have access to DMS systems which includes DMS's determination of appropriate access controls.

In conclusion, Medicaid has taken all appropriate steps to ensure that MMIS access is limited to persons to whom access is permitted under HIPAA and has mitigated this incident through enhanced auditing procedures.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-08 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Material Weakness

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

Anticipated Completion Date: DHS will continue to follow state and federal regulations to ensure compliance.
No further action needed.

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-09
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

In accordance with Arkansas Medicaid Provider Manual Section II - DDS Alternative Community Services (ACS) Waiver § 202.100, the provider must maintain sufficient written documentation in the beneficiary's case file supporting billing for services rendered. At minimum, this includes the following:

- A copy of the beneficiary's person-centered service plan.
- The specific services rendered.
- The date and actual time the services were rendered.
- The name and title of the individual who provided the services.
- Updates describing the beneficiary's progress or lack thereof. Updates should be maintained on a daily basis or at each contact with or on behalf of the beneficiary. Progress notes must be signed and dated by the provider of the service.

ACS Waiver §220.200 limits the maximum reimbursement to \$117.70 per month and \$1,412.40 annually per person.

Also, ACS Waiver § 220.000 provides specific examples of required case management services. Some examples include monitoring beneficiary services and quality of care, assuring integrity of billing and service delivery, and providing required documentation to the beneficiary.

In addition, case management services are available at three levels of support as defined by ACS Waiver §§ 230.211 — 230.213:

- *Pervasive* – Minimum of one face-to-face visit AND one other contact with the beneficiary or legal representative each month. At least one visit must be made annually at the beneficiary's place of residence.
- *Extensive* – Minimum of one face-to-face visit with the beneficiary or legal representative each month. At least one visit must be made annually at the beneficiary's place of residence.
- *Limited* – Minimum of one face-to-face visit with the beneficiary or legal representative each quarter and a minimum of one contact monthly for the months when a face-to-face visit is not made. At least one visit must be made annually at the beneficiary's place of residence.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-09 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Noncompliance and Significant Deficiency

Condition and Context:

We selected 30 beneficiary files for review to determine if the provider (case manager) maintained documentation as required by the specific sections of the ACS Waivers stated above. Our review revealed the following:

- 24 beneficiary files did not contain adequate supporting documentation for services billed, as required by ACS Waiver § 202.100
- One beneficiary file did not contain adequate supporting documentation to determine case management services had been provided, as required by ACS Waiver § 220.000
- Eight beneficiary files did not contain adequate supporting documentation to determine if the level of support had been met by case managers, as required by ACS Waiver §§ 230.211 — 230.213.

Questioned Costs:

\$32,838

Cause:

The Agency failed to ensure all required ACS Waiver documentation was maintained.

Effect:

Inadequate documentation for services provided could jeopardize beneficiary care and Agency payments made for the care.

Recommendation:

We recommend the Agency establish and implement procedures to ensure all required ACS Waiver documentation is maintained in the beneficiary files.

Views of Responsible Officials and Planned Corrective Action:

Case Management Services (CMS) in the Developmental Disability Services Alternative Community Services (ACS) Waiver assist beneficiaries in gaining access to needed waiver services and other Arkansas Medicaid State Plan services, as well as medical, social, educational and other generic services, regardless of the funding source to which access is available. CMS include responsibility for guidance and support in all life activities. The intent of CMS is to enable waiver beneficiaries to receive a full range of appropriate services in a planned, coordinated, efficient and effective manner.

The Division of Legislative Audit (DLA) reviewed 30 case files of individuals served and concluded that there were documentation discrepancies resulting in a total of \$32,838 in questioned costs.

The breakdowns of findings are as follows:

25 recipients—Lack of documentation.

5 recipients—No errors or questioned costs.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-09 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Noncompliance and Significant Deficiency

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

25 recipients—Lack of documentation.

DDS/DMS disagrees with this finding. The most common finding alleges that providers failed to record specific service delivery times. There is, however, no reason to collect such information because payments hinge on the delivery of services in accordance with care plans. It makes no difference whether a particular service was delivered at 2:00 p.m. or 3:00 p.m. DDS/DMS' review did not identify any case in which the provider was incorrectly paid according to the beneficiary's authorized plan of care.

In response to the audit findings, DDS assigned ACS Waiver staff to conduct follow-up audits of the 30 beneficiary case files reviewed by DLA. DDS/DMS believes there was sufficient documentation to support the billing submitted by the providers.

DDS suggests that in order to obtain a more accurate view of the ACS Waiver program, an in-depth knowledge of operations and administration at the provider level is required of both an auditor and the representative of the waiver provider assisting with DLA inquiries. The follow up survey by DDS staff revealed instances where DLA auditors made requests to provider staff who are not knowledgeable in the areas being reviewed, e.g. an individual responsible for human resource functions in a provider organization's headquarter office.

DDS/DMS Planned Actions:

As a result of DLA's review and recommendations, DDS/DMS will undertake the following actions:

- DDS/DMS management will review all current documentation requirements to ensure that they are related to and in furtherance of state and federal statutory and regulatory requirements for CMS for the ACS Waiver program, and to clarify interpretation differences noted between DLA and DDS/DMS.
- DDS staff will increase monitoring visits to home and community based service providers to ensure compliance with all program requirements.
- Training will be provided to home and community based service providers at the corporate level to make sure billing is adequately supported by underlying documentation.

Anticipated Completion Date: Promulgated changes will be effective after legislative approval.
Training and monitoring will continue on an ongoing basis.

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-10
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

It is the State's responsibility to determine that Medicaid applicants meet the eligibility criteria specified in the approved State Plan. Eligibility requirements for the Medicaid Program are outlined in the Arkansas Medical Services (MS) manual. For certain categories of Medicaid eligibility (e.g., TEA Medicaid), the MS manual refers to policies outlined in the TEA Cash Assistance and Financial Assistance manuals that apply to the specific Medicaid category. However, these manuals are considered reference manuals for the MS manual, not Medicaid manuals. The MS manual is specific to Medicaid eligibility policies and procedures and is in addition to the approved State Plan required in 42 CFR § 430.10.

42 CFR § 435.913 Case Documentation states, "The Agency must include in each application record facts to support the Agency's decision on his application."

Condition and Context:

We reviewed 149 Medicaid recipient files to ensure adequate documentation was provided to support the Agency's determination of eligibility. Our review revealed the following:

- In one recipient file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation was inadequate to prove the recipient's cooperation with the Office of Child Support Enforcement (OCSE). As a result of the Agency's failure to follow program requirements for cooperation with OCSE, known questioned costs were determined to be \$36,653.
- In one recipient file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation was inadequate to show the recipient's assignment of rights attribute was satisfied. As a result of the Agency's failure to follow program requirements for assignment of rights, known questioned costs were determined to be \$4,168. As a result of current year testing, additional known questioned costs paid in fiscal year 2011 for this recipient were determined to be \$2,054.
- In two recipient files, one representing paid claims for State Aid category 27 (AFDC Spend Down) and the other representing claims paid for State Aid category 47 (Disabled Spend Down), it was revealed that the recipients were not categorically eligible for at least part of the fiscal year. Because of the Agency's failure to follow program requirements for categorical eligibility, known questioned costs were determined to be \$19,242. As a result of current year testing, additional known questioned costs paid in fiscal year 2011 for one recipient was determined to be \$390.
- In one recipient file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed that the recipient did not meet the eligibility requirements for aliens as defined in MS 6780. The emergency services provided did not qualify for the emergency medical condition as defined in 42 CFR § 440.255(c) and MS 6780. Because of the Agency's failure to comply with the policies previously stated, known questioned costs were determined to be \$17,438.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-10 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Noncompliance and Significant Deficiency

Condition and Context (Continued):

- In seven recipient files, one file representing paid claims for State Aid category 27 (AFDC Spend Down), one file representing paid claims for State Aid category 77 (Unemployed Parent Spend Down), and five files representing paid claims for State Aid category 47 (AFDC Spend Down), documentation revealed the approved resource limits were either exceeded or not verified. As a result of the Agency's failure to follow program requirements for resource limitations or verification, known questioned costs were determined to be \$201,885.
- In six recipient files representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed that medical bills were inadequate to spend the recipients' income down to the point of eligibility or the medical bills used were not verified to ensure that amounts were still outstanding, were applicable to the recipient in question, and were not being addressed through a payment plan. The Agency's failure to follow program requirements related to the use of medical bills to spend down income resulted in known questioned costs of \$49,685. Current year testing determined that additional known questioned costs of \$29,958 were paid for one recipient in 2011.
- In three recipient files representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed that the approved resource limits were either exceeded or not verified and that medical bills were inadequate to spend the recipients' income down to the point of eligibility or the medical bills used were not verified to ensure that amounts were still outstanding, were applicable to the recipient in question, and were not being addressed through a payment plan. As a result of the Agency's failure to follow program requirements in regard to both resource limitations or verification and medical bills used to spend down income, known questioned costs were determined to be \$59,936. Current year testing determined that additional known questioned costs of \$4,616 were paid for one recipient in 2011.

In addition to the 21 compliance and internal control deficiencies summarized above, an additional 43 internal control deficiencies were noted. Deficiencies included re-evaluations that were not performed within the required 12-month period, eligibility determinations that were not officially documented in the narratives, and various eligibility attributes, including those related to social security enumeration, assignment of rights, categorical relatedness, cooperation with the Office of Child Support Enforcement, and resources, that were either not initially considered or adequately documented when eligibility was determined. Additionally, there were cases of missing spend down computations that documented a recipient's unmet liability as well as medical bills used to spend down the recipient's income, improper spend down computations themselves, an error in the registration of the spend down coverage dates and inadequate support for the medical bills used to spend down the income. However, the Agency was able to address these specific deficiencies, and the recipients' eligibility was not affected.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-10 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Noncompliance and Significant Deficiency

Condition and Context (Continued):

A separate internal control test was also conducted based on an Agency assertion related to a finding from the Single Audit report for the year ended June 30, 2009. During 2009, we reviewed 155 cases to determine if eligibility criteria were met. We found exceptions in 19 of the cases, with related questioned costs totaling \$667,671. To address this issue, the Agency stated the following in its corrective action plan: "In March 2010, the Division of County Operations (DCO) Quality Assurance Unit will begin a review of all Medicaid claims paid that exceed \$50,000."

To allow a complete cycle of Agency reviews, we delayed testing until 2012. To test the Agency's assertion, we used the 149 files reviewed during 2012 and determined that 55 of these cases had claims paid that exceeded \$50,000. Our review of the 55 cases revealed that 42, or 76%, had not been reviewed by DCO's Quality Assurance Unit. (Questioned costs of \$101,593 are associated with 4 of the 42 cases as a result of the eligibility testing performed for 2012 and are included in the bullet points on the previous two pages of this report.)

Questioned Costs:

\$389,007 (2012)

\$37,018 (2011)

Cause:

Although the Agency has designed internal control procedures to review recipient files to ensure adequate documentation is provided to support the Agency's determination of eligibility, certain areas still require continued communication to and training of the appropriate Agency personnel.

Effect:

Payments to providers were made on behalf of ineligible recipients.

Recommendation:

We recommend the Agency continue providing adequate communication and training to appropriate personnel to ensure compliance with all program requirements as defined in the MS manual. In addition, we recommend the Agency review existing policies and procedures to ensure they adequately address the issues stated above.

Views of Responsible Officials and Planned Corrective Action:

Case Reviews:

Although several Medicaid categories were sampled, all of the eligibility errors identified by DLA in SFY 2012 were from a single Medicaid category – the Spend Down group. There were only 1,054 Spend Down cases in Arkansas as of June 2012.

DLA identified several causes for the errors. Most significant was an area of policy that was being misinterpreted by the field. This policy will be clarified and the staff re-trained.

DCO disagrees with questioned costs for four cases. Total reduction in questioned costs is \$60,822.62.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number: 12-710-10 (Continued)
State/Educational Agency(s): Arkansas Department of Human Services
CFDA Number(s) and Program Title(s): 93.778 – Medical Assistance Program
93.778 – ARRA - Medical Assistance Program
(Medicaid Cluster)
Federal Award Number(s): 05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA;
05-1105AREXTN
Federal Award Year(s): 2011 and 2012
Compliance Requirement(s) Affected: Eligibility
Type of Finding: Noncompliance and Significant Deficiency

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

- Bullet 1: A child support referral is not necessary for individuals without children. Questioned Costs should be reduced by \$36,653.
- Bullet 4: The client was eligible for Medicaid coverage on the 1st day of emergency services. Questioned Costs should be reduced by \$186.77.
- Bullet 5: In one of the AFDC Spend Down cases the client is resource eligible – documentation available. Questioned Costs should be reduced by \$3,146.81.
- Bullet 7: In one of the Disabled Spend Down cases the client is resource eligible – documentation available. Questioned Costs should be reduced by \$20,836.04.

DCO will continue its ongoing staff training, supervisory monitoring and IT modernization opportunities.

QA Reviews:

The Agency advised DLA that DCO has never conducted a 100% review of all cases with \$50,000 or more in Medicaid claims nor was it ever our intent to conduct anything other than a sample. The sampling methodology was referenced in the 2010 and 2011 audit responses and updates. All of these high dollar cases are subject to random review selection. Other categories or services targeted for review by counties or areas may have specific review requirements as part of local corrective action plans. Because the State and DLA both work from samples and targeted groupings, it is highly unlikely in a population as large as the Medicaid caseload that DLA will randomly select the same cases as those identified for review by Medicaid Eligibility Quality Control (MEQC) or the county offices. It should be noted that DCO increased our supervisory reviews by 54% in 2012.

The Agency will continue to use supervisors to monitor cases. This review will continue using the 2012 random sampling methodology.

Anticipated Completion Date: Ongoing

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-11
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

The Agency must operate a Medicaid Eligibility Quality Control (MEQC) program in accordance with 42 CFR §§ 431.810 — 431.822. The Agency's MEQC developed the Medicaid Miller Income Trust and Spouse Allowance (MIT-SA) pilot project for federal fiscal year 2012. The pilot project would include Long Term Care (LTC) reviews with a focus on cases involving Miller Income Trusts and Community Spouse Monthly Income Allowance (CSMIA).

In addition to the pilot project, MEQC developed an in-house project that involved reviewing cases with claims exceeding \$50,000 and determined to be in a high-risk category.

All errors found by MEQC would be presented at a weekly error committee meeting, and the committee would notify the county offices of the errors. County offices would then have 10 days to appeal error decisions. If no appeal was submitted, the county offices would be responsible for correcting the errors and would submit an error response form, DCO-29, to MEQC within 30 days. If an error resulted in an overpayment, overpayment form DHS-199 would be submitted to the Overpayment Unit within 30 days. If fraud was suspected, the case would be referred to the Fraud Unit within 30 days.

Condition and Context:

We performed a test to determine compliance with project procedures. We selected six MIT-SA cases, four with errors and two without errors, and seven in-house project cases, five with errors and two without errors. MEQC had determined the error/non-error status of the cases.

Our review revealed that procedures were followed for all of the MIT-SA cases we reviewed. However, we found a breakdown in procedures for one in-house project error case. The recipient represented in this case was determined ineligible by MEQC. MEQC issued a memorandum to the County Office Administrator of St. Francis County dated March 15, 2012. The DCO-29 dated April 3, 2012, stated that overpayment was being completed by Crittenden County since the case was approved by that county. Once completed, the DHS-199 overpayment form would be forwarded to the Overpayment Unit. However, the overpayment form was not actually completed by the county until November 6, 2012, when the case was selected for testing by DLA auditors.

Questioned Costs:

\$4,655

Cause:

The responsible county office failed to complete and submit the DHS-199 overpayment form as required.

Effect:

An overpayment totaling \$4,655 as identified by the Agency's MEQC was not submitted to the Overpayment Unit within the required 30 days.

Recommendation:

We recommend the Agency strengthen existing in-house project procedures to ensure errors and overpayments are processed timely.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-11 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action:

The Agency concurs with the finding. DCO management will submit a communication to supervisors in the field requiring them to review their monitoring procedures to ensure that all Medicaid Eligibility Quality Control (MEQC) findings that require an overpayment submission are occurring on a timely basis. The untimely submission of the overpayment form identified in the audit process has been corrected. The necessary document has been submitted to the Overpayments Unit where the questioned costs identified through this procedural omission will be collected and repaid to CMS.

Anticipated Completion Date: Ongoing

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-12
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Significant Deficiency

Criteria:

As noted in OMB Circular A-133, § 300(b), the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. In addition, it is the State's responsibility to determine that Medicaid applicants meet the eligibility criteria as specified in the approved State Plan.

Condition and Context:

Medicaid eligibility is determined by Program Eligibility Specialists (PES) located in the various county offices throughout the State. We reviewed reports and statistical information maintained by the Agency on caseloads, back logs, and other staffing issues to determine if the number of PES was adequate to perform eligibility duties. Our review revealed high caseloads, with the average PES caseload being 698.

In addition, we tested 20 PES files to determine if proper training modules had been completed by the PES and if adequate documentation supporting the training was being maintained in their files. Our review revealed that two PES files did not contain documentation to support the completion of required training modules.

Sound information systems controls dictate that disaster recovery plans be tested periodically to ensure critical business processes can be restored in the event of an interruption. Specific testing was performed in this area as part of our 2010 Single Audit. It was noted at that time that the Agency had a Business Continuity and Contingency Plan (BCCP), but the plan had not been tested for adequacy. Follow-up work performed during our 2011 Single Audit confirmed that the Agency had conducted an exercise to ensure adequacy on October 20, 2011. During our 2012 Single Audit, we continued to follow-up on this issue and found that the BCCP had been updated in April 2012 but has yet to be tested for adequacy.

Sound information systems controls also dictate that user access to ANSWER (Arkansas Networked System for Welfare Eligibility and Reporting) data should be restricted to those individuals required to perform their assigned job functions. Testing was performed in this area as part of the 2010 Single Audit, and several user access issues were noted at that time. In follow-up work performed during the 2011 Single Audit, we noted that the Agency appeared to have properly implemented procedures to address these issues. During the 2012 Single Audit, we continued to follow-up on the procedures the Agency stated it had implemented. We requested a monthly non-DHS active user list, which is used to confirm user access changes. The Agency was unable to provide the monthly list.

Questioned Costs:

None

Cause:

Although the Agency has designed internal control procedures to assist in the correct determination of eligibility, high caseloads and backlogs may render those controls ineffective. In addition, the Agency failed to ensure that appropriate staff continued to implement corrective actions for errors that were noted in prior audit findings.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-12 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Significant Deficiency

Effect:

Payments to providers were made on behalf of ineligible recipients.

Recommendation:

We recommend the Agency continue to provide adequate training to PES and document the training in the appropriate files. In addition, we recommend the Agency strengthen control procedures for the BCCP to ensure that it is tested when updated or tested annually, at minimum. We also recommend the Agency strengthen control procedures related to the ANSWER system to ensure a continuous review process.

Views of Responsible Officials and Planned Corrective Action:

High Caseloads:

The Agency has been re-engineering our eligibility workflows to maximize efficiency through centralization. This allows for worker specialization resulting in higher speed processing. The Division will continue working to incorporate Information System advances into the eligibility determination process. This will increase our ability to use computer technology to perform several eligibility functions.

Training Certificates:

One employee was hired in 1984 before the Agency provided training certificates. The Agency verified that the individual was trained at the time of hire. A training certificate could not be provided for one employee who is no longer employed. New employees attend one week of orientation and those working Medicaid receive an additional 4 ½ weeks of Adult and Family Medicaid training. During calendar year 2012, the Agency conducted a total of 36 Medicaid specific classes (1,920 training hours) for 208 employees. Additional training is provided in county offices. The DCO Training Unit has implemented several initiatives to include the revision of the training curriculum to increase the type, quality and quantity of training. The Agency will continue to assess the current automated training tracking system to determine if computer upgrades are recommended.

Disaster Recovery:

The Agency advised DLA that the only change to the Disaster Recovery Plan was a name change on the contact list. As this change is minor, no re-testing was necessary. It should be noted that in 2012, the Agency conducted two separate exercises to test core business process IT systems for Disaster Recovery (DR).

- The Agency conducted a DR exercise on January 6, 2012, to test DHS/Office of System Technology's capability to restore LAN connectivity and infrastructure using two offsite locations (Arkansas State Hospital and Department of Information Services) in a Disaster Recovery Scenario (simulated building fire). This exercise included a full building evacuation of all the DCO offices in the Little Rock Complex, and temporary activation of the DHS Incident Command System for reporting and command functions. As a result of that exercise, additional coordination was effected with the Department of Information Services (DIS) to ensure that required infrastructure would be available in their data center to accommodate IT off site requirements for DHS.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number:	12-710-12 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
CFDA Number(s) and Program Title(s):	93.778 – Medical Assistance Program 93.778 – ARRA - Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	05-1105AR5MAP; 05-1205AR5MAP; 05-1105ARARRA; 05-1105AREXTN
Federal Award Year(s):	2011 and 2012
Compliance Requirement(s) Affected:	Eligibility
Type of Finding:	Significant Deficiency

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

- In addition, the Agency conducted a full scale offsite recovery exercise from 8:00 a.m., March 29, 2012, until midnight, March 30, 2012, in Carlstadt, New Jersey. DCO systems hosted by DIS were restored at this site, including all ANSWER UNIX/DB2 components and all related DCO mainframe components. These IT systems were fully restored and tested by DCO staff testers who connected from the DIS test lab in Arkansas to the mainframe and UNIX restored hardware in New Jersey. No discrepant areas were noted, and full functionality of DCO systems was restored within 72 hours of the start of the exercise.

A test of the Business Continuity and Contingency Plan is scheduled for April 2013.

ANSWER System Access:

The cause of this deficiency has been identified and corrected. No security problems or breaches were identified by DLA. The DCO Unit responsible for this task has been instructed to monitor and adjust for position vacancies.

Anticipated Completion Date: Ongoing

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SOCIAL SECURITY ADMINISTRATION

Finding Number:	12-311-01
State/Educational Agency(s):	Disability Determination for Social Security Administration
CFDA Number(s) and Program Title(s):	96.001 – Social Security_Disability Insurance (Disability Insurance/SSI Cluster)
Federal Award Number(s):	Unknown
Federal Award Year(s):	Unknown
Compliance Requirement(s) Affected:	All
Type of Finding:	Material Noncompliance and Material Weakness

Criteria:

OMB Circular A-133 § .300(e) states that "the auditee shall ensure that the audits required by this part are properly performed and submitted when due." In addition, OMB Circular A-133 § .320(a) defines the time period of completion to be "within nine months after the end of the audit period."

Condition and Context:

Single Audits of seven state entities included in the State of Arkansas Single Audit are not performed by Legislative Audit but are performed by other external auditors. Disability Determination for Social Security Administration is one of the entities that contracts with other external auditors to perform its Single Audit. The Agency's Single Audit is performed on a year-end date of September 30, which is different from the State's year-end date of June 30.

The Agency's Single Audit for the year ended September 30, 2011, is required to be completed by June 30, 2012. As of **February 5, 2013**, the audit had yet to be completed.

Questioned Costs:

None

Cause:

Unknown

Effect:

The audit of a major program with reported expenditures of \$42,304,208 as of June 30, 2012, was not performed.

Recommendation:

We recommend the Agency establish procedures to ensure the Single Audit is performed and completed in accordance with OMB Circular A-133.

Views of Responsible Officials and Planned Corrective Action:

During my tenure as the Director, this Agency has always met the requirements for our annual audit. In 2011, we were notified the DDS would receive a Federal Audit from the Office of the Inspector General. The initial notification date for the audit to begin was spring 2012. Due to scheduling issues with the OIG Office in Dallas, the Disability audit was continually delayed and did not receive its field office visit until September 2012. The OIG audit has been written and is currently with the IG's Office in Washington for final review and rendering of the audit results. Due to the uncertainty of the timing of the Federal audit field visits, the DDS did not want a second audit underway while in the process of the Federal audit. The Single Fund audit for FY11 is currently being worked and the auditor is in our facility doing his fieldwork. We are anticipating completion of the FY11 audit no later than March 15, 2013. Likewise, we are expecting receipt of our Federal Audit within the next few weeks.

The OMB deadline will now be included in our Professional Services Contracts for our Single Fund audit and will be a key deadline for agency events. The audit firm of S & P from Little Rock was awarded the PSC and is currently on-site doing its fieldwork. I regret that both of the audits were scheduled at the same time.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SOCIAL SECURITY ADMINISTRATION (Continued)

Finding Number:	12-311-01 (Continued)
State/Educational Agency(s):	Disability Determination for Social Security Administration
CFDA Number(s) and Program Title(s):	96.001 – Social Security_Disability Insurance (Disability Insurance/SSI Cluster)
Federal Award Number(s):	Unknown
Federal Award Year(s):	Unknown
Compliance Requirement(s) Affected:	All
Type of Finding:	Material Noncompliance and Material Weakness

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

Anticipated Completion Date: March 15, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY

Finding Number:	12-150-01
State/Educational Agency(s):	University of Arkansas for Medical Sciences
CFDA Number(s) and Program Title(s):	11.557 – Broadband Technology Opportunities Program (BTOP); 93.600 – Head Start (Head Start Cluster) Various Research and Development Cluster
Federal Award Number(s):	APP 2206640 (BTOP); Other Various (except Student Financial Aid)
Federal Award Year(s):	8/1/2010 – 7/31/2013 (BTOP); Other Various (except Student Financial Aid)
Compliance Requirement(s) Affected:	Subrecipient Monitoring
Type of Finding:	Noncompliance

Criteria:

In accordance with the June 2012 Compliance Supplement: Part 3, section M., Subrecipient Monitoring, entities are required ensure all subrecipients expending \$500,000 or more in fiscal years ending after December 31, 2003 have met the audit requirements of OMB Circular A-133 and that the required audit was completed within nine months of the end of the subrecipient's period. Additionally, entities must ensure to issue decision on any findings within the subrecipient's audit report within six months after receipt of the report and ensure the subrecipient takes timely and appropriate corrective action on all findings.

Condition and Context:

During our testing of subrecipient monitoring and discussions with management, we note management's review of subrecipients' audit reports only pertains to grants with the CFDA number of UAMS's relevant pass-through grant. Management reviews the audit reports of UAMS's subrecipients through the Federal Audit Clearinghouse. If there are any findings related to the CFDA number related to the relevant pass through grant, management requests the full audit report, including findings and management's response and corrective action plan and reviews this full report. If there are findings un-related to the CFDA number, management indicated they will typical waive further review procedures. For the R&D Cluster, in our testing of a sample of seven subrecipients, we noted that of the reports that were reviewed by management, there was one instance in which there were findings on other CFDA numbers within the R&D cluster that were investigated by management. Additionally, there is one subrecipient in the BTOP cluster. Although this subrecipient did not have any audit findings in the report viewed by management on any CFDA number, as management's review was still specific to their own applicable CFDA number, we note that this issue applies to this cluster.

Questioned Costs:

None noted.

Cause:

Management has only been reviewing reports for findings related to their specific CFDA number rather than all findings. As such there is a gap in management's review process.

Effect:

Subrecipients may have instances of noncompliance and control deficiencies that would cause them to be a more risky entity. Many A-133 procedures are performed utilizing a sampling testing approach and therefore findings on a subrecipient audit report may only reflect the specific awards where exceptions were found but additional exceptions may have occurred on other awards during the year. A pass through entity would be at risk that the same compliance and control matters described in the audit report could have occurred on the grant they are passing through. As such, management's risk assessment of the subrecipient may not be appropriate and the appropriate monitoring tasks may not be applied.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

Finding Number:	12-150-01 (Continued)
State/Educational Agency(s):	University of Arkansas for Medical Sciences
CFDA Number(s) and Program Title(s):	11.557 – Broadband Technology Opportunities Program (BTOP); 93.600 – Head Start (Head Start Cluster) Various Research and Development Cluster
Federal Award Number(s):	APP 2206640 (BTOP); Other Various (except Student Financial Aid)
Federal Award Year(s):	8/1/2010 – 7/31/2013 (BTOP); Other Various (except Student Financial Aid)
Compliance Requirement(s) Affected:	Subrecipient Monitoring
Type of Finding:	Noncompliance

Recommendation:

We recommend that management perform a review of all findings for subrecipients rather than just findings related to CFDA numbers associated with their pass-through grants. Not reviewing all subrecipient findings could result in the oversight of material findings which could have a direct or indirect impact on the Entity. Additional findings should be reviewed by management and taken into consideration for determining the risk associated with the subrecipient, whether or not UAMS should continue to pass-through money to the subrecipient, and the appropriate level of monitoring for the subrecipient given the updated risk assessment.

Views of Responsible Officials and Planned Corrective Action:

UAMS will update current procedures to ensure that all findings are taken into consideration for determining risk associated with subrecipients.

UPDATE: Policy was reviewed but no changes were needed. The policy does not address findings as by CFDA nor by entity. Procedures have been changed to review all findings.

Anticipated Completion Date: Complete

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

Finding Number:	12-150-02
State/Educational Agency(s):	University of Arkansas for Medical Sciences
CFDA Number(s) and Program Title(s):	93.848 – Digestive Diseases and Nutrition Research; Other Various (Research and Development Cluster)
Federal Award Number(s):	5R01DK56226; 314100011573
Federal Award Year(s):	1999, 2001, and 2002
Compliance Requirement(s) Affected:	Equipment Management
Type of Finding:	Noncompliance

Criteria:

In accordance with A-110 section 34 (f) 3, an entity retaining equipment owned by the Federal Government needs to perform a physical inventory of equipment at least once every two years, and management is required to reconcile the results with the equipment records. Any differences resulting from this reconciliation process shall be investigated. The entity shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. A control system shall be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.

Condition and Context:

Out of a sample of 60 items of R&D equipment selected for physical inspection, one item was not located. The item was purchased in October 2003 at a cost of \$499. Although the 2012 count sheet indicated this item was located and counted, through discussion with management it has been determined that this item was moved after the inventory was taken but the new location has not been documented.

Additionally, the fixed asset records of three assets out of a sample of 60 were not appropriately updated to reflect the disposal of these assets. One of the assets was purchased in 1994 for \$3,008 and was disposed of in 2009, another was purchased in 2001 for \$3,718 and disposed of in 2002, and the final asset was purchased and disposed of in 2009 at the original price of \$6,107. Based on discussion with management, one asset was disposed and the records were not properly updated to reflect this. Two of these assets were virtually tagged, which means due to size and use of assets there was not a physical tag on the item, rather it was virtually tagged and linked to another asset that was physically tagged. The virtually tagged assets and physically tagged assets to which they were linked were disposed in previous years, but the fixed asset records only reflected the disposal of the physically tagged asset rather than both assets. We selected two virtually tagged assets that could not be located as they had been disposed of and the records were not updated.

Questioned Costs:

None noted.

Cause:

UAMS's documented fixed asset policies were not followed for timely investigation of missing assets and appropriate updating of the fixed asset system when items were moved to surplus or state marketing and redistribution.

Effect:

Loss of equipment purchased with federal funds could occur when management does not investigate lost or misplaced assets timely. In addition, lack of controls over disposition of assets may result in UAMS not meeting its notification requirements to the respective federal awarding agency.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

FINDINGS COVERING MORE THAN ONE FEDERAL AGENCY (Continued)

Finding Number:	12-150-02 (Continued)
State/Educational Agency(s):	University of Arkansas for Medical Sciences
CFDA Number(s) and Program Title(s):	93.848 – Digestive Diseases and Nutrition Research; Other Various (Research and Development Cluster)
Federal Award Number(s):	5R01DK56226; 314100011573
Federal Award Year(s):	1999, 2001, and 2002
Compliance Requirement(s) Affected:	Equipment Management
Type of Finding:	Noncompliance

Recommendation:

We recommend that management review other virtually tagged assets to ensure there are no additional assets in the system that have been moved to surplus. This would ensure records are updated to accurately reflect only virtually tagged assets that are still in use. Management should ensure that accounting records get updated after the fixed asset physical inventory is performed. Additionally, management should ensure all assets' locations are current, and if assets are lost, procedures as outlined in UAMS's policy are followed.

Views of Responsible Officials and Planned Corrective Action:

In regards to the audit findings, Property Services personnel are being retrained. The training includes specific instructions regarding the proper steps to follow when disposing of an asset including but not limited to accurate and timely updates to the fixed asset records. We believe that the exceptions regarding linked assets and virtually tagged assets resulted primarily from various transitions and upgrades to the asset tracking system during the past ten years. We are in the process of reviewing all linked or virtually tagged assets to ensure their disposition is up to date.

In regard to the un-located camera, the Department is now requiring all off campus assets to be verified (returned to campus) before filling out and signing an off-campus form. The exception would be for BTOP assets or installed assets that cannot be disconnected because of size or use.

Anticipated Completion Date: December 31, 2013

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

U.S. DEPARTMENT OF EDUCATION

Finding Number:	12-150-03
State/Educational Agency(s):	University of Arkansas for Medical Sciences
CFDA Number(s) and Program Title(s):	84.268 – Federal Direct Student Loans (Student Financial Assistance Cluster)
Federal Award Number(s):	N/A
Federal Award Year(s):	July 1, 2011 through June 30, 2012
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance and Significant Deficiency

Criteria:

In accordance with 34 CFR section 685.209, under Federal Direct Loan programs, educational institutions must complete and return the Enrollment Reporting roster files (formerly the Student Status Confirmation Report (SSCR)) placed in their Student Aid Internet Gateway (SAIG) mailboxes within 30 days. Once received, the institution must update the Enrollment Reporting roster file for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the National Student Loan Data system (NSLDS) web site. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Unless the institution expects to complete its next roster within 60 days, the institution must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis.

Condition and Context :

During our testing of enrollment reporting, we noted eight instances out of a sample of 40 where changes in students' status were not reported to the NSLDS within 60 days of the status change. Two of the eight students were reported later than 60 days. The remaining six students' information was not reported to the NSLDS as of September 30, 2012, even though their status was updated in the student system (OASIS) prior to June 30, 2012.

Questioned Costs:

None noted.

Cause:

The college registrars do not always update the student system with status changes in a timely and accurate manner. We also found that the automatic system processes used by UAMS to match data in the student system to the NSLDS data may have errors causing instances where student status changes posted in the student system are not reported back to the NSLDS due to transitional data issues.

Effect:

The Department of Education is not aware of the students' status which will impact future annual eligibility for the student.

Recommendation:

We recommend that management perform a review of the automatic reporting processes between the student system and NSLDS to ensure the processes are working as expected and applicable data is properly reported between UAMS and NSLDS. We recognize that management is under contract to start using the National Student Clearinghouse (NSC) as a servicer for enrollment reporting with an estimated starting period of January 2013. We recommend that management review the enrollment reporting through their official transition to NSC to ensure that student status changes are reported accurately and timely during the first portion of the year not under the servicer.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number:	12-150-03 (Continued)
State/Educational Agency(s):	University of Arkansas for Medical Sciences
CFDA Number(s) and Program Title(s):	84.268 – Federal Direct Student Loans (Student Financial Assistance Cluster)
Federal Award Number(s):	N/A
Federal Award Year(s):	July 1, 2011 through June 30, 2012
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Noncompliance and Significant Deficiency

Views of Responsible Officials and Planned Corrective Action:

A SSCR Taskforce was formed to review the SSCR options and submission responsibilities. The taskforce included Academic Computing, Registrars, and Student Financial Services staff who recognized the urgent need to switch to the National Student Clearing House. In the meantime, Academic Computing and Student Financial Services staff performed a review of the current automatic reporting processes in September between UAMS and NSLDS. Academic Computing staff has been processing test files with the National Student Clearinghouse. We are in the baseline reportable data stage of finalizing the implementation. We are scheduled to go "Live" January, 2013.

Anticipated Completion Date: Complete

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**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding Number: 12-150-04
State/Educational Agency(s): University of Arkansas for Medical Sciences
CFDA Number(s) and Program Title(s): 93.701 – ARRA – Trans-NIH Recovery Act Research Support
 93.702 – ARRA – National Center for Research Resources, Recovery Act Construction Support (Research and Development Cluster)
Federal Award Number(s): 1 C06 RR029923-01; 2 R01 NS037821-09A2; 3 P20 RR016460-08S2
Federal Award Year(s): Various
Compliance Requirement(s) Affected: American Recovery and Reinvestment Act Reporting
Type of Finding: Noncompliance

Criteria:

On June 22, 2009, the OMB published the Memorandum - *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* (the Recovery Act). Section 1512 of the Recovery Act requires submittal of progress reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter. All data contained in each quarterly recipient report will be cumulative in order to encompass the total amount of funds expended to date. Recipients have the ability to update reports if there are material differences that would require the reports to be corrected during the continuous correction period.

Condition and Context:

In our sample of 14 ARRA Reports submitted by management, we noted that there was one report for the period ended June 30, 2012, in which management had expenditures associated with the quarter that were not captured in the appropriate ARRA Report. The ARRA report was submitted by management before the quarterly close process was finished, and thus, expenditures of a total of \$814K was not appropriately captured in the reports. Refer to the table below for details regarding difference identified for the reports tested for the quarter ended June 30, 2012. Management did not update the report as part of the continuous correction period, but rather included the amount in the subsequent quarters' reports.

Expenditures			
Award #	Actual	Reported	Difference
1 C06 RR029923-01	\$5,622,657	\$6,437,147	(814,490)
		Total	(814,490)

Questioned Costs:

None noted.

Cause:

Management does not have appropriate controls in place over the review process for ARRA awards which allowed this incomplete reporting to exist.

Effect:

The Federal agencies did not receive accurate cumulative expenditure amounts on which to base programmatic decisions.

Recommendation:

We recommend that UAMS prospectively implement a policy to modify the data in its Section 1512 reports to capture data through the actual quarter-end in order to ensure compliance with Section 1512 reporting requirements, utilizing the continuous correction period, if necessary. Controls should be implemented to ensure effective supervisory review to validate that amounts reported are complete and accurate.

**STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

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

Finding Number:	12-150-04 (Continued)
State/Educational Agency(s):	University of Arkansas for Medical Sciences
CFDA Number(s) and Program Title(s):	93.701 – ARRA – Trans-NIH Recovery Act Research Support 93.702 – ARRA – National Center for Research Resources, Recovery Act Construction Support (Research and Development Cluster)
Federal Award Number(s):	1 C06 RR029923-01; 2 R01 NS037821-09A2; 3 P20 RR016460-08S2
Federal Award Year(s):	Various
Compliance Requirement(s) Affected:	American Recovery and Reinvestment Act Reporting
Type of Finding:	Noncompliance

Views of Responsible Officials and Planned Corrective Action:

UAMS interpreted guidance found in the NIH FAQ's to say that if expenses were incurred for the quarter but posted after the institution cutoff date, as long as the expenses were not material, the expenses could be reported in the following quarter. In the future the determination of materiality will be based on the quarterly expenditures, not the award amount.

Anticipated Completion Date: Complete

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State of Arkansas Single Audit

SCHEDULE OF PRIOR AUDIT FINDINGS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-160-01 10-160-01 09-160-01 08-160-01 07-160-01 06-160-02 05-160-02 04-160-01 03-160-01 02-160-06 01-160-05	84.038 – Federal Perkins Loan Program_Federal Capital Contributions (Student Financial Assistance Cluster)	The institution's cohort default rate exceeds the allowable Federal Perkins Loan Program cohort default rate.	Reporting	Corrective action has not been taken. See current-year finding 12-160-01 .	The small population of borrowers included in the calculation causes the rate to exceed the allowable rate. See additional planned corrective action in response to current-year finding: 12-160-01 .
11-500-01 10-500-01	84.027 – Special Education_ Grants to States; 84.173 – Special Education_ Preschool Grants; 84.391 – ARRA – Special Education Grants to States; 84.392 – ARRA – Special Education – Preschool Grants (Special Education Cluster (IDEA))	The Agency failed to provide supporting documentation of the child counts used to calculate the poverty distribution to Local Educational Agencies (LEAs). Additionally, as noted in previous audits, a supervisor or other knowledgeable personnel did not review, test, or approve allocation worksheets used to distribute federal funds for all grant awards within the Cluster.	Matching, Level of Effort, Earmarking	Corrective action has not been taken. See current-year finding 12-500-02 .	

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-500-02	84.027 – Special Education_ Grants to States; 84.173 – Special Education_ Preschool Grants; 84.391 – ARRA – Special Education Grants to States; 84.392 – ARRA – Special Education – Preschool Grants (Special Education Cluster (IDEA))	The Agency did not properly allocate funds to charter schools that opened or significantly expanded their enrollment before November 1 of the 2008-2009, 2009-2010, and 2010-2011 academic years. Allocations to charter schools that opened or significantly expanded their enrollment were not based on actual enrollments or other eligibility data for seven charter schools in grant year 2009, 10 charter schools in grant year 2010, and eight charter schools in grant year 2011 under the Special Education_Grants to States grant award. Furthermore, no adjustments were made to the allocations for other LEAs as a result of the allocations to the charter schools in each year.	Special Tests and Provisions	Corrective action taken.	
11-520-01	84.126 – Rehabilitation Services_ Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services_ Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)	The Agency failed to submit the December 2010, March 2011, and June 2011 Quarterly Financial Reports (SF-269) for the ARRA grant. This resulted in \$3,090,105 in ARRA expenses not being reported to the federal grantor.	Reporting	Corrective action taken.	
11-520-02	84.126 – Rehabilitation Services_ Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services_ Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)	The Agency did not accurately report program income earned as of the end of each reporting period. Program income calculations reported could not be verified due to lack of supporting documentation. Additionally, the Agency reported unexpended income for the period ended September 30, 2010; however, this income should have been expended prior to requesting additional cash payments from the grant.	Program Income	Corrective action has not been taken. See current-year finding 12-520-07 .	

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-520-03	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)	The Agency developed in-house procedures to prevent unallowable costs from being paid with grant funds. These procedures include dual approval on client payment authorizations. A review of 24 case files revealed that 19 of the files did not contain dual approval on payment authorizations resulting in \$65,244 in payments lacking dual authorization.	Activities Allowed or Unallowed; Allowable Costs/Cost Principles	Corrective action taken.	
11-700-01	84.394 – ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants (State Fiscal Stabilization Fund Cluster)	A review of 40 payments made to various institutions of higher education (IHEs) revealed that two payments were made for activities not allowed under the grant.	Activities Allowed or Unallowed	Corrective action taken.	
11-710-01	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States 84.390 – ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)	The Agency did not submit the September 2010 and December 2010 Quarterly Financial Reports (SF-425) for the regular FFY 2010 grant or the September 2010 and December 2010 Quarterly Financial Reports (SF-269) for the ARRA grant in accordance with applicable federal due dates. Additionally, the Agency failed to implement new reporting procedures for the FFY 2011 grant. The Semi-Annual Financial Report (SF-425) for December 2010 was submitted instead of the required March 2011 reporting period.	Reporting	Corrective action taken.	
10-520/710-02	84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)	The Arkansas Rehabilitation Services (ARS) and Arkansas Department of Human Services (DHS) did not accurately report program income for the year ending June 30, 2010. Also, ARS had a cash and treasury balance that consisted of program income received that had not been disbursed before requesting additional cash payments.	Program Income	Partially corrected. See current-year finding 12-520-07 .	Corrective action has been taken by DHS (Agency 0710). See additional planned corrective action for ARS in response to current year finding: 12-520-07 .

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF EDUCATION (Continued)

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
10-520/710-03	84.126 – Rehabilitation Services_ Vocational Rehabilitation Grants to States (Vocational Rehabilitation Cluster)	Arkansas Department of Human Services did not submit quarterly financial reports for the regular and ARRA grants in accordance with applicable federal due dates for three quarters. Arkansas Rehabilitation Services did not submit the quarterly caseload reports timely for one quarter and did not submit the Annual Case Service Report timely.	Reporting	Partially corrected. See current-year findings 12-520-08 and 12-520-09 .	Corrective action has been taken by DHS (Agency 0710). See additional planned corrective action for ARS in response to current-year findings 12-520-08 and 12-520-09 . Similar issues noted in prior-year findings 11-520-01 and 11-710-01 .

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-710-02	93.558 – Temporary Assistance for Needy Families (TANF Cluster)	A test of cash assistance disbursements to clients noted that three clients were overpaid in TEA cash assistance or Work Pays cash assistance. Payments were continued to the clients for a period after the client had been determined ineligible to receive assistance.	Allowable Costs/Cost Principles; Eligibility	Corrective action taken.	
11-710-03	93.575 – Child Care and Development Block Grant 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.713 – ARRA – Child Care and Development Block Grant (CCDF Cluster)	The Agency is responsible for administering the State's CCDF program and is responsible for determining and documenting client eligibility. The Division of Child Care and Early Childhood Education identified 237 cases of client and provider overpayments for the period October 1, 2010 — September 30, 2011, totaling \$189,786. At the time this finding was written, the Agency was also investigating 33 cases of possible overpayments totaling \$48,396.	Allowable Costs/Cost Principles	Corrective action taken.	The finding is included for compliance with A-133 section 510(a)(3) relating to known questioned costs greater than \$10,000. This issue was self-reported by the Agency. As the Agency continues to identify these types of questioned costs through its procedures AND the costs are greater than \$10,000, a finding will be drafted for inclusion in the current Single Audit report.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-710-04 10-710-11 09-710-06 09-710-07 08-710-12 08-710-13 07-710-11	93.658 – Foster_Title IV-E; 93.658 – ARRA – Foster Care_ Title IV-E	For an activity to be allowable, certain criteria must be met. Testing of travel and other miscellaneous expenditures (excluding monthly board, child care and contracts) revealed several instances of non compliance with regulations. Federal funds were utilized for unallowable activities and on behalf of ineligible children. Documentation was also inadequate for determining the child and/or purpose of travel/reimbursement.	Activities Allowed or Unallowed; Allowable Costs/Cost Principles	Corrective action is not necessary.	Expenditures related to travel and other miscellaneous costs included in this compliance category were not considered direct and material for June 30, 2012. In addition, the Agency does not anticipate implementing corrective action; therefore, the issue does not warrant further action.
11-710-05 10-710-13 09-710-09	93.658 – Foster_Title IV-E; 93.658 – ARRA – Foster Care_ Title IV-E	For an activity to be allowable, certain criteria must be met. Testing of child care payments on behalf of foster children revealed payments made for children determined to be ineligible for the federal program and for children who had exited care.	Activities Allowed or Unallowed; Allowable Costs/Cost Principles	Corrective action has not been taken. See current-year finding 12-710-03 .	The Agency is not in the process of developing and implementing a new system. In November 2012, the DCFS CFO stated that the system would be modified, not redeveloped as stated in the corrective action plan for finding 11-710-05 . However, no modifications have been made. A current-year finding was drafted for inclusion in the 2012 report.
11-710-06 10-710-15 09-710-11	93.658 – Foster_Title IV-E; 93.658 – ARRA – Foster Care_ Title IV-E	Federal Foster Care benefits may only be paid on behalf of a child if certain requirements are met (including requirements specific to the foster family homes). Testing of foster family homes revealed that the Agency was unable to provide appropriate documentation supporting that some foster family homes met requirements related to the satisfaction of a state criminal records check, fingerprint-based FBI check, and/or a child abuse and neglect registry check (central registry).	Eligibility	Corrective action taken.	

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-710-07 10-710-16	93.659 – Adoption Assistance; 93.659 – ARRA – Adoption Assistance	Individuals are considered eligible for federal adoption subsidy payments only if certain requirements are met per federal regulations. Review of 60 adoption subsidy files revealed that two children were properly determined as ineligible for Title IV-E (federal) funds; however a data entry error into the Children's Reporting and Information System (CHRIS) was made in which "Funding Source" was incorrectly entered as federal. As a result, all payments for these children were incorrectly paid from federal funds.	Eligibility	Corrective action taken.	
11-710-08 10-710-17	93.659 – Adoption Assistance; 93.659 – ARRA – Adoption Assistance	Federal Adoption Assistance benefits may only be paid on behalf of a child if certain requirements are met (including requirements specific to the adoptive parents). Testing of adoptive parents revealed the Agency was unable to provide appropriate documentation supporting that some adoptive parents met requirements related to the satisfaction of a state criminal records check, fingerprint-based FBI check, and/or a child abuse and neglect registry check (central registry).	Eligibility	Corrective action taken.	
11-710-09	93.659 – Adoption Assistance; 93.659 – ARRA – Adoption Assistance	It was discovered that adoption subsidy payments were made to parents past the date the subsidy had ended. In addition, it was discovered that the Agency did not have a process in place to notify the accounts receivable department that an overpayment had occurred.	Eligibility	Corrective action has not been taken. See current-year finding 12-710-04 .	The Agency did not put policies in place, and the manual process to notify the accounts receivable department was not completed as stated in the Agency's corrective action plan. See additional planned corrective action at 12-710-04 .

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FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-710-10	93.778 – Medical Assistance Program; 93.778 – ARRA – Medical Assistance Program (Medicaid Cluster)	The Agency failed to provide sufficient monitoring of claim payments to ensure the provider maintained all required documentation. Relationships between recipients and APD (Adults with Physical Disabilities) Attendant Care providers were also not sufficiently monitored. This oversight resulted in provider case files containing discrepancies such as plan of care not being provided, billed services not being authorized, written documentation supporting the billed service not being provided, date and time of service not being provided, provider not signing documentation, and provider acting as the guardian of the recipient (unallowable relationship). Also noted was that 7 of 64 provider cases selected for review could not be located.	Activities Allowed or Unallowed	Corrective action cannot be determined.	The Agency has drafted policy changes that have been submitted to CMS. Because the Agency is working on policy changes to the APD program, DLA did not select APD for testing in 2012. However, current-year testing of other Home and Community-Based Services programs revealed the Agency was unable to provide all required documentation. See current-year finding 12-710-05 . A Home and Community-Based Services program compliance issue was also addressed in prior-year finding 10-710-23 .

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-710-11	93.778 – Medical Assistance Program; 93.778 – ARRA – Medical Assistance Program (Medicaid Cluster)	The Agency is required to ensure applicants meet eligibility requirements as outlined in the Medicaid Services Manual. Federal regulations note that the Agency must document in each application record facts to support the Agency's decision on the application. A test of 153 Medicaid recipient files revealed that five recipient files contained paid claims for ineligible clients, resulting in questioned costs of \$80,617. In addition, nine other internal control deficiencies were noted, including incomplete narrative and electronic case files and re-evaluations not performed within a 12-month period. The Agency addressed these deficiencies, and the recipient's eligibility was not affected. As follow-up to the Agency's 2009 stated corrective action for prior-year finding 09-710-18, a separate internal control test of 20 files was performed to ensure recipient files contained proper review by the Agency's Quality Assurance (QA) Unit. This testing revealed that in two instances, although a file was properly reviewed by the QA Unit, the file contained deficiencies in documentation. It was also noted that 15 of the 20 files had not been reviewed by the QA Unit.	Eligibility	Corrective action has not been taken. See current-year finding 12-710-10 .	Inadequate controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring and retain appropriate documentation. In addition, the Agency's planned corrective action statement from the 2011 Corrective Action Plan about an accuracy rate determined by DLA is an assertion of the Agency, not DLA. These ongoing control and eligibility compliance deficiencies were also noted in audit findings contained in the 2007 – 2010 Single Audit reports.
11-710-12	93.778 – Medical Assistance Program; 93.778 – ARRA – Medical Assistance Program (Medicaid Cluster)	The Agency's Adults with Physical Disabilities (APD) manual requires the case manager to develop and maintain sufficient written documentation to support each service for which billing was made. A review of 20 case manager files revealed that in 18 instances, case managers did not maintain adequate documentation supporting the billed services.	Activities Allowed or Unallowed	Corrective action has not been taken. See current-year finding 12-710-09 .	The Agency's planned completion date for corrective action was May 2012, which is one month prior to the end of another state fiscal year. As a result, the deficiencies continue to exist.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-710-13	93.778 – Medical Assistance Program; 93.778 – ARRA – Medical Assistance Program (Medicaid Cluster)	Review of Agency documentation revealed that the Agency had an outstanding payable (i.e., overdraw of federal funds) of \$12,881,334 at June 30, 2011. This amount was still outstanding as of November 30, 2011. The Agency previously made pre-draws of federal funds in anticipation of a government shutdown. The subsequent draw should have been reduced by the over-draw before requesting more funds.	Cash Management	Corrective action taken.	
10-710-19	93.778 – Medical Assistance Program; 93.778 – ARRA – Medical Assistance Program (Medicaid Cluster)	The Agency is required to ensure applicants meet eligibility requirements as outlined in the Medicaid Services Manual. Federal regulations note that the Agency must document in each application record facts to support the Agency's decision on the application. A test of 361 higher-risk Medicaid recipients revealed that services were rendered for 21 recipients who were not eligible for participation in the Medicaid Program. Household eligibility was improperly determined, resulting in payments to providers for services for which recipients were not eligible.	Eligibility	Corrective action has not been taken. See current-year finding 12-710-10 .	Inadequate controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring, and retain appropriate documentation. These ongoing control and eligibility compliance deficiencies were also noted in audit findings contained in the 2007 – 2009 and 2011 Single Audit reports.

**STATE OF ARKANSAS
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FOR THE YEAR ENDED JUNE 30, 2012**

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

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
10-710-23	93.778 – Medical Assistance Program; 93.778 – ARRA – Medical Assistance Program (Medicaid Cluster)	Home and Community-Based Services: A state may obtain a waiver of statutory requirements to provide an array of home and community-based services that may permit an individual to avoid institutionalization. Arkansas currently has five Home and Community-Based Services waivers for Medicaid, including the Alternatives for Adults with Physical Disabilities (APD) Waiver, which significantly restricts who can enroll as a provider. The provider cannot be legally responsible for the participant. Testing revealed that one provider had an inappropriate relationship to the recipient.	Activities Allowed or Unallowed	Corrective action taken.	Although the Agency has addressed this specific instance of noncompliance, current-year testing of Home and Community-Based Services programs resulted in an audit finding. See current-year finding 12-710-05 . A Home and Community-Based Services program compliance issue is also addressed in prior-year finding 11-710-10 .
10-710-24	93.778 – Medical Assistance Program; 93.778 – ARRA – Medical Assistance Program (Medicaid Cluster)	The Agency is required to ensure applicants meet eligibility requirements as outlined in the Medicaid Services Manual. Federal regulations also note that the Agency must document in each application record facts to support the Agency's decision on the application. Testing of 284 Medicaid recipients with a citizenship status other than United States revealed that services were rendered to 22 recipients who were not eligible for participation in the Medicaid Program. Household eligibility was improperly determined, resulting in payments to providers for services in which recipients were not eligible.	Eligibility	Corrective action taken.	Although the specific instances of noncompliance noted in this finding have been addressed by the Agency, inadequate controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring and retain appropriate documentation. These ongoing control and eligibility compliance deficiencies were also noted in audit findings contained in the 2007 – 2009 and 2011 Single Audit reports.

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

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
09-710-18	93.778 – Medical Assistance Program; 93.778 – Medical Assistance Program, Recovery Act (Medicaid Cluster)	Testing of Medicaid cases in seven counties revealed that documentation provided by the Agency for the selection of Medicaid recipients did not support the Agency's determination that the recipients were eligible for the Medicaid Program.	Eligibility	Corrective action has not been taken. See current-year finding 12-710-10 .	The Agency has addressed most instances of noncompliance noted in this finding. However, a portion of the Agency's 2009 Correction Action Plan stated the Agency would begin review of all Medicaid claims paid that exceed \$50,000. A test was conducted as part of prior-year follow-up to confirm this assertion. As a result of the test, it was revealed that 100% of these claims were not being reviewed.
09-710-20	93.778 – Medical Assistance Program; 93.778 – Medical Assistance Program, Recovery Act (Medicaid Cluster)	Testing of Medicaid eligibility revealed that adequate documentation was not available to determine that five aliens were eligible to participate in the Medicaid Program.	Eligibility	Corrective action taken.	Although the Agency has addressed the specific instances of noncompliance noted in this finding, inadequate controls continue to contribute to the Agency's inability to appropriately determine recipient eligibility, provide adequate monitoring, and retain appropriate documentation. These ongoing control and eligibility compliance deficiencies were also noted in audit findings contained in the 2007 – 2008 and 2010 - 2011 Single Audit reports.

**STATE OF ARKANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
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FINDINGS COVERING PROGRAMS AUDITED BY EXTERNAL AUDITORS

U.S. DEPARTMENT OF EDUCATION

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-150-01	84.268 – Federal Direct Student Loans (Student Financial Assistance Cluster)	The institution is required to make changes to a students' status within the New Student Loan Data System (NSLDS) website timely. Testing for 40 students revealed that in four instances, changes in student status were not reported timely to NSLDS. Additionally, three students within the sample had withdrawn during the fiscal year, and the incorrect withdrawal date had been entered into NSLDS.	Enrollment Reporting	According to the June 30, 2012 OMB Circular A-133 Audit Report for UAMS, the registrars have been notified that it is critical to update student statuses accurately and timely. Student Financial Services (SFS) and Academic Computing staff have reviewed the current automatic reporting process and monitor/verify the data submitted to NSLDS. SFS, Academic Computing, and IT staff have investigated using the National Student Clearinghouse for submission of data to the NSLDS and have determined they will switch to this program to eliminate any possible future errors. Testing is in the final stage, with implementation effective January 2013.	

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SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS COVERING PROGRAMS AUDITED BY EXTERNAL AUDITORS (Continued)

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-150-02	93.866 – Aging Research 93.307 – Minority Health and Health Disparities Research (Research and Development Cluster)	<p>Federal regulations require that costs charged to federally-funded programs represent actual costs, not budgeted or projected costs. Testing of subrecipient payments revealed that in two instances, subrecipients were paid the entire contract amount in advance of the work being performed on the grant.</p> <p>Award 2P01AG0124111-12A2: The entire subaward was paid in January 2011; however, work performed by the subrecipient was not completed until March 31, 2011.</p> <p>Award IR24MD002805-03: The entire subaward was paid in July 2010; however, the work performed by the subrecipient was not completed until March 31, 2011.</p>	Allowable Costs/Cost Principles; Subrecipient Monitoring	<p>According to the June 30, 2012, OMB Circular A-133 Audit Report for UAMS, in the case of award 2P01AG012411-12A2, Imperial College: A refund of \$204,680.33 was received on April 5, 2012. A detailed list of expenses for the project period was received and reviewed. The need for a refund was discovered once the initial response was received from Imperial College.</p> <p>In the case of award 1R24MD002805-03, Mississippi County Arkansas Economic, Inc.: A refund was received in November 2011. Monthly invoices have been processed for reimbursements for the months of December 2011 through February 2012.</p> <p>All payments made in fiscal year 2012 were cost reimbursable, as stated in the contracts.</p>	

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SCHEDULE OF PRIOR AUDIT FINDINGS
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FINDINGS COVERING PROGRAMS AUDITED BY EXTERNAL AUDITORS (Continued)

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

Finding Number(s)	CFDA Number(s)/ Program Title(s)	Brief Description	Compliance Requirement	Status of Finding	Comments
11-150-03	93.701 – ARRA – Trans-NIH Recovery Act Research Support 93.389 – National Center for Research Resources (Research and Development Cluster)	Testing of 40 equipment purchases noted the following: The equipment records for two items of equipment did not include the inventory tag numbers or location of the assets; the equipment record for one item of equipment did not include the grant number. Additionally, one item of equipment was not located. Upon further research, it was noted that this equipment had been returned to the vendor; however, the Property Services department had not been notified, as required by the Institution's guidelines.	Equipment and Real Property Management	According to the June 30, 2012, OMB Circular A-133 Audit Report for UAMS, grant managers have been advised of the process for tracking equipment that leaves UAMS property for any reason.	
11-150-04	93.708 – ARRA – Head Start 93.709 – ARRA – Early Head Start (Head Start Cluster)	The final closeout reports were submitted to the granting agency prior to review of the in-kind supporting schedule and reported in-kind balances. The reports did not include correct in-kind contribution balances. The reports were resubmitted with accurate amounts.	Matching, Level of Effort, Earmarking	According to the June 30, 2012, OMB Circular A-133 Audit Report for UAMS, no FFRs have been submitted without the required match. A letter received from the Administration for Children and Families on 12/12/12 stated that no further action was to be taken at this time.	