State of Arkansas

Single Audit Report

For the Year Ended June 30, 2015

State of Arkansas
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For the Year Ended June 30, 2015

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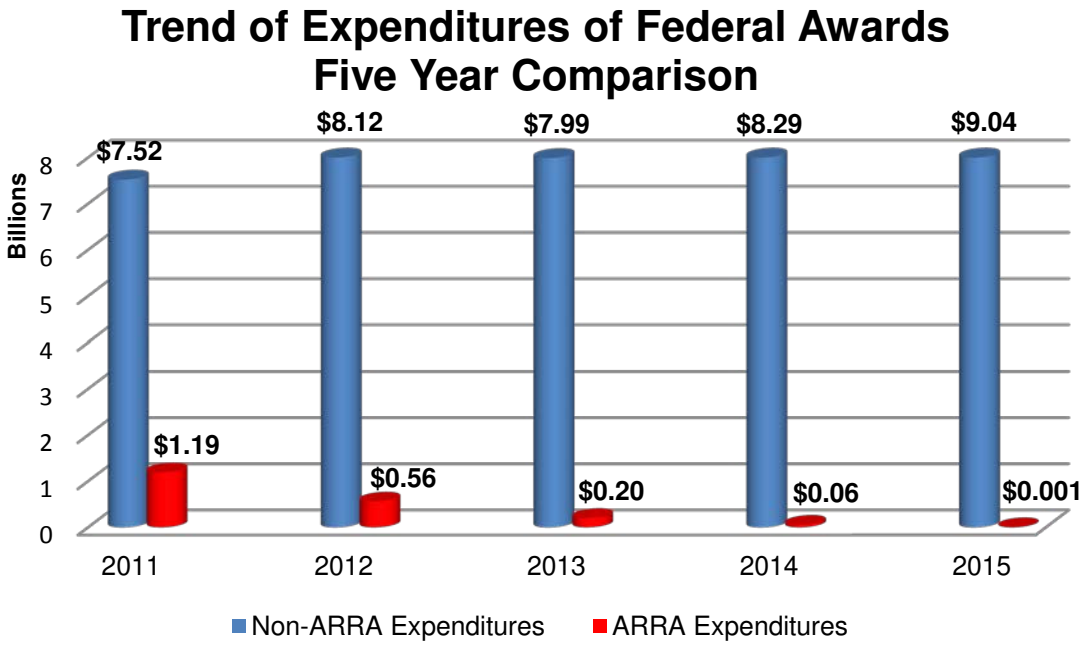
State of Arkansas
Introduction and Summary
For the Year Ended June 30, 2015

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 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, 2015, as performed by Arkansas 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 years ended June 30, 2009, 2010, and 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. Quarterly reporting for recipients of ARRA awards ended with the January 2014 reporting period. The State of Arkansas expended a total of $9,037,682,678 in federal awards during the year ended June 30, 2015. Of that total, $1,037,069 (.014%) in ARRA awards was expended.



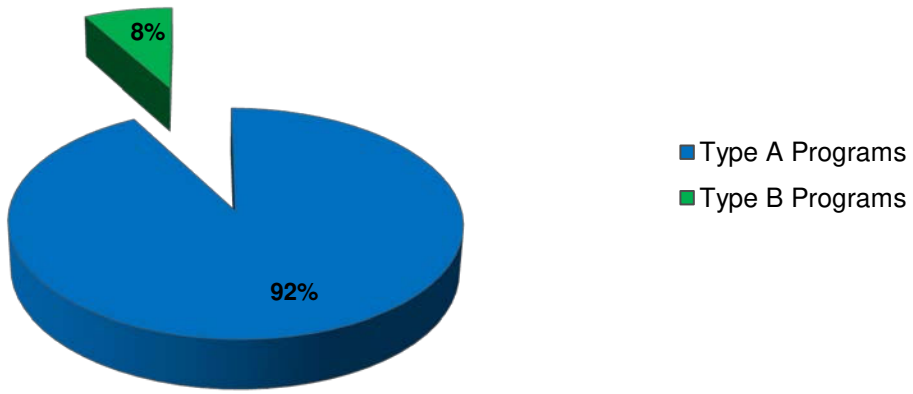
In accordance with OMB Circular A-133, larger federal programs are identified and labeled as Type A. The following table outlines how the Type A programs for the State of Arkansas were identified.

Type A Program Determination

Larger of:			$ 3,000,000
			or
Total expenditures of federal awards		$9,037,682,678	
Three-tenths of one percent	x	0.003	
			$27,113,048
Type A threshold		$ 27,113,048	

All federal programs with expenditures of at least $27,113,048 were labeled Type A. All other federal programs were labeled Type B. Of the 420 federal programs represented in the June 30, 2015, State of Arkansas Single Audit, 20 were Type A programs with expenditures totaling $8,326,923,443, which is 92% of total expenditures, and 400 were Type B programs with expenditures totaling $710,759,235, which is 8% of total expenditures.

Type A and Type B Programs
Expenditures of Federal Awards



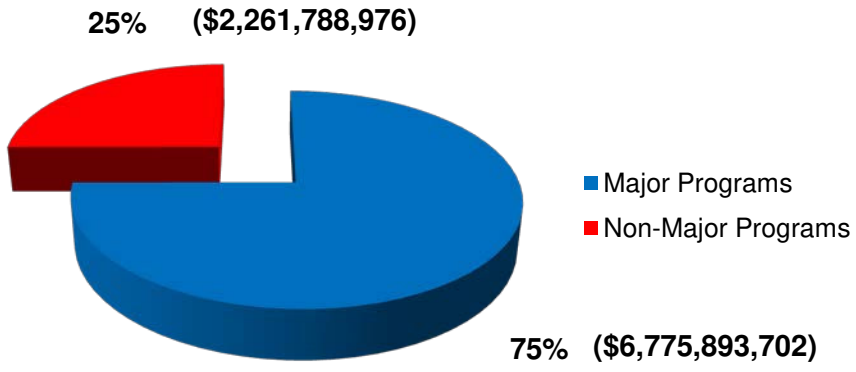
OMB Circular A-133 requires the auditor to perform risk assessments on all Type A programs and to audit, as major, each Type A program assessed as high-risk based on various risk factors. Risk assessments were performed on each Type A program, and 12 of the 20 were determined to be high-risk or major.

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		$9,037,682,678	
Three-hundredths of one percent	x	0.0003	
			$ 2,711,305
Threshold of Type B programs		$ 2,711,305	

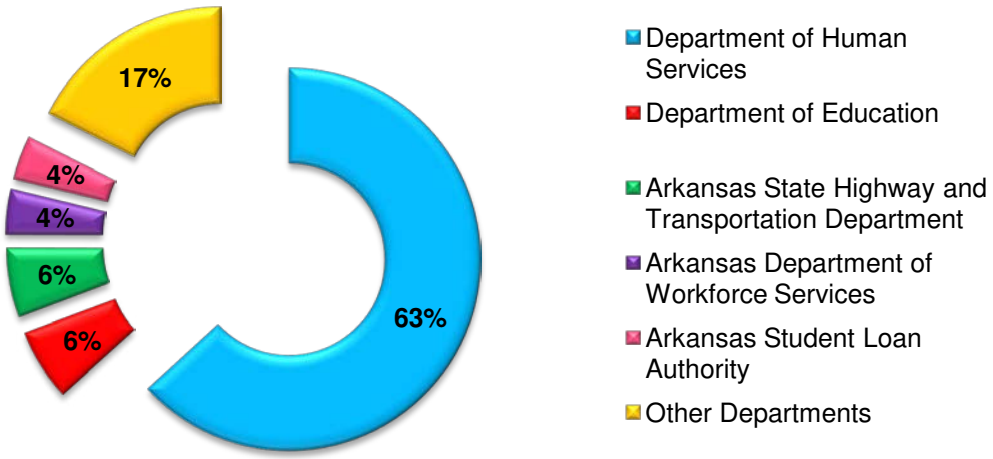
For the year ended June 30, 2015, major program expenditures represent 75% of total expenditures of federal awards.

Fiscal Year 2015
Major vs. Non-Major Programs
$9,037,682,678



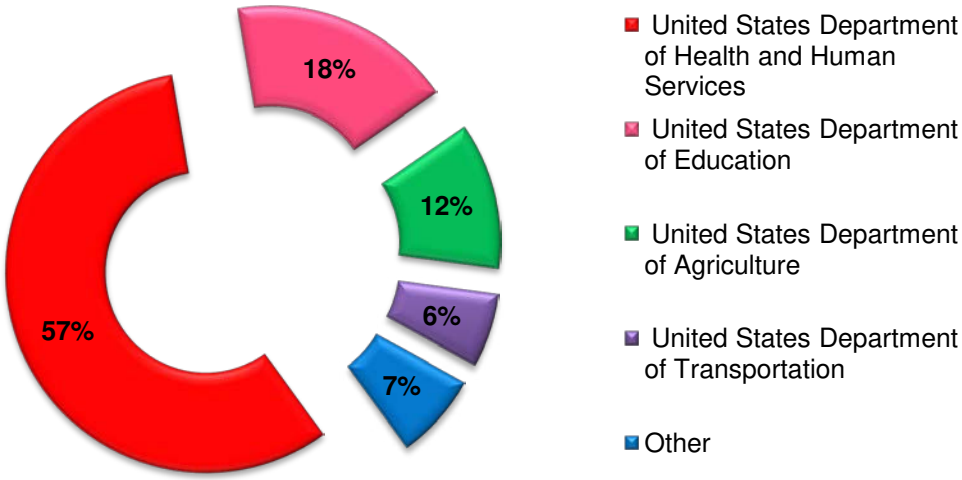
A majority (82%) of federal awards were expended by five state departments, as noted below.

Percentage of Total Expenditures of Federal Awards by State Department



The State received federal awards from 31 different federal agencies. Most of the federal awards (93%) came from four federal agencies.

Total Expenditures of Federal Awards by Federal Awarding Agency



Independent Auditor's Reports

For the Year Ended June 30, 2015

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair

Rep. Mary Broadaway
House Chair
Rep. Sue Scott
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

Independent Auditor's Report

The Honorable Asa Hutchinson, Governor,
and Members of the Legislative Joint Auditing Committee
State of Arkansas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the 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, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 31, 2015. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, the University of Arkansas for Medical Sciences (a portion of the Higher Education Fund), the Department of Workforce Services (Administrative, a portion of the General Fund, and Unemployment Insurance Fund, 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

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
December 31, 2015

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair

Rep. Mary Broadaway
House Chair
Rep. Sue Scott
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

The Honorable Asa Hutchinson, Governor,
and Members of the Legislative Joint Auditing Committee,
State of Arkansas:

Report on Compliance for Each Major Federal Program

We have audited the State of Arkansas's compliance 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, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

Opinion on Each Major Federal Program

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, 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 2015-002 through 2015-014, 2015-016 through 2015-023, 2015-025, 2015-026, 2015-029, and 2015-030. Our opinion on each major federal program is not modified with respect to these matters.

The State's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The State's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 2015-011, 2015-014 through 2015-017, and 2015-019 through 2015-027 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 2015-001 through 2015-010, 2015-012, 2015-013, 2015-018, 2015-028, and 2015-029 to be significant deficiencies.

The State's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The State's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the State as of and for the year ended June 30, 2015, and have issued our report thereon dated December 31, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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.

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
February 17, 2016, except for the
Schedule of Expenditures of Federal
Awards, dated December 31, 2015

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

Audit findings regarding compliance and internal controls over compliance for the major programs are disclosed on the following pages. Each finding has been evaluated and assigned one or more of the following designations:

- ***Material Noncompliance*** with the provisions of laws, regulations, contracts, or grant agreements related to a major program. The determination of whether noncompliance is material for the purpose of reporting is in relation to one of the 12 types of compliance requirements for a major program or an audit objective identified in the OMB A-133 Compliance Supplement.
- ***Noncompliance*** with the provisions of laws, regulations, contracts, or grant agreements related to a major program.
- ***Material Weakness*** in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented or detected and corrected timely.
- ***Significant Deficiency*** in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

In addition, known questioned costs that are greater than $10,000 for a type of compliance requirement for a major program are required to be reported. Questioned costs are questioned by the auditor because of an audit finding (a) that resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (b) for which the costs, at the time of the audit, are not supported by adequate documentation; or (c) for which the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

As part of the audit process, the findings were provided to the applicable State/Educational Agency (Agency) for management's response. The responses were prepared by management of each Agency and are included at the end of each finding, beginning on page 15 under the caption "*Views of Responsible Officials and Planned Corrective Action.*" The responses include the planned corrective action, the anticipated completion date, and the Agency contact.

We have presented our findings, generally, by Federal Grantor Agency, State/Educational Agency, and Catalog of Federal Domestic Assistance Number (CFDA). Each finding is assigned a seven-digit reference number (e.g., 2015-xxx). The first set of digits represents the fiscal year audited, and the second set represents the sequential finding number. An index of the findings is located on page 14.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	X	Yes	___	No
Significant deficiency(s) identified not considered to be a material weakness(es)?	X	Yes	___	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	X	Yes	___	No
Dollar threshold used to distinguish between Type A and Type B programs:	$27,113,048			
Auditee qualified as low-risk auditee?	___	Yes	X	No

Section I - Summary of Auditor's Results (Continued)

Identification of major programs:

	CFDA Number(s)	Name of Cluster or Federal Program
1.	10.553, 10.555, 10.559	Child Nutrition Cluster
2.	66.458	Clean Water State Revolving Fund Cluster
3.	66.468	Drinking Water State Revolving Fund Cluster
4.	93.558	TANF Cluster
5.	93.720, 93.775, 93.777, 93.778	Medicaid Cluster
6.	96.001, 96.006	Disability Insurance/SSI Cluster
7.	Various	Research and Development Cluster
8.	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, 93.264, 93.342, 93.364	Student Financial Assistance Cluster
9.	14.239	Home Investment Partnerships Program
10.	17.225	Unemployment Insurance
11.	17.245	Trade Adjustment Assistance
12.	84.032	Federal Family Education Loans
13.	84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States
14.	93.268	Immunization Cooperative Agreements
15.	93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program
16.	93.563	Child Support Enforcement
17.	93.568	Low-Income Home Energy Assistance
18.	93.600	Head Start
19.	93.658	Foster Care_Title IV-E
20.	93.767	Children's Health Insurance Program (CHIP)
21.	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section II - Financial Statement Findings

No findings reported

Section III - Federal Award Findings and Questioned Costs

Federal/State/Educational Agency Name(s) / Program Title	CFDA Number(s) Affected	Page Number(s)
U.S. Department of Education		
University of Arkansas at Monticello		
Student Financial Assistance Cluster	84.063; 84.268	15 - 16
Phillips Community College of the University of Arkansas		
Student Financial Assistance Cluster	84.063	17 - 18
Arkansas Department of Career Education - Arkansas Rehabilitation Services		
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	19 - 34
U.S. Department of Health and Human Services		
Arkansas Department of Human Services		
Low-Income Home Energy Assistance	93.568	35 - 36
Foster Care_Title IV-E	93.658	37 - 41
Children's Health Insurance Program	93.767	42 - 51
Medicaid Cluster	93.775; 93.777; 93.778	42 - 49; 52 - 81
U.S. Department of Homeland Security		
Arkansas Department of Emergency Management		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	82 - 83
Findings Covering Programs Audited by Other External Auditors		
U.S. Department of Labor		
University of Arkansas for Medical Sciences		
H1B Job Training Grants	17.268	84 - 85

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

U.S. DEPARMENT OF EDUCATION

Finding Number:	**2015-001**
State/Educational Agency(s):	**University of Arkansas at Monticello**
CFDA Number(s) and Program Title(s):	**84.063 – Pell Grant Program** **84.268 – Federal Direct Student Loans** **(Student Financial Assistance Cluster)**
Federal Award Number(s):	**P063P141071; P268K141071**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
In accordance with 34 CFR § 668.32 Student Assistance General Provisions, a student is eligible to receive assistance under the Title IV HEA programs if the student meets various eligibility requirements. One of these requirements is that the student is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution.

Condition and Context:
University management discovered that Jerome Terry assumed another individual's identity and improperly obtained Title IV financial aid totaling $11,089 during the fall 2013 and spring 2014 semesters. Subsequently, Mr. Terry was charged with and convicted of financial identity fraud and forgery II, class C felonies; sentenced to 24 months incarceration; and ordered to pay restitution of $6,359 upon release.

Questioned Costs:
$11,089

Cause:
The University did not establish controls to ensure federal financial assistance was awarded to an enrolled student.

Effect:
The University disbursed federal financial aid to an individual who was not enrolled.

Recommendation:
ALA staff recommend the University establish effective internal controls to ensure financial aid is only awarded to eligible students.

Views of Responsible Officials and Planned Corrective Action:
Mr. Jerome Terry assumed the identity of his son, Jarell Terry, in order to attend the University of Arkansas at Monticello McGehee campus. It is our understanding that Mr. Jerome Terry wanted to obtain a technical certificate in his son's name, so that when his son, Jarell Terry, was released from prison, he would have a certificate and be able to easily obtain employment. Since Mr. Jerome Terry assumed his son's identity, he had access to Jarell's pertinent personal information necessary to register, enroll, and obtain financial aid as an eligible student. Someone on the McGehee campus recognized that the person attending UAM using the name of Jarell Terry was not Jarell Terry but was identified to be his father, Jerome Terry. Once UAM became aware, this information was reported to the local prosecutor's office and the Arkansas State Police.

The federal financial assistance was awarded to Jarell Terry, the name of the person who was enrolled and was eligible to receive financial aid. However, these funds were received by his father, Mr. Jerome Terry, who had assumed his son's identity. The entire amount of $11,089 in federal assistance received by Mr. Jerome Terry was returned to the appropriate federal agencies. UAM is now owed the amount of $11,089 from the student because all federal funds awarded to the student were repaid to the federal agencies.

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-001 (Continued)**
State/Educational Agency(s):	**University of Arkansas at Monticello**
CFDA Number(s) and Program Title(s):	**84.063 – Pell Grant Program** **84.268 – Federal Direct Student Loans** **(Student Financial Assistance Cluster)**
Federal Award Number(s):	**P063P141071; P268K141071**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Significant Deficiency**

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

Regarding the statement that UAM disbursed federal aid to an individual who was not an enrolled student, the son was eligible to enroll, and the son was eligible for federal financial aid. UAM disbursed federal financial aid in the name of the son to the person that was thought to be Jarell Terry.

UAM plans to more closely verify birthdates provided by students for reasonableness as to the individual enrolling. As always, before awarding financial aid, UAM verifies that social security numbers agree with birthdates and other pertinent information. UAM will continue to make these verifications before awarding any financial aid.

Anticipated Completion Date: Immediately

Contact Person:

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Vice Chancellor for Finance and Administration
University of Arkansas at Monticello
PO Box 3597
Monticello, AR 71656
870-460-1022
jonesj@uamont.edu

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-002**
State/Educational Agency(s):	**Phillips Community College of the University of Arkansas**
CFDA Number(s) and Program Title(s):	**84.063 – Federal Pell Grant Program (Student Financial Assistance Cluster)**
Federal Award Number(s):	**P063P151086**
Federal Award Year(s):	**2015**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

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 the College during a payment or enrollment period in which the recipient began attendance, the College 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. Institutional charges are used to determine the portion of unearned federal student aid that the College is responsible for returning. Institutional charges are tuition; fees; room and board, if applicable; and other educationally-related expenses assessed by the College.

Condition and Context:
The College did not include facility fees in the return of Title IV funds calculation for the five returns tested for compliance from a population of 51 calculations of returns. In addition, the College returned more funds than required on four of the five students tested. The net effect of these errors caused an excess return of funds totaling $1,918.

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 tuition and fee charges, the College failed to include the facility fee as required by 34 CFR § 668.22 (g)(ii)(2). Management did not implement procedures to ensure the correct amount of unearned funds was returned to the Title IV program.

Effect:
The College returned institutional costs of $1,918 to the Federal Pell Grant Program in excess of the amount required.

Recommendation:
ALA staff 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.

Views of Responsible Officials and Planned Corrective Action:
A full review was conducted on the students listed during the review. Procedures are being developed and will be in place for the spring 2016 semester to ensure that all new fees and charges that are to be added to a student's account during the registration process are included in the student's Return of Title IV Funds Calculation. The financial aid office will be notified by the business office when any new fees or charges are added. In addition, the R2T4 institutional charges will be compared to the student's statement to be sure that all required charges are included.

Anticipated Completion Date: Spring 2016 Semester

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-002 (Continued)**
State/Educational Agency(s):	**Phillips Community College of the University of Arkansas**
CFDA Number(s) and Program Title(s):	**84.063 – Federal Pell Grant Program (Student Financial Assistance Cluster)**
Federal Award Number(s):	**P063P151086**
Federal Award Year(s):	**2015**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

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U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-003**
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**
Federal Award Number(s):	**H126A150003**
Federal Award Year(s):	**2015**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Section II-5 of the Arkansas Rehabilitation Services (ARS) Policy and Procedures Manual requires counselors to disclose any possible conflict of interest, or appearance of conflict of interest, and documentation of the action taken by the District Manager in the electronic case file. Proper segregation of duties, addressed by Section VI-3 of the manual, requires that authorizations exceeding $5,000 be approved by both the Counselor and the District Manager. In instances where the District Manager is acting as the Counselor, the Chief of Field Services would also need to approve the authorization. Section VI-29 states that maintenance (rent) payments are to be made at the end of a stated period after verification that the individual received the services. This process effectively prohibits prepaid rent.

Condition and Context:
A District Manager acted as a Counselor for a relative without properly disclosing the possible conflict of interest in the case file. The District Manager authorized a payment, totaling $7,378, for 12 months of prepaid rent for the client by acting in the capacity of both Counselor and District Manager. The Chief of Field Services' approval was not obtained, which was in direct violation of the Agency's segregation of duties rule for payments over $5,000, as well as in violation of the rule requiring evidence of service prior to the issuance of maintenance payments.

Questioned Costs:
$7,378

Cause:
The District Manager was not adequately trained on the proper application of the ARS Policy and Procedures Manual with respect to conflicts of interest, segregation of duties, and maintenance payments. In addition, the Agency's case management system (System 7) allowed the same person to authorize a payment as both Counselor and District Manager.

Effect:
Failure to adhere to the ARS Policy and Procedures Manual and control the roles of payment authorization in System 7 could allow inappropriate payments to be made without detection.

Recommendation:
ALA staff recommend the Agency train its employees on policies and procedures related to conflicts of interest, segregation of duties, and maintenance payments. ALA staff also recommend the role-mapping in System 7 be reviewed to ensure payment authorization roles are consistent with segregation of duties requirements and the ARS Policy and Procedures Manual.

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-003 (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**
Federal Award Number(s):	**H126A150003**
Federal Award Year(s):	**2015**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

ARS field program during this time endured a high number of counselor vacancies statewide, which caused many of our district managers to work dual roles. This situation circumvented our approval process internally.

ARS Action Taken

The District Manager was disciplined for the violation of policy and procedure with a counseling statement following the Agency's policy of progressive discipline. The Agency has completed training with the district managers on the area of maintenance payments (particularly prepaid rent) and its relation to conflicts of interest and the segregation of duties. This training was completed on February 18, 2016. In addition, the managers will also train their field staff in this area as well at their next monthly staff meeting. System 7 has been re-mapped to implement a trigger for managers acting as counselors (because of our vacancies) to ask for the Chief of Field Services' signature to authorize payments. This will make the Agency roles consistent with the segregation of duties requirement and the ARS Policy and Procedure Manual.

Anticipated Completion Date: February 2016

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U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-004**
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**
Federal Award Number(s):	**H126A140003**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Allowable Cost/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Section VI-29 of the Arkansas Rehabilitation Services (ARS) Policy and Procedures Manual states that after job placement, maintenance payments will only be paid until the client receives his or her first paycheck. In addition, procedures require documentation verifying that the individual received the services.

Condition and Context:
A client received the following maintenance payments that were not in accordance with the ARS Policy and Procedures Manual:

- Two months' rent, totaling $980, after the client had received the first paycheck.
- Vehicle repairs, totaling $2,492, for repair work performed on a vehicle not owned by the client and after the client received the first paycheck.

Questioned Costs:
$3,472

Cause:
The Counselor for the client was not adequately trained on the proper application of the ARS Policy and Procedures Manual regarding maintenance payments.

Effect:
Failure to adhere to the Policy and Procedures Manual could allow inappropriate payments to be made.

Recommendation:
ALA staff recommend the Agency strengthen controls and procedures to ensure employees are properly trained on policies and procedures regarding maintenance payments.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion
ARS acknowledges that there is an error in the Agency's policy section VI-29, which states that after job placement, maintenance will only be paid until the individual receives their first pay check. The Chief of Field Services issued an Agency directive to the policy for section VI-29 that permits maintenance after the first paycheck. The Agency will update the policy manual with the correct language during the next promulgation process. In reference to vehicle repairs, ARS acknowledges that paying for a vehicle repair that is not owned by the client is not a best practice in procedures. However, the vehicle in question was the client's primary source of transportation to attend school.

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-004 (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**
Federal Award Number(s):	**H126A140003**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Allowable Cost/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

ARS Action Taken

The Counselor referenced in the finding will be required to get manager's signature on all authorizations for a 6-month period. In addition, the managers are to be trained by the Chief of Field Services on the best practices for transportation needs, and the managers will in turn train the vocation rehabilitation counselors who report to them in the respective district offices of Arkansas Rehabilitation Services those same skills. Furthermore, the Agency will ensure all employees are aware of the policy directive regarding maintenance payments.

Anticipated Completion Date: February 2016

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U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-005**
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**
Federal Award Number(s):	**H126A140003**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Three specific sections of the Arkansas Rehabilitation Services (ARS) Policy and Procedures Manual were used as guidance for testing in this section:

- Section VI-3 mandates that payments are not to be approved without documentation that the service has been received.
- Section B-24 requires the Small Business Consultant to formalize the feasibility of a business idea through a written business plan or feasibility assessment documenting the following:
  a) Concept Feasibility: Clear description of the business idea; client's background related to the business concept, including education, training, direct experience, and transferable skill sets; a summary statement identifying issues of common concern regarding the feasibility of the concept; and a recommendation as to whether the business concept is feasible.
  b) Market Feasibility: Geographic description of market area; description of competitors working in or marketing to potential customers in geographic area; definition of target markets, including size and scope of each market; and zoning issues/requirements for establishing a business at intended location.
  c) Financial Feasibility: Capitalization requirements (start up funding may not exceed six months) consistent with the client's business concept; identification of resources for startup funding and ongoing capitalization. Twelve months of projected sales/expenses may be included, when appropriate. A monthly update will be required upon authorization.
- Section B-27 of the ARS Policy and Procedures Manual requires financial participation of 10% by the client unless an exception to the financial participation policy has been granted by the Chief of Field Services and/or ARS Commissioner.

In addition, specific guidance is provided relative to improper payments as outlined in the Improper Payments Information Act of 2002, as amended by Publ. 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 appropriate denials of payments 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.

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-005 (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**
Federal Award Number(s):	**H126A140003**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Criteria (Continued):
Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides a 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. This includes establishing internal controls to properly segregate duties so that no person or group should have the ability to approve purchases and obtain custody of warrants.

In addition to the specific federal criteria outlined previously, the following state criteria are also applicable:

- Ark. Code Ann. § 19-11-705(a):

  (a)(1) Conflict of Interest. It shall be a breach of ethical standards for any employee to participate directly or indirectly in any proceeding or application, in any request for ruling or other determination, in any claim or controversy, or in any other particular matter pertaining to any contract or subcontract, and any solicitation or proposal therefore, in which to the employee's knowledge:

  (A) The employee or any member of the employee's immediate family has a financial interest;

  (B) A business or organization has a financial interest, in which business or organization the employee, or any member of the employee's immediate family, has a financial interest; or

  (C) Any other person, business, or organization with whom the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is a party.

  (2) “Direct or indirect participation” shall include, but not be limited to, involvement through decision, approval, disapproval, recommendation, preparation of any part of a procurement request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity.

- Ark. Code Ann. § 21-8-304(a):
  (a) No public servant shall use or attempt to use his or her official position to secure special privileges or exemptions for himself or herself or his or her spouse, child, parents, or other persons standing in the first degree of relationship, or for those with whom he or she has a substantial financial relationship that are not available to others except as may be otherwise provided by law.

Condition and Context:
The Agency made payments totaling $13,302 to 5Linx Enterprises, Inc., a multi-level marketing company, based on what appear to be falsified invoices submitted on behalf of three clients. According to the Chief of Field Services, these clients were referred to the Agency by the Director of the Arkansas Department of Career Education – Arkansas Rehabilitation Services, who retired January 21, 2015, and was also a 5Linx sales representative. The retired Director indicated he was not directly involved in the referral process for these three clients. The clients were all approved by the Small Business Consultant to start their own 5Linx businesses without formally documenting the feasibility of the business plan or requiring the mandatory 10% financial participation from the client. The documentation in the respective case files was very similar, if not identical, for these three clients. ALA staff were unable to determine the origin of the apparently falsified invoices.

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-005 (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**
Federal Award Number(s):	**H126A140003**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Condition and Context (Continued):
The Agency used atypical procedures to pay these invoices. According to the Chief of Field Services, he was directed by the retired Director to pick up the two warrants written to 5Linx (one for $8,868 issued on October 22, 2014, and cashed on January 22, 2015; and one for $4,434 that was issued on November 2, 2014, and voided on August 20, 2015) directly from the Finance office; typically, these warrants would have been mailed, and the Chief of Field Services would have never had custody of them. The retired Director indicated he did not issue this directive. The Chief of Field Services directed that the $8,868 warrant be sent overnight via FedEx to the attention of a specific 5Linx employee.

Although 5Linx personnel stated to auditors that they did not create the invoices, the vendor did receive the $8,868 warrant prior to any order being placed. According to the Vice President of Product Development & Marketing for 5Linx, they received the warrant and subsequently negotiated directly with the retired Director about what the warrant would be used to purchase. The retired Director indicated he was not involved in any conversations with 5Linx about the warrant. According to 5Linx personnel, the warrant was used to pay for services and products for two of the aforementioned clients, but 5Linx was not able to provide a detailed list of these services and products. 5Linx personnel confirmed that the retired Director would have received compensation from 5Linx if these clients had been successful in the business.

As of November 4, 2015, case files reflected the following:

- Client 1 had received products but had not done anything with them. The counselor and client had not had contact since May 18, 2015.
- Client 2 had not received any products. The counselor and client had not had contact since February 3, 2015.
- Client 3 had not received any products. The warrant for $4,434, which was cancelled, had not been reissued. The client stated on July 16, 2015, that he no longer wished to work with 5Linx.

Ark. Code Ann. § 19-11-705(a) – By recommending these clients to his Agency, being involved in getting payments to 5Linx, and potentially benefitting from clients' sales, the retired Director indirectly participated in a contract in which he had a financial interest.

Ark. Code Ann. § 21-8-304(a) – The retired Director used his official position to influence the Agency to assist these clients, knowing he could potentially benefit (a "special privilege") when the clients made sales.

Questioned Costs:
$8,868

Cause:
Management is responsible for adopting sound policies and establishing and maintaining internal control that will ensure the achievement of the entity's objectives. The control environment sets the tone of an organization, which influences control consciousness of its employees and is the foundation for all other components of internal control, providing discipline and structure. The transactions and events reviewed above suggest compromise of the Agency's commitment to integrity and ethical values.

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-005 (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**
Federal Award Number(s):	**H126A140003**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Effect:
Failure to establish an appropriate control environment could allow for inappropriate payments to be made using grant funds and subsequently jeopardize future awards.

Recommendation:
ALA staff recommend Agency management set a tone reflecting a commitment to integrity and ethical values. ALA staff also recommend the Agency strengthen controls and procedures to ensure that employees are properly trained on the policies and procedures related to the small business program. In addition, ALA staff recommend the Agency consider segregation of duties and minimize instances in which field services personnel have access to warrants authorized under their purview.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion
ARS acknowledges that the Small Business Consultant did not seek approval from the Chief of Field Services to grant an exception for the 10% participation requirement.

ARS Action Taken
The Small Business Consultant was disciplined for the violation of policy and procedures with a counseling statement following the Agency's policy of progressive discipline. The Agency has completed training with the Small Business Consultant. The training specifically focused on documentation of the required 10% commitment to all business plans for clients. Additionally, we have updated internal controls by requiring the approval of the Chief of Field Services to sign off on waivers for the 10% commitment to business plan. Furthermore, the Agency has updated the procedures to policy by prohibiting multilevel marketing ventures. Lastly, the Agency has provided training on documenting case management and securing adequate invoices for processing payment. Additional training will be provided to field staff regarding the provision of authorization of services to vendors and follow up to verify goods and services have been rendered before final payment.

The Agency has instituted written policies for check pickup, with approvals required by the senior manager and Commissioner.

Agency management has reemphasized the ethical and moral standards required of all employees. Senior managers and staff were also reminded of the personal assurances they are required to make each year through completing and signing of the Agency's Anti-Fraud and Code of Ethics policy statement and the importance it carries throughout the execution of their duties.

The initial investigation of this finding was conducted by DF&A Office of Internal Audit, and the results were forwarded to the state's Attorney General office and Arkansas State Police.

Anticipated Completion Date: January 2016

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U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-006**
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**
Federal Award Number(s):	**H126A140003**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Section VI-3 of the Arkansas Rehabilitation Services (ARS) Policy and Procedures Manual mandates that payments are not to be approved without documentation that the service has been received. Section VI-4 requires the Counselor to verify the individual received the service whenever a billing statement is received.

Condition and Context:
The job placement program at ARS pays job placement vendors $1,000 for each client they assist in successfully completing 90 days at a job. ALA staff noted one instance in which the job placement vendor was paid $1,000 for this service after a client complained to the VR Counselor regarding the lack of job placement services from the vendor. In addition, case file narratives document the vendor asking the client to lie to the VR Counselor about being employed. The case file does not reflect efforts to investigate the client's assertions or communicate the disagreement to Agency employees responsible for the job placement program.

Questioned Costs:
$1,000

Cause:
The Counselor was not properly trained on the requirements necessary to process a request for payment and the proper course of action to take when clients' assertions disagree with vendor invoices.

Effect:
Failure to determine that the services were performed prior to processing a payment request could result in vendors receiving payments for services they did not provide. Failure to alert job placement program officials of disagreements between clients and vendors could prevent the identification of unscrupulous job placement vendors.

Recommendation:
ALA staff recommend the Agency strengthen controls and procedures to ensure employees are properly trained on the policies and procedures regarding job placement payments and the appropriate recourse for instances of disagreement between the client and job placement vendor.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion
The District Manager did follow-up on the client's assertion about being told to lie. The District Manager investigated the services provided and approved the job placement payment. However, there was no documentation in the case narrative by the District Manager or Counselor prior to the payment. The Agency will continue to provide ongoing training and emphasize the importance of detailed caseload documentation.

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-006 (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**
Federal Award Number(s):	**H126A140003**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

ARS Action Taken

The Manager and Field Counselor were disciplined for the violation of policy and procedures with a counseling statement following the Agency's policy of progressive discipline. The Agency has completed training with the district managers on the area of provision and authorization of services and its relation to providing detailed documentation in case files. The training was provided February 18, 2016. In addition, the manager has provided training and guidance to the field staff in this district. The training specifically focused on professional communication to clients, responding in timely fashion with complaints and including detailed documentation in case narratives that support the provision of services provided before final payment.

Anticipated Completion Date: February 2016

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U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-007**
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**
Federal Award Number(s):	**H126A150003**
Federal Award Year(s):	**2015**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
In accordance with 34 CFR §80.20(b)(1), a federal awarding agency requires an agency financial management system to provide accurate, current, and complete disclosure of the financial results of each federally-sponsored program. Rehabilitation Services Administration (RSA) Policy Directive PD15-05 requires the Agency to submit SF-425 reports semi-annually for reporting periods ending March 31 and September 30. Correspondence from the federal sponsor on June 30, 2014, strongly discouraged the establishment of a public safety department at Arkansas Career Training Institute (ACTI), a state-owned and operated community rehabilitation program (CRP). The Agency implemented procedures to track the expenditures of the public safety department at ACTI so that they could be removed from the calculation of grant expenditures.

Condition and Context:
ALA staff review of three reports revealed the Agency did not have adequate internal controls in place to ensure accurate and complete financial information was submitted within the criteria established by the federal awarding agency.

The Agency's lack of adequate internal controls over reporting resulted in a net overstatement of expenditures, totaling $1,041,654, on the 2015 Grant SF-425 for the period ended March 31, 2015. The net overstatement is a cumulative effect of the following errors:

- Expenditures, totaling $823,884, were reported but not incurred because of calculation errors in the spreadsheets supporting the SF-425.
- Unallowable expenditures regarding the armed public safety department of ACTI, totaling $217,770, were reported as grant expenditures.

Questioned Costs:
$1,041,654

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:
Reporting overstated and/or unallowable costs could create a liability and require a refund to the federal awarding agency, in addition to jeopardizing future awards.

Recommendation:
ALA staff recommend the Agency correct the SF-425 to reflect the correct expenditures. In addition, ALA staff recommend the Agency strengthen controls and procedures to ensure SF-425 financial reports are submitted accurately.

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-007 (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**
Federal Award Number(s):	**H126A150003**
Federal Award Year(s):	**2015**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion

The Agency acknowledges both the net overstatement of expenditures and the unallowable expenditures reported through the Agency SF-425 submissions.

ARS Action Taken

The unallowable expenditures have been corrected with updated SF-425 submissions. Corrections to the overstated expenditures will made to the affected SF-425 reports and will conclude with the final reports for applicable grants.

SF-425 calculation procedures and training have been updated to account for unliquidated obligations and to exclude unallowable costs. The CFO will continue to monitor the SF-425 calculation process. The CFO will continue to verify and approve the accuracy of the SF-425 reports prior to submission.

Anticipated Completion Date: March 2016

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U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-008**
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**
Federal Award Number(s):	**H126A150003**
Federal Award Year(s):	**2015**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Section 110(d) of the Rehabilitation Act of 1973, effective July 22, 2014, requires a state to reserve at least 15% of its allotment under a grant for the provision of pre-employment transition services, which are described in Section 113 of the Act.

Condition and Context:
As of March 31, 2015, the pre-employment transition services requirement for the Agency was $1,939,081. ALA staff reviewed the Agency's SF-425 report for the 2015 grant, along with the documentation supporting the $2,878,376 reported for pre-employment transition services, to determine reasonableness. The review revealed the Agency did not maintain sufficient, appropriate evidence for the amount reported, and only $385,927 was for services that could reasonably meet the definition of pre-employment transition services. As a result, there is a potential deficit in pre-employment transition services totaling $1,553,154 ($1,939,081 – $385,927).

Questioned Costs:
None

Cause:
The Agency did not have adequate internal control procedures in place to ensure the earmarking requirements were properly met and reported.

Effect:
Failure to meet earmarking requirements could jeopardize future awards.

Recommendation:
ALA staff recommend the Agency strengthen controls and procedures to ensure earmarking requirements are properly met and reported.

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion
Vocational rehabilitation regulations that govern implementation of The Workforce Innovation and Opportunity Act signed into law July 22, 2014; have yet to be issued by Rehabilitation Services Administration (RSA). Agencies have been instructed by RSA to develop services and processes individually in order to comply with the requirements outlined in the law until comprehensive federal regulations are released. The Agency-reported expenditures under the pre-employment transition services requirement were in support of this direction.

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-008 (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**
Federal Award Number(s):	**H126A150003**
Federal Award Year(s):	**2015**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

ARS Action Taken

Current Agency activities listed under pre-employment transition services are under review by Field Service senior management. Specific services are being developed to address these new requirements and for tracking and reporting purposes. Additional procurement methods are being explored and initiated in order to better meet the provisions outlined in the law.

Anticipated Completion Date: June 2016

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U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-009**
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**
Federal Award Number(s):	**H126A140003; H126A150003**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking; Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
29 USC 731(a)(2)(B) states the amount payable to a state for a fiscal year shall be reduced by the amount by which expenditures from non-federal sources for any previous fiscal year are less than the total expenditures for the second fiscal year preceding the previous fiscal year. For example, for fiscal year 2014, a state's maintenance of effort (MOE) level is based on the amount of its expenditures from non-federal sources for fiscal year 2012. However, the amount of non-federal expenditures spent on the construction of facilities for community rehabilitation program purposes are not applicable toward the MOE requirement per 34 CFR § 361.62. In addition, Rehabilitation Services Administration Policy Directive 15-05 requires the non-federal expenditures spent on the construction of facilities for community rehabilitation purposes to be reported on line 12a of the SF-425 so that non-federal expenditures applicable toward MOE can be accurately calculated.

Condition and Context:
In order to meet its MOE requirement, the Agency was required to spend, from non-federal sources, $11,218,138 and $10,744,850 in 2014 and 2015, respectively. MOE expenditures are calculated on the SF-425 report by subtracting line 12a, the non-federal share of expenditures for the establishment or construction of facilities for community rehabilitation program purposes, from line 10j, the recipient share of expenditures. The Agency failed to meet its MOE requirement for the 2014 grant because it only spent $10,318,815, which is $899,323 less than required. While the Agency still has time to meet MOE requirements for the 2015 grant, line 12a of the 2015 SF-425 report reflects $0 expenditures, instead of $928,640, the actual expenditures calculated by the Agency. If not corrected, the Agency could also fail to meet its MOE requirement for the 2015 grant.

Questioned Costs:
None

Cause:
The Agency did not have procedures or controls in place to properly calculate and report the amount of non-federal expenditures for the construction of facilities for community rehabilitation program purposes.

Effect:
The federal awarding agency could reduce the State's allotment of future grant funds by the MOE deficit.

Recommendation:
ALA staff recommend the Agency strengthen controls and procedures to ensure that non-federal expenditures for the construction of facilities for community rehabilitation program purposes are properly reported and that MOE requirements are properly monitored.

U.S. DEPARMENT OF EDUCATION (Continued)

Finding Number:	**2015-009 (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**
Federal Award Number(s):	**H126A140003; H126A150003**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking; Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action:

ARS Discussion
The Agency acknowledges the MOE requirement shortfall.

ARS Action Taken
The applicable SF-425 reports have been corrected.

SF-425 calculation and grant draw procedures have been updated to account for grant expenditures not applicable to MOE calculations. The CFO will continue to monitor the SF-425 and grant draw calculation process. The CFO will continue to verify and approve the accuracy of the grant draws and SF-425 reports prior to submission.

Anticipated Completion Date: January 2016

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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding Number:	**2015-010**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.568 – Low-Income Home Energy Assistance**
Federal Award Number(s):	**13B1ARLIEA; 14B1ARLIEA; 15B1ARLIEA**
Federal Award Year(s):	**2013, 2014, and 2015**
Compliance Requirement(s) Affected:	**Cash Management**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
In accordance with 31 CFR § 205.33, a state must minimize the time between drawdown of federal funds from the federal government and their disbursement for federal program purposes and be in accord with the actual, immediate cash requirements of the state in carrying out a federal assistance program or project.

In addition, in accordance with 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. This includes a process for ensuring cash draws are made only for actual, immediate cash requirements.

Condition and Context:
ALA staff reviewed the process of drawing grant funds for disbursement to the Community Action Agencies (CAA). Each CAA submits a monthly grant request form to the Agency. The funds are drawn by the Agency and deposited into a bank account where the funds are transferred via the Automated Clearinghouse (ACH) to the various CAAs. Review of the bank account revealed that the Agency has been maintaining funds in the bank account for an extended period in excess of immediate cash requirements. The balance in the bank account as of June 30, 2015, was $1,107,357.

Questioned Costs:
$1,107,357

Cause:
Former Agency personnel drew funds in excess of needs to ensure sufficient funding was always available for the CAAs.

Effect:
The Agency could be liable for interest penalties and a reduction in funding available.

Recommendation:
ALA staff recommend the Agency immediately contact the federal awarding agency for resolution concerning the excess cash on hand. ALA staff also recommend the Agency establish and strengthen control procedures to ensure staff responsible for administering the program are adequately trained and understand program compliance requirements.

Views of Responsible Officials and Planned Corrective Action:
The Office of Finance and Administration (OFA) agrees with the finding. Procedures have been put in place to have the Division of County Operations (DCO) staff responsible for the program to keep up with the amount spent by provider. OFA staff will provide the balance in the bank account to DCO program staff at the end of each month to allow for a reconciliation to ensure that excess funding is not kept in the account

Anticipated Completion Date: February 29, 2016

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

Finding Number:	**2015-010 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.568 – Low-Income Home Energy Assistance**
Federal Award Number(s):	**13B1ARLIEA; 14B1ARLIEA; 15B1ARLIEA**
Federal Award Year(s):	**2013, 2014, and 2015**
Compliance Requirement(s) Affected:	**Cash Management**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

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

Finding Number:	**2015-011**
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):	**1401AR1401; 1501ARFOST**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 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 the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This includes establishing procedures for ensuring that payments for services are properly reviewed and approved and are in compliance with terms and conditions of the contract.

Ark. Code Ann. § 19-4-1206 states that disbursements must be made in accordance with terms of applicable contracts, purchasing procedure, or other authority, and the vendor or payee must be entitled to the amount set forth in the warrant.

Condition and Context:
ALA staff selected 29 items for review to determine if the Agency had appropriate, documented approval prior to payment. Twenty-eight of the items represented services provided by vendors through specialized placement contracts for children residing at various facilities throughout the State. Specific Agency controls regarding these contracts require the approval of an authorized agent of both the Division of Children and Family Services (DCFS) and the Office of Fiscal Management (OFM) contract unit. ALA staff review revealed one item that was only approved by DCFS. No approval was obtained from the OFM contract unit as required.

Further inquiry and discussion with the DCFS CFO revealed that DCFS was aware it had reached the maximum amount payable on this contract and circumvented controls by creating a “stand-alone” purchase order, allowing the payment to be processed outside the contract agreement. The purpose of an OFM review and approval includes attaching invoices to contract outline agreements as applicable. Contract outline agreements are the tracking mechanism or control used in the Arkansas Administrative Statewide Information System (AASIS) to “flag” payments made in excess of contract agreements. Creating “stand-alone” purchase orders and bypassing OFM allowed DCFS to process the invoice for payment without being “flagged” in AASIS as exceeding the contract.

In addition, the former DCFS CFO (who is the current Assistant Director, Managerial Accounting – OFA) stated that all DHS divisions had been advised by OFA management to create stand-alone purchase orders when contracts had reached the maximum allowable. OFA management began allowing divisions to create their own purchase orders and process their own receipts, therefore, allowing the contracts unit to be bypassed.

As a result, ALA staff performed additional testing to determine total payments processed for this vendor that were not attached to the outline agreement. This review revealed the following:

- Payments totaling $40,873 were not attached to the outline agreement for the 2014 contract, resulting in the contract being exceeded by $39,942. $2,565 of this total represents federal funds.
- Payments totaling $79,919 were not attached to the outline agreement for the 2015 contract, resulting in the contract being exceeded by $13,818. There were no federal funds represented in the total.

Based on the unique nature of the specialized placement contracts, including various daily rates and services provided for children and the number of children residing at various facilities, ALA staff were unable to determine likely questioned costs. However, because of the circumvention of controls by DCFS, it is possible that questioned costs could be material and could affect multiple specialized placement contracts for several vendors.

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

Finding Number:	**2015-011 (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):	**1401AR1401; 1501ARFOST**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Material Weakness**

Questioned Costs:
Unknown

Cause:
DCFS circumvented controls by creating a stand-alone purchase order that allowed payments to a vendor outside the contract agreement.

Effect:
The Agency paid a vendor in excess of the contract amount.

Recommendation:
ALA staff recommend the Agency strengthen procedures to ensure that payments for services are properly reviewed and approved and are in compliance with terms and conditions of the contract.

Views of Responsible Officials and Planned Corrective Action:
The Division of Children and Family Services (DCFS) disagrees with this finding, while acknowledging that the underlying facts are accurate. There can be no questioned costs on this finding, as questioned costs would represent improper use of federal funds and the funds in question were all properly used to provide necessary residential services to clients.

The timeline required to amend a specialized placement contract is currently four and a half to five months. This means that an amendment request must be submitted by mid-February to be effective by June 1, and the fiscal year ends June 30. Due to the fluent nature of child welfare, DCFS does not know in advance what, if any, additional services will be needed. If the contract is insufficient, DCFS must issue a client-specific, stand-alone purchase order, as the provider cannot be paid for services rendered in excess of the contract. Those providers would then be required to file a claim with the State Claims Commission to receive payment for the services provided.

DCFS is mandated to provide care and services to all children that enter the system and cannot predict the particular number, type of service, or eligibility of the children that may come into care.

DCFS will attempt to over obligate placement contracts to avoid running out of the legal authority to pay for the necessary services at the end of the fiscal year. We will begin this procedure in state fiscal year 2017.

Anticipated Completion Date: First quarter of SFY 2017

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

Finding Number:	**2015-011 (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):	**1401AR1401; 1501ARFOST**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Material Weakness**

Additional Comments from the Auditor:

The Agency stated there can be no questioned costs because the use of federal funds was not improper. However, the issue addressed in this finding **does meet** the definition of an improper payment as outlined in the Improper Payments Information Act of 2002, as amended by Publ. L. No. 111-204; the Improper Payments Elimination and Recovery Executive Order 13520 on reducing improper payments; and the June 18, 2010, Presidential memorandum to enhance payment accuracy, the term *improper payment* refers to any of 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 appropriate denials of payments 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.***

In addition, according to 2 CFR § 225 Appendix A, "…to be allowable under federal awards…costs must be authorized or not prohibited under state or local laws or regulations." State regulations require an Agency to adhere to purchasing procedures and require disbursements to be made in accordance with the terms of the applicable contract. The disbursements addressed in this finding were not in accordance with state regulations and are, therefore, considered an unallowable use of federal funds.

As a result, the disbursements are considered questioned costs as defined by OMB Circular A-133, § 105, which states, "questioned costs means a cost that is questioned by the auditor because of an audit finding which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant…or document governing the use of federal funds…"

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

Finding Number:	**2015-012**
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):	**1401AR1401; 1501ARFOST**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

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. This includes establishing internal controls documenting agency reviews and approvals of reports prior to submission to the U.S. Health and Human Services Administration on Children and Families (ACF), the federal awarding agency. It also includes establishing internal controls to ensure all required reports are submitted timely. 45 CFR § 92.41(b)(4) states that quarterly reports are required to be submitted 30 days after the reporting period ends.

Condition and Context:
ALA staff reviewed the Agency's internal control procedures regarding the review and submission of the quarterly CB-496 Foster Care financial reports. Discussions with Agency staff indicated that a supervisory review was being performed prior to submission. ALA staff review of all four quarters revealed a lack of sufficient, appropriate evidence of a supervisory review (i.e., signature/email of the reviewer) for the quarters ended December 31, 2014, and March 31, 2015.

ALA staff review also included confirming that the Agency's Title IV-E program quarterly financial reports were submitted timely. ALA staff review revealed the Agency had not submitted any of the four quarterly reports timely as follows:

- The report for September 30, 2014, due for submission on October 30, 2014, was submitted on January 16, 2015.
- The report for December 31, 2014, due for submission on January 31, 2015, was submitted on March 17, 2015.
- The report for March 31, 2015, due for submission on April 30, 2015, was submitted on May 22, 2015.
- The report for June 30, 2015, due for submission on July 30, 2015, was submitted on September 15, 2015.

It should be noted that compliance testing performed on these reports indicated the data submitted agreed with the Agency's financial records.

Questioned Costs:
None

Cause:
The Agency did not establish adequate internal controls to ensure that documented evidence was maintained to support the supervisory review of the CB-496 quarterly financial reports or that the reports were submitted timely.

Effect:
A deficiency in the design of controls regarding inadequate documented reviews of reports could result in inaccurate reporting to the federal awarding agency. In addition, failure to submit reports timely could jeopardize future awards.

Recommendation:
ALA staff recommend the Agency review and strengthen control procedures to ensure that Agency personnel responsible for reviewing reports adequately document that their review and reports are submitted timely.

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

Finding Number:	**2015-012 (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):	**1401AR1401; 1501ARFOST**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action:
The Division of Children and Family Services (DCFS) concurs with this finding. DCFS has reiterated the need for timely filing of the CB-496 and the need for written review approval. DCFS has also put a plan in place to address the lack of timely filing and to prevent this being an issue going forward. No further action is necessary at this time.

Anticipated Completion Date: Complete

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

Finding Number:	**2015-013**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program** **93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5021; 05-1505AR5021 (Children's Health Insurance Program)** **05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARBIPP; 05-1505ARBIPP (Medicaid Cluster)**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Claims Payments**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
In accordance with 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 material effect on each of its federal programs. This includes ensuring confidentiality agreements are in place for individuals who have access to sensitive information housed in the Medicaid Management Information System (MMIS). Also included is the assurance that claims paid because of a manual or "forced" override are appropriate and sufficiently documented.

In addition, Ark. Code Ann. § 19-4-1108 states, "…documents shall be kept in a safe place subject to audit and shall not be destroyed until authorization is given for their destruction by the Legislative Auditor." Arkansas Code also permits, with approval of the Legislative Auditor, storage of records electronically in lieu of retaining originals.

Condition and Context:
ALA staff reviewed 60 active MMIS users classified as contract or external users to determine if a confidentiality agreement was in place as required. The requirement was implemented as the result of a finding from 2012. ALA staff review revealed that the Agency did not have confidentiality agreements in place for six active MMIS users.

ALA staff also reviewed 60 claims initially suspended in the MMIS system but subsequently paid because of a manual or "forced" override to determine if the override was appropriate (in accordance with the claims resolution manual) and sufficiently documented. Of the 60 claims reviewed, the Agency was unable to provide sufficient, appropriate evidence supporting the manual override for three claims totaling $2,413. The federal portion of these claims totaled $1,706. Hewlett Packard (HP) is responsible for maintaining the authorization documentation; however, the Agency stated that HP does not maintain authorizations past six and one-half months, a practice that is in direct violation of Ark. Code Ann. § 19-4-1108.

Questioned Costs:
$1,706

Cause:
The Agency did not have effective procedures in place to ensure access to MMIS was restricted to those contract and external users with appropriate confidentiality agreements on file. Additionally, the HP claims resolution staff failed to maintain sufficient, appropriate evidence supporting all manually overridden claims.

Effect:
Access to program information was obtained without proper agreements, which could jeopardize all data stored in MMIS. Additionally, without sufficient, appropriate evidence, claims initially suspended and subsequently processed for payment could be unallowable.

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

Finding Number:	**2015-013 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program** **93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5021; 05-1505AR5021 (Children's Health Insurance Program)** **05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARBIPP; 05-1505ARBIPP (Medicaid Cluster)**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Claims Payments**
Type of Finding:	**Noncompliance and Significant Deficiency**

Recommendation:
ALA staff recommend the Agency strengthen policies and procedures to ensure that contract and external users granted access to MMIS have confidentiality agreements on file as required. Additionally, to ensure compliance with Ark. Code Ann. § 19-4-1108, ALA staff recommend the Agency strengthen existing controls for maintaining sufficient, appropriate evidence for claims suspended and subsequently paid.

Views of Responsible Officials and Planned Corrective Action:
In response to this finding, the Division of Medical Services (DMS) took the following actions. At the time the initial audit finding was reported, the subject user records were reviewed and updated, and we reiterated to all staff involved in receiving and processing MMIS access requests, the requirement to have a signed User Confidentiality Agreement (UCA) for each individual before access can be granted. Additionally, staff were reminded of the additional user access request processes and audit procedures implemented in 2012 concerning requests for MMIS access and of the importance of properly maintaining records of those actions. DMS will continue to follow implemented processes and procedures to ensure compliance.

Following the initial report of this finding, DMS met with Hewlett Packard Enterprise (HPE) and asked them to not discard any of these worksheets until notified by the State that it is okay to do so. That process has been implemented, and HPE currently holds worksheets submitted back to April 2015. They will continue to keep these worksheets until the new MMIS system is implemented, after which time their current contract will end. At that time, we will request that HPE turn over all saved worksheets to DMS for continued record keeping. When the new MMIS system is implemented, the suspended claim approval process will be recorded electronically, online in that system.

Anticipated Completion Date: Complete

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

Finding Number:	**2015-014**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	**05-1405AR5021; 05-1505AR5021 (Children's Health Insurance Program)**
	05-1405AR5MAP; 05-1505AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed/ Unallowed; Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 42 CFR § 457.310(b)(2), a targeted low-income child must not be found eligible or potentially eligible for Medicaid or covered under a group health plan.

In addition, in accordance with 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. This includes a process for ensuring claims are identified, disbursed, and reported in the correct federal grant program.

Condition and Context:
ALA staff selected 60 Children's Health Insurance Program (CHIP) recipients to determine if claims were allowable in accordance with the CHIP state plan. According to the Agency, CHIP claims are coded to state aid categories 01 (ARKIDS First) and 61 (Pregnant Women, Poverty Level CHILD). The claims listing was provided by the Agency, and ALA staff sorted the listing by state aid category to ensure accuracy. The review revealed multiple instances in which recipients were simultaneously enrolled in both CHIP and Medicaid state aid categories.

Of the 60 claims reviewed, 15 recipients had overlapping claim dates and claims paid for CHIP and Medicaid. ALA staff were able to determine that although these recipients had overlapping claim dates and claims paid, duplicate payments were not noted. The Agency was unable to explain how the system determined from which program the claims should be paid, and as a result, ALA staff could not determine allowability.

Questioned Costs:
Unknown

Cause:
Adequate controls have not been designed or implemented to ensure a recipient's state aid category is accurate.

Effect:
Claims cannot be confirmed as accurately reported to the federal awarding agency and cannot be confirmed as funded at the appropriate federal rate.

Recommendation:
ALA staff recommend the Agency establish and implement internal controls to ensure that CHIP recipients are not enrolled in multiple federal health insurance programs.

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

Finding Number:	**2015-014 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program** **93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5021; 05-1505AR5021 (Children's Health Insurance Program)** **05-1405AR5MAP; 05-1505AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed/ Unallowed; Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:

DCO concurs with this finding. Analysis of the root cause(s) and cleanup of overlapping eligibility segments are underway. Some, but not all, of the causes have already been identified. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution.

Anticipated Completion Date: December 2016

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

Finding Number:	**2015-015**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program** **93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5021; 05-1505AR5021 (Children's Health Insurance Program)** **05-1405AR5MAP; 05-1505AR5MAP; 05-1405AR5ADM; 05-1505AR5ADM; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARIMPL; 05-1505ARIMPL; 05-1405ARBIPP; 05-1505ARBIPP (Medicaid Cluster)**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding 2014-010.

Criteria:
The State is responsible for a portion of the costs of the Medical Assistance Program and the Children's Health Insurance Program (CHIP). 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 in 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 programs. This includes ensuring that the state portion of expenditures is paid from non-federal funds only and meets the approved matching rate.

A portion of the Agency's process to ensure compliance with the matching requirement includes comparing draws of federal funds to allowable federal expenditures. The comparison allows the Agency to identify variances and make timely adjustments, ensuring the approved matching rate is maintained. The comparisons are performed quarterly and are included in the Agency's reporting reconciliations for the CMS-64, *Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program,* and the CMS-21, *Quarterly Children's Health Insurance Program State of Expenditures for Title XXI*.

Condition and Context:
ALA staff review of the reconciliations for the quarters ended December 31, 2014, and June 30, 2015, revealed errors in the comparisons, which caused a miscalculation of variances. Also, the variances identified by the Agency were not adequately addressed. In addition, the reconciliation for the quarter ended December 31, 2014, was completed 49 days after the report was originally submitted, and the reconciliation for the quarter ended June 30, 2015, was completed 13 days after the report was originally submitted.

Questioned Costs:
Unknown

Cause:
The number of staff with adequate knowledge and training was not sufficient for timely completion of reconciliations.

Effect:
Failure to correctly identify and adequately address variances and perform timely reconciliations could lead to inaccurate reporting of expenditures to the federal awarding agency and could contribute to the Agency's noncompliance with approved matching rates.

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

Finding Number:	**2015-015 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program** **93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5021; 05-1505AR5021 (Children's Health Insurance Program)** **05-1405AR5MAP; 05-1505AR5MAP; 05-1405AR5ADM; 05-1505AR5ADM; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARIMPL; 05-1505ARIMPL; 05-1405ARBIPP; 05-1505ARBIPP (Medicaid Cluster)**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Material Weakness**

Recommendation:
ALA staff recommend the Agency review and strengthen existing procedures and implement immediate corrective action to ensure reconciliations are performed correctly and completed timely and to ensure all variances identified are adequately addressed.

Views of Responsible Officials and Planned Corrective Action:
The Division of Medical Services (DMS) agrees with this finding and has been working on a related project with Navigant Consulting addressing these issues. Much of that work is complete and has focused on the reconciliations noted along with preparation of the reports. Much of this work is complete, and the current focus is the development of an interim tool mapping expenditures to the CMS-64 and CMS-21. This work is expected to be complete by June 30, 2016, and our intention is to process the September federal reports utilizing the new tool. The use of this tool will greatly enhance the analytical abilities available moving forward and allow for more timely review of the final report before submission deadlines.

Anticipated Completion Date: June 30, 2016

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

Finding Number:	**2015-016**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program** **93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5021; 05-1505AR5021 (Children's Health Insurance Program)** **05-1405AR5MAP; 05-1505AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with Centers for Medicare and Medicaid Services (CMS) regulations, grantees are required to report quarterly expenditures for the Children's Health Insurance Program (CHIP) using the CMS64.21U, Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI.

In addition, in accordance with 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. This includes submitting accurate and complete financial data to the federal awarding agency.

Condition and Context:
The Affordable Care Act amended the Medicaid statute to extend Medicaid coverage for children aged 6 to 18 with incomes from 100 to 133 percent of the Federal Poverty Level. These children had formerly been enrolled under the CHIP ARKids B program, under which the covered services are more limited in scope. These new, mandatory Medicaid-covered children are referred to as M-CHIP cases. M-CHIP recipients in Arkansas receive the greater service coverage as allowed under the Medicaid program but are funded by CHIP funds at the enhanced CHIP FMAP rate.

Currently, the Agency identifies M-CHIP cases in the eligibility system with a "C" indicator. The Agency acknowledged that there were and still are deficiencies concerning the correct application of the "C" indicator to all M-CHIP cases. As of October 20, 2015, the Agency estimated that approximately 7,000 children should have been classified as an M-CHIP case but were not ("C" indicator not reflected), 68,000 children should not have been classified as an M-CHIP case but were ("C" indicator inappropriately reflected), and 4,000 cases were appropriately classified as an M-CHIP case ("C" indicator appropriately reflected). These estimates were provided by the Agency at the time and have not been verified by either Agency personnel or ALA staff.

ALA staff requested information regarding how the Agency is going to determine which cases should be classified as M-CHIP cases. The Agency indicated that classification would be systematically determined and that CURAM was currently running queries to obtain the information. However, as of December 17, 2015, information concerning these queries had not been provided to ALA staff.

Additionally, although possible reasons for the errors were provided by the Agency, no final determination of the cause of these errors has been provided to ALA staff.

Questioned Costs:
Unknown

Cause:
Adequate controls were not in place to ensure that the systems were appropriately reflecting which cases should be classified as M-CHIP cases.

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

Finding Number:	**2015-016 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Award Number(s):	**05-1405AR5021; 05-1505AR5021 (Children's Health Insurance Program)**
	05-1405AR5MAP; 05-1505AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Effect:
An unknown number of cases have been misclassified, which would affect reporting expenditures to the federal awarding agency but have a greater impact on the funding received because the FMAP rates for CHIP and Medicaid vary.

Recommendation:
ALA staff recommend the Agency establish adequate controls to ensure that all M-CHIP cases are accurately identified and reflected in the system and that documentation is maintained to support each M-CHIP case determination.

Views of Responsible Officials and Planned Corrective Action:
The Division of County Operations (DCO) agrees with this finding. Analysis of the root cause(s) and cleanup of overlapping eligibility segments are underway. Some, but not all, of the causes have already been identified. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution.

Anticipated Completion Date: December 2016

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

Finding Number:	**2015-017**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Award Number(s):	**05-1405AR5021; 05-1505AR5021**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 42 CFR § 457.630(c), the State must submit Form CMS-21 (Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI) to its federal awarding agency no later than 30 days after the end of the quarter.

In addition, in accordance with 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. This includes submitting accurate and complete financial data to the federal awarding agency.

Condition and Context:
The Children's Health Insurance Program (CHIP) provides coverage for medical services to certain unborn children. Eligibility determinations for this state aid category are determined in the CURAM system. The "unborn children" state aid category is the same as the state aid categories for pregnant women under the Medicaid program and children in the Medicaid and CHIP programs. The Agency utilizes a "U" indicator to identify recipients enrolled under the unborn children category. From October 1, 2013 through December 20, 2014, the CURAM system did not have the capability to apply an indicator to these cases. The CURAM system was updated on December 21, 2014, to allow the use of the indicators. However, at this time, the "U" indicator was incorrectly applied to some recipients who were eligible under another state aid category. As of the end of ALA fieldwork, the Agency had not determined if the recipients incorrectly identified with the "U" indicator should be enrolled under CHIP or Medicaid.

While reviewing expenditures recorded in the Agency's cost allocation system and the CMS-21 quarterly expenditure reports, ALA staff noted a significant increase in expenditures recorded for unborn children in cost allocation between the quarters ended December 31, 2014, and March 31, 2015. Total expenditures in cost allocation were $184,242 (September 30, 2014); $7,786,186 (December 31, 2014); $29,896,658 (March 31, 2015); and $30,416,400 (June 30, 2015). The increase was not reflected on the CMS-21 reports. Instead, the increase in expenditures was added to the amount reported for M-CHIP (expenditures associated with coverage for children) on the CMS-64.21U form. As a result, ALA staff noted a significant increase in the amount reported as M-CHIP expenditures for the third and fourth quarters. Amounts reported for the first, second, third, and fourth quarters were $18,680,030, $22,265,700, $37,893,713, and $39,824,341, respectively. According to Agency personnel, adjustments to the reports were made after DMS management noticed the increase while reviewing internal quarterly expenditure reports.

After continued inquiry from ALA staff, the Agency stated it believes the expenditure amounts reported for unborn children prior to January 1, 2015, were incorrect because until October 1, 2013, eligibility determinations were made manually in the previous ANSWER system and CURAM did not have the functionality to utilize indicators to identify individuals for the unborn children category until December 21, 2014. As of December 22, 2014, eligibility determinations were made systematically in CURAM and identified using the "U" indicator. As of December 4, 2015, the Agency had not been able to confirm correct expenditure totals.

In addition, ALA staff review of the CMS-21 report for the quarter ended June 30, 2015, revealed that the Agency reported the same unborn children program costs that were reported for the quarter ended March 31, 2015. According to the Agency, it was unable to identify individuals who should be included in the unborn children category. As a result, the Agency stated that in order to prepare and submit the CMS-21 timely to the federal awarding agency, a decision was made to report March 31, 2015, costs as June 30, 2015, costs.

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

Finding Number:	**2015-017 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Award Number(s):	**05-1405AR5021; 05-1505AR5021**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
ALA staff were unable to determine if this is material to the program. The Agency has stated it believes the data prior to January 1, 2015, contained errors and were not accurate and the data subsequent to January 1, 2015, should be considered accurate. However, the Agency's vendor, HP Enterprises, is unable to extract the data for verification. This issue is ongoing for all quarters in 2016.

Questioned Costs:
Unknown

Cause:
The Agency failed to establish adequate controls to ensure proper classification of CHIP recipients, which resulted in errors in funding and reporting of expenditures.

Effect:
Expenditures related to the Medicaid program were likely incorrectly paid from CHIP funds. Also, basing program expenditures on assumptions rather than actual program costs leads to inaccurate reporting of program expenditures.

Recommendation:
ALA staff recommend the Agency fully review all recipient eligibility determinations in which a "U" indicator was applied and establish adequate procedures to ensure supporting data used to report required information on the CMS-21 are accurate and complete.

Views of Responsible Officials and Planned Corrective Action:
The Division of County Operations (DCO) agrees with this finding. Analysis of the root cause(s) and cleanup of overlapping eligibility segments are underway. Some, but not all, of the causes have already been identified. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution.

Anticipated Completion Date: December 2016

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

Finding Number:	**2015-018**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.775 – State Medicaid Fraud Control Units** **93.777 – State Survey and Certification of Health Care Providers and Suppliers** **93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5ADM; 05-1505AR5ADM**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Administration and Training**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
2 CFR part 225, Appendix B.8.h (3) states, "Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee."

The Agency uses an automated system that notifies all employees requiring certification by email, and responses are required within 30 days. Supervisors are responsible for ensuring the timely completion of certifications.

Condition and Context:
ALA staff selected 60 employees for review to determine if the Agency was in compliance with the certification requirement. ALA staff obtained and reviewed the Direct Employee Certification report to verify that (1) the coding listed on the report matched the coding listed on the Arkansas Administrative Statewide Information System (AASIS) position control report, (2) the certification was completed within 30 days of the period end date, and (3) the certification disposition was appropriate.

ALA staff review revealed that seven certifications were not completed within the 30-day requirement.

Questioned Costs:
None

Cause:
The Agency failed to properly monitor timely completion of the direct employee certifications for current, retired, and terminated employees.

Effect:
Certifications were not completed timely.

Recommendation:
ALA staff recommend the Agency employees dedicated to a federal program complete their direct employee certifications timely and at least semi-annually. ALA staff also recommend the Agency implement procedures that will allow staff to determine if retired or terminated employees have been certified by their supervisor(s) in a timely manner.

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

Finding Number:	**2015-018 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.775 – State Medicaid Fraud Control Units** **93.777 – State Survey and Certification of Health Care Providers and Suppliers** **93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5ADM; 05-1505AR5ADM**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Administration and Training**
Type of Finding:	**Noncompliance and Significant Deficiency**

Views of Responsible Officials and Planned Corrective Action:
The Office of Finance and Administration agrees with the finding. The current system does not properly deal with certifications that need to be done when a person terminates employment during the period. The cost allocation unit is now reviewing all positions directly charged to federal grants at least bi-weekly to ensure that certifications are done as required.

Anticipated Completion Date: Complete

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

Finding Number:	**2015-019**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Claims Payments**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year findings 2014-014 and 13-710-09.

Criteria:
In accordance with Arkansas Medicaid Provider Manual Section II – Rehabilitative Services for Persons with Mental Illness (RSPMI) §§ 216.000, 218.000, and 218.100, for each beneficiary entering the RSPMI program, the treatment team must develop an individualized master treatment plan (MTP). The MTP must be completed by a mental health professional and approved by a psychiatrist or physician. The treatment plan must be reviewed by the treatment team at least every 90 calendar days.

RSPMI § 226.200 indicates that the provider must develop and maintain sufficient written documentation to support each medical or remedial therapy, service, activity, or session for which Medicaid reimbursement is sought. At minimum, this includes the following:

- The specific services rendered (must be individualized; duplicated notes are not allowed).
- The relationship of the services provided to the treatment regimen described in the master treatment plan.
- The date and actual time the services were rendered.
- The name and credentials of the individual who provided the services.
- The setting in which the services were provided.
- Updates describing the beneficiary's progress or lack thereof.
- Both daily notes and a weekly summary if receiving Rehabilitative Day Services (Weekly summary was not required for service dates prior to 12/1/12).

Condition and Context:
ALA staff selected 60 beneficiary files from 25 providers throughout the State to determine if the provider maintained sufficient, appropriate evidence as required. The method used to collect the claim information was revised from prior years to allow the providers additional time to supply the required information and reduce deficiencies discovered. However, the review revealed a continued deficiency, with 17 providers not maintaining sufficient, appropriate evidence supporting claims as follows:

- Birch Tree Communities, Inc. – Two recipient files with 568 claims, totaling $46,754, did not contain an MTP, affecting 159 claims. In addition, 97 claims were not documented as approved by appropriate personnel. Questioned costs totaled $11,374.
- Community Counseling Services, Inc. – Three recipient files with 187 claims, totaling $11,005, did not contain an MTP, affecting 120 claims. Questioned costs totaled $4,842.
- Counseling Associates, Inc. – One recipient file with 83 claims, totaling $5,277, did not contain an MTP, affecting 26 claims. In addition, documentation was not provided supporting 1 claim. Questioned costs totaled $1,324.
- Dayspring Behavioral Health Service – Two recipient files with 217 claims, totaling $17,904, did not contain required updates of the patient's progress or a written description of the service provided, affecting 3 claims. Questioned costs totaled $168.
- Families Incorporated of Arkansas – Two recipient files with 23 claims, totaling $858, did not contain an MTP, affecting 20 claims. Questioned costs totaled $390.

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

Finding Number:	**2015-019 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Claims Payments**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Health Resources of Arkansas, Inc. – Two recipient files with 2 claims, totaling $165, did not contain an MTP for any of the claims. Questioned costs totaled $117.
- Life Strategies of Arkansas, Inc. – One recipient file with 210 claims, totaling $10,374, did not contain an MTP, affecting 18 claims. In addition, the file did not contain documentation supporting 5 claims. An additional recipient file with 123 claims, totaling $7,781, had 4 claims that exceeded the amounts allowed in accordance with the MTP. Questioned costs totaled $757.
- Life Strategies Counseling, Inc. – Two recipient files with 106 claims, totaling $10,830, did not contain an MTP, affecting 70 claims. In addition, one of these files did not contain documentation supporting 2 claims. Questioned costs totaled $5,709.
- Maxus, Inc. – One recipient file with 7 claims, totaling $767, did not contain an MTP for any of the claims. Questioned costs totaled $542.
- Methodist Counseling Clinic – One recipient file with 31 claims, totaling $2,357, did not contain an MTP, affecting 21 claims. Questioned costs totaled $1,124.
- Mid South Health Systems, Inc. – Three recipient files with 67 claims, totaling $4,891, did not contain an MTP, affecting 15 claims. Questioned costs totaled $842.
- Ozark Guidance Center, Inc. – Four recipient files with 85 claims, totaling $6,982, did not contain an MTP, affecting 30 claims. An additional recipient file with 37 claims, totaling $3,494, did not contain documentation supporting 1 claim. Questioned costs totaled $1,693.
- Pathfinder, Inc. – One recipient file with 37 claims, totaling $5,896, did not contain an MTP for any of the claims. Questioned costs totaled $4,179.
- Perspectives Behavioral Health Management – Two recipient files with 211 claims, totaling $13,256, did not contain an MTP, affecting 115 claims. An additional recipient file with 10 claims, totaling $778, did not contain documentation supporting 2 claims. Questioned costs totaled $5,212.
- South Arkansas Regional Health Center – One recipient file with 12 claims, totaling $744, did not contain an MTP for any of the claims. Questioned costs totaled $527.
- University of Arkansas for Medical Sciences – One recipient file with 7 claims, totaling $550, did not contain an MTP for any of the claims. Questioned costs totaled $387.
- Vantage Point of Northwest Arkansas – One recipient file with 40 claims, totaling $1,600, did not contain an MTP for any of the claims. Questioned costs totaled $1,134.

Questioned Costs:
$40,321

Cause:
The Agency failed to ensure all required RSPMI documentation was maintained.

Effect:
A lack of sufficient, appropriate evidence supporting services provided could jeopardize beneficiary care and Agency payments made for the care.

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

Finding Number:	**2015-019 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Claims Payments**
Type of Finding:	**Noncompliance and Material Weakness**

Recommendation:
For the third consecutive year, ALA staff recommend the Agency review its policies and procedures and take necessary corrective action to ensure all providers are maintaining the required RSPMI documentation in the beneficiary files.

Views of Responsible Officials and Planned Corrective Action:
The Division of Medical Services (DMS) agrees with the finding. DMS will utilize the strategies laid out in the DMS Quality Assurance Plan to further efforts to ensure provider compliance with agency policy and procedures. In addition to the QA Plan, DMS will continue to use established processes to monitor provider compliance via contract with Beacon Health Options, formerly Value Options. These processes include annual Inspection of Care (IOC) Reviews, desk reviews, and retrospective reviews. Retrospective reviews are conducted on a calendar quarterly basis using a statistically valid random sampling methodology. For SFY 2015, Beacon Health Options recently completed the retrospective review process for three calendar quarters covering dates of service from July 1, 2014 thru March 30, 2015. Further, DMS, in collaboration with the Division of Behavioral Health Services (DBHS) and the Office of Medicaid Inspector General (OMIG), will undertake a comprehensive review of agency policy and procedures to ensure all RSPMI providers are maintaining the required documentation in beneficiary records.

Anticipated Completion Date: September 30, 2016

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

Finding Number:	**2015-020**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Living Choices Assisted Living)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year findings 2014-015 and 13-710-10.

Criteria:
Arkansas Provider Manuals for Living Choices Assisted Living dictate the information that must be documented and maintained in provider files to support services billed as follows:

- The beneficiary's attending or primary care physician's name, office address, telephone number, and after-hours contact information.
- A copy of the beneficiary's plan of care.
- Written instructions to the facility's attendant care staff.
- Documentation of limited nursing services performed by the provider's nursing staff in accordance with the beneficiary's plan of care. Records must include:
  - Nursing service(s) performed.
  - Date and time of day nursing services are provided.
  - Progress or other notes regarding the resident's health status.
  - The signature or initials and the title of the person performing the services.
- Documentation of periodic nursing evaluations, to be performed at least quarterly, by the assisted living facility nursing staff in accordance with the beneficiary's plan of care.
- Quarterly Monitoring Forms (AAS-9506) completed every 90 days (effective 1/1/13).
- Records of attendant care services.
  - Documentation of attendant care services performed.
  - The signature or initials of the person performing the services as well as the date services were performed.

Condition and Context:
ALA staff selected 30 beneficiary files from 18 providers throughout the State to determine if the provider maintained sufficient, appropriate evidence to support services billed. The method used to collect the claim information was revised from prior years to allow the providers additional time to supply the required information and reduce deficiencies discovered. However, the review revealed a continued deficiency, with 17 providers not maintaining sufficient, appropriate evidence supporting claims.

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

Finding Number:	**2015-020 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Living Choices Assisted Living)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Of the 410 claims reviewed, the following discrepancies were noted:

- For 19 claims, a plan of care was not provided.
- For 92 claims, the plan of care was incomplete.
- For 27 claims, written instructions to attendant care staff were not documented.
- For 171 claims, written instructions to attendant care staff did not agree with the plan of care.
- For 23 claims, attendant care staff did not document the services provided.
- For 96 claims, attendant care staff service documented did not agree with the plan of care.
- For 42 claims, attendant care staff signature and/or date was missing.
- For 66 claims, quarterly monitoring forms were missing.
- For 20 claims, quarterly nursing evaluations were not documented.
- For 38 claims, nursing documentation was incomplete.

Questioned Costs:
$280,961

A summary of questioned costs by provider follows:

- Autumn Home Care Facilities, Inc. – One recipient file with 20 claims totaling $17,389. Questioned costs totaled $12,596.
- Dudneywood, LLC – One recipient file with 8 claims totaling $9,948. Questioned costs totaled $7,212.
- Ella Manor, LLC – One recipient file with 8 claims totaling $15,140. Questioned costs totaled $11,034.
- Garrett Manor – Two recipient files with 120 claims totaling $46,049. Questioned costs totaled $33,412.
- Green Acre Lodge – Two recipient files with 4 claims totaling $3,516. Questioned costs totaled $2,547.
- Hope's Creek, Inc. – Two recipient files with 29 claims totaling $63,493. Questioned costs totaled $46,274.
- Legacy Village Greenhouse Corporation – One recipient file with 6 claims totaling $3,394. Questioned costs totaled $2,473.
- Maple Esplanade Assisted Living – One recipient file with 2 claims totaling $815. Questioned costs totaled $594.
- Mercy Crest Retirement Living – Two recipient files with 30 claims totaling $61,711. Questioned costs totaled $24,899.
- Oak Park Village – Two recipient files with 4 claims totaling $4,535. Questioned costs totaled $3,270.

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

Finding Number:	**2015-020 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Living Choices Assisted Living)**
Type of Finding:	**Noncompliance and Material Weakness**

Questioned Costs (Continued):

- Ouachita Seniors Community Development – One recipient file with 50 claims totaling $21,606. Questioned costs totaled $3,254.
- River Lodge Assisted Living, LLC – Two recipient files with 8 claims totaling $15,057. Questioned costs totaled $10,974.
- Stonebridge of Pocahontas – One recipient file with 15 claims totaling $26,279. Questioned costs totaled $19,152.
- The Crossing at Malvern – Two recipient files with 9 claims totaling $18,721. Questioned costs totaled $13,602.
- The Gardens at Osage Terrace – Three recipient files with 45 claims totaling $75,742. Questioned costs totaled $42,404.
- The Gardens at Whispering Knoll – Two recipient files with 19 claims totaling $12,567. Questioned costs totaled $7,498.
- The Manor, LLC – Three recipient files with 29 claims totaling $54,698. Questioned costs totaled $39,766.

Cause:
The Agency failed to ensure that providers maintain all required documentation.

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

Recommendation:
For the third consecutive year, ALA staff recommend the Agency review its policies and procedures and take necessary corrective action to ensure all providers are maintaining the required Living Choices Assisted Living documentation in the beneficiary files.

Views of Responsible Officials and Planned Corrective Action:
The Division of Aging and Adult Services (DAAS) agrees with the finding. DAAS has developed a program of Provider Education and Compliance reviews. There will be at least two workshop dates offered for each service type; the provider administers and the providers are required to attend at least one of the workshops. Workshops will begin in March of 2016, and the offerings will be completed by December 31, 2016. Compliance reviews will also be undertaken to ensure compliance, and the providers will be required to submit a corrective action plan for any findings that result.

DAAS will implement desk reviews of providers listed in this finding to identify and resolve documentation deficiencies. DAAS staff will work with the providers and increase monitoring of their compliance with Medicaid policy.

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

Finding Number:	**2015-020 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Living Choices Assisted Living)**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: December 31, 2016

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

Finding Number:	**2015-021**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year findings 2014-016, 13-710-11, and 12-710-05.

Criteria:
The purpose in reviewing this program was to determine if adequate supporting documentation was being maintained in beneficiary case files as required by the Personal Care Provider Manual. The manual dictates the information that must be documented and maintained in these files to support the services billed.

Section 220.110(D) of the manual dictates the following information be maintained in the files:

- The date of service.
- The routines performed on that date of service.
- The time of day the aide begins the beneficiary's services.
- The time of day the aide ends a beneficiary's services.
- Notes regarding the beneficiary's condition as instructed by the service supervisor.
- Task performance difficulties.
- The justification for any emergency unscheduled tasks and documentation of the prior-approval or post approval of the unscheduled tasks.
- The justification for not performing any scheduled service plan required tasks.
- Any other observations the aide believes are of note or should be reported to the supervisor.

Condition and Context:
ALA staff selected 11 beneficiary files from 10 providers throughout the State to determine if the provider maintained sufficient, appropriate evidence to support services billed. The method used to collect the claim information was revised from prior years to allow the providers additional time to supply the required information and reduce deficiencies discovered. However, the review revealed a continued deficiency with six providers not maintaining sufficient, appropriate evidence supporting claims.

A service plan was not included in the documentation provided by the following four providers. As a result, ALA staff were unable to determine if the services provided were authorized.

- Arkansas Department of Health – One recipient file with 52 claims, totaling $8,078, did not contain a service plan for any of the claims. Questioned costs totaled $5,871.
- Carelink – One recipient file with 55 claims, totaling $5,740, did not contain a service plan, affecting 12 claims. Questioned costs totaled $1,535.
- Absolute Care Management Corporation – One recipient file with 55 claims, totaling $11,824, did not contain a service plan, affecting 1 claim. Questioned costs totaled $159.
- Arkansas Support Network – One recipient file with 62 claims, totaling $11,570, did not contain a service plan for any of the claims. Questioned costs totaled $8,403.

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

Finding Number:	**2015-021 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
The following discrepancies were discovered regarding two providers:

- Addus Homecare – No information was provided for one recipient file with 3 claims totaling $536. Questioned costs totaled $387.
- Elite Home Care, LLC – One recipient file with 53 claims totaling $11,916, did not contain an aid log, affecting 1 claim. Questioned costs totaled $171.

Questioned Costs:
$16,526

Cause:
The Agency failed to ensure that providers are maintaining all required documentation.

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

Recommendation:
For the fourth consecutive year, ALA staff recommend the Agency review its policies and procedures and take necessary corrective action to ensure all providers are maintaining the required Personal Care documentation in the beneficiary files.

Views of Responsible Officials and Planned Corrective Action:
The Division of Medical Services (DMS) has reviewed its rules contained within Section II of the Arkansas Medicaid Personal Care Provider Manual; Section I of All Arkansas Medicaid Manuals; and the Provider Participation Agreement and has determined that the rules set forth therein are sufficient to ensure Personal Care Providers are fully educated to their responsibilities for documentation of services they deliver. DMS requires Prior Authorization for personal care services provided to all beneficiaries under age 21 and extension of benefits for more than 64 hours per month provided to beneficiaries over age 21 years. DMS will develop and conduct a quality improvement campaign throughout SFY 2017 to assist these essential service providers with techniques for ensuring proper documentation of services given to beneficiaries in need of personal care. To initiate the campaign, DMS will first send letters to all actively enrolled personal care providers notifying them that the program has been identified by Arkansas Legislative Audit as being materially weak within this area. In order to assess effectiveness of the campaign, DMS will expand its current Quality Assurance Audit process to examine records of all age ranges served by the personal care program and provide targeted assistance to those providers who require additional remediation.

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

Finding Number:	**2015-021 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care)**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: June 30, 2017

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

Finding Number:	**2015-022**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year findings 2014-017, 13-710-11, and 12-710-05.

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 40,847), and is available online on 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) Waiver.
2. ElderChoices.
3. Alternatives for Adults with Physical Disabilities (APD) Waiver (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 provider shall not be an individual who is considered legally responsible for the participant, i.e., spouse, guardian, or anyone acting as a guardian.).
4. Autism Waiver.
5. Living Choices Assisted Living.

ALA staff reviewed the Division of Developmental Disabilities ACS Waiver to determine if the provider maintained documentation as required by Provider Manual § 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 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 daily or at each contact with or on behalf of the beneficiary. Progress notes must be signed and dated by the provider of the service.

ALA staff 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:
ALA staff selected 60 beneficiary files from 26 providers throughout the State to determine if the files contained the required documentation to support services billed. The method used to collect the claim information was revised from prior years to allow the providers additional time to supply the required information and reduce deficiencies discovered. However, the review revealed a continued deficiency with 22 providers not maintaining sufficient, appropriate evidence supporting claims.

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

Finding Number:	**2015-022 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Of the 2,647 claims reviewed, the following discrepancies were noted:

- For 549 claims, the person-centered service plan was missing or incomplete.
- For 369 claims, documentation describing the goods or services provided was not included or was incomplete.
- For 30 claims, documentation did not include the date and/or time the goods or services were provided.
- For 448 claims, daily progress notes were missing or incomplete.
- For 12 claims, various DDS forms were missing or insufficient.
- For 37 claims, information requested was not provided.

Questioned Costs:
$735,543

A summary of questioned costs by provider follows:

- Abilities Unlimited Jonesboro, Inc. – Two recipient files with 158 claims totaling $137,980. Questioned costs totaled $64,409.
- Birch Tree Communities, Inc. – One recipient file with 17 claims totaling $38,803. Questioned costs totaled $3,692.
- Bost, Inc. – Five recipient files with 238 claims totaling $174,858. Questioned costs totaled $53,571.
- Civitan Services – Two recipient files with 118 claims totaling $66,457. Questioned costs totaled $20,531.
- Easter Seals of Arkansas – One recipient file with 37 claims totaling $135,277. Questioned costs totaled $98,348.
- First Step, Inc. – One recipient file with 61 claims totaling $31,095. Questioned costs totaled $2,558.
- Friendship Community Care, Inc. – One recipient file with 19 claims totaling $28,547. Questioned costs totaled $6,544.
- Howard County Children's Center – One recipient file with 13 claims totaling $11,642. Questioned costs totaled $736.
- Independent Case Management, Inc. – Five recipient files with 471 claims totaling $217,832. Questioned costs totaled $46,645.
- Independent Living Services, Inc. – One recipient file with 46 claims totaling $38,892. Questioned costs totaled $4,524.
- Integrity, Inc. – Two recipient files with 92 claims totaling $75,503. Questioned costs totaled $3,312.

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

Finding Number:	**2015-022 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Questioned Costs (Continued):

- Jenkins Memorial Center – One recipient file with 32 claims totaling $83,248. Questioned costs totaled $24,674.
- Lawrence County Cooperative – One recipient file with 2 claims totaling $988. Questioned costs totaled $720.
- Life Styles, Inc. – Two recipient files with 349 claims totaling $36,274. Questioned costs totaled $26,361.
- Lonoke Exceptional School, Inc. – One recipient file with 13 claims totaling $16,733. Questioned costs totaled $1,106.
- Network of Community Options, Inc. – One recipient file with 59 claims totaling $34,836. Questioned costs totaled $6,046.
- Pathfinder, Inc. – Eight recipient files with 166 claims totaling $176,701. Questioned costs totaled $82,561.
- Rainbow of Challenges, Inc. – Three recipient files with 119 claims totaling $245,791. Questioned costs totaled $96,760.
- St. Francis Area Development Center – Two recipient files with 95 claims totaling $93,572. Questioned costs totaled $18,634.
- Support Solutions of Arkansas, Inc. – Two recipient files with 55 claims totaling $186,172. Questioned costs totaled $58,000.
- The Sunshine School, Inc. – One recipient file with 25 claims totaling $40,146. Questioned costs totaled $29,163.
- United Cerebral Palsy of Central Arkansas – One recipient file with 36 claims totaling $119,309. Questioned costs totaled $86,648.

Cause:
The Agency failed to ensure all required documentation was maintained.

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

Recommendation:
For the fourth consecutive year, ALA staff recommend the Agency review its policies and procedures and take necessary corrective action to ensure all providers are maintaining the required DDS ACW Waiver documentation in the beneficiary files.

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

Finding Number:	**2015-022 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
The Division of Developmental Disability Services (DDS) agrees with this finding. DDS established a Program Administrator position to conduct trainings with and audits of providers. The trainings began in October 2015 and are expected to be completed with all providers by June 30, 2016. DDS noted that many of the providers with discrepancies have already gone through the training; technical assistance will be offered to them and an audit performed to ensure the deficiencies have been corrected.

Anticipated Completion Date: June 30, 2016

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

Finding Number:	**2015-023**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding 2014-020.

Criteria:
It is the State's responsibility to determine that Medicaid applicants meet the eligibility criteria as specified in the approved State Plan. Eligibility requirements for the Medicaid program are outlined in the Arkansas Medical Services (MS) manual. The MS manual is specific to Medicaid eligibility policies and procedures and is in addition to the approved State Plan required in 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…."

Condition and Context:
ALA staff reviewed 60 Medicaid recipient files to ensure sufficient, appropriate evidence was provided to support the Agency's determination of eligibility. ALA staff review revealed the following:

- One client file, with 195 claims totaling $12,564, did not contain a DCO-704 signed by a Registered Nurse (RN) to verify medical necessity, affecting 31 claims. Questioned costs totaled $1,842. (Aid to the Aged)
- One client file, with 4 claims totaling $250, did not contain a DCO-704 signed by an RN to verify medical necessity, provide proof of institutional status, or assign rights to DHS, affecting all 4 claims. Questioned costs totaled $177. (Aid to the Aged)
- One client file, with 76 claims totaling $38,292, did not contain documentation verifying that resource and income eligibility criteria were met, supporting a timely reevaluation, or assigning rights to the Agency, affecting all 76 claims. Questioned costs totaled $27,005. (Aid to the Aged).
- One client file, with 4 claims totaling $702, did not contain a DCO-704 signed by an RN to verify medical necessity, provide proof of institutional status, support that resource and income eligibility criteria were met, or support a timely reevaluation, affecting all 4 claims. Questioned costs totaled $492. (Aid to the Disabled)
- One client file, with 137 claims totaling $27,937, did not contain documentation verifying that resource and income eligibility criteria were met or documentation supporting a timely reevaluation, affecting 113 claims. Questioned costs totaled $15,651. (Aid to the Disabled)
- One client file, with 28 claims totaling $8,945, did not contain a DCO-704 signed by an RN verifying medical necessity or a signed DMS-2603 verifying cost effectiveness, affecting 6 claims. Questioned costs totaled $1,160. (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child)
- One client file, with 118 claims totaling $14,143, did not contain a DCO-704 signed by an RN to verify medical necessity, affecting 56 claims. Questioned costs totaled $5,220. (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child)
- One client file, with 87 claims totaling $2,077, did not contain documentation verifying that resource eligibility criteria were met, affecting all 87 claims. Questioned costs totaled $1,471. (Aid to the Disabled)

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

Finding Number:	**2015-023 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- One client file, with 40 claims totaling $21,162, did not contain documentation verifying that resource eligibility criteria were met or supporting a timely reevaluation, affecting 14 claims. Questioned costs totaled $3,760. (Aid to the Aged)
- One client file, with 148 claims totaling $29,722, did not contain documentation verifying that resource and income eligibility criteria were met or supporting a timely reevaluation, affecting 112 claims. Questioned costs totaled $16,105. (Aid to the Aged)

Questioned Costs:
$72,883

Cause:
Although the Agency has designed internal control procedures for review of recipient files to ensure sufficient, appropriate evidence 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:
ALA staff 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.

Views of Responsible Officials and Planned Corrective Action:
The Division of Aging and Adult Services (DAAS) disagrees with bullet point #8 in the finding. The individual in question was SSI eligible which means that they are categorically eligible for Long Term Services and Support (LTSS). The resource requirements for LTSS are automatically met when the individual is SSI eligible.

DAAS agrees with the remainder of the finding. We will enhance the training of supervisors and staff to address the timeliness issues noted in the finding. Training will start in March and will be completed by June 30.

Anticipated Completion Date: June 30, 2016

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

Finding Number:	**2015-023 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Additional Comments from the Auditor:

DAAS stated it disagrees with bullet point eight because the individual was SSI eligible or categorically eligible for LTSS. However, the MMIS claims payment system from which ALA pulled the sample for testing placed this individual in state aid category 41 (Aid to the Disabled), not state aid category 45 (SSI). ALA is unable to determine how the Agency concluded in its response that the individual is in the SSI category.

In addition, at the completion of the initial review, ALA provided a list of sampled items requiring additional information. The list was provided to the DCO Deputy Director, Assistant Deputy Director, and Assistant Director. The list was also provided to the DAAS Division Manager. Regarding the individual in bullet point eight, ALA requested documentation supporting the resource attribute that was missing from the file. The response ALA received was that the "client is a DDS recipient and is not a long term care case." Resource documentation was not provided, and the Agency did not communicate to ALA that the individual was an SSI recipient.

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

Finding Number:	**2015-024**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARIMPL; 05-1505ARIMPL; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 180.995, the Agency is required to verify providers are not suspended or debarred or otherwise excluded from participating in the Medicaid program.

Condition and Context:
According to Division of Medical Services (DMS) staff, HP Enterprises is contracted to ensure that enrolled providers in the Medicaid Program are not suspended or debarred or otherwise excluded from participating in the Medicaid Program. The contractor accomplishes this verification process by working with Lexis Nexis to perform monthly checks against various federal databases such as the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and the LEIE excluded providers list maintained by the U.S. Office of Inspector General. Each month, HP provides an electronic copy of the reports generated by Lexis Nexis to the Agency. These reports identify providers who have been flagged by one of the exclusion databases. Once the Agency receives the reports, DMS staff are responsible for determining whether or not an identified provider remains eligible to participate in the Medicaid Program.

The Agency failed to review the LexisNexis search reports provided by HP Enterprises during the entire 2015 fiscal year. Providers listed as potentially excluded parties were not identified by the Agency, and as a result, their eligibility to participate in the Medicaid program was not researched.

Questioned Costs:
None

Cause:
LexisNexis results were previously submitted to the DMS Program Integrity Unit at DHS, which was moved to a new state agency, the Office of the Medicaid Inspector General, effective July 1, 2013. The reports continued to be sent to DMS management; however, no one within DMS was aware that the files were being provided to them.

Effect:
Failure to review the LexisNexis search results could result in continued enrollment of providers who have been excluded from participation in the Medicaid program.

Recommendation:
ALA staff recommend the Agency begin reviewing the monthly suspension and debarment search results to ensure that enrolled providers in the Medicaid Program are not suspended or debarred or otherwise excluded from participating in the Medicaid Program.

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

Finding Number:	**2015-024 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARIMPL; 05-1505ARIMPL; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
The Division of Medical Services (DMS) agrees with this finding. When Program Integrity (PI) merged into the Office of Medicaid Inspector General (OMIG), this review program was left "orphaned." DMS provider enrollment staff has been assigned authority over this function. An internal control policy is being drafted and should be complete by the end of March 2016.

Anticipated Completion Date: March 31, 2016

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

Finding Number:	**2015-025**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405AR5ADM; 05-1505AR5ADM; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARIMPL; 05-1505ARIMPL; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding 2014-021.

Criteria:
In accordance with 42 CFR 430.30(c), the State must submit Form CMS-64 (Quarterly Statement of Expenditures for the Medical Assistance Program) no later than 30 days after the end of each quarter. Also, the amounts reported on the CMS-64 and its attachments must represent actual expenditures for which all supporting documentation, in readily-reviewable form, has been compiled and is available immediately.

In addition, 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. This includes ensuring the necessary controls and processes are in place to ensure accurate and complete financial data are reported to the federal awarding agency.

The Agency uses a Microsoft Excel workbook to compile information from multiple sources in order to prepare the CMS-64 report. Within the workbook, numerous calculations are performed that utilize formulas in determining total program expenditures to be reported. A portion of the expenditures are associated with waivers or other specific criteria that are subject to specific Federal Financial Participation (FFP) rates. In addition, the Agency maintains policies and procedures specific to CMS-64 reporting that state the Agency will prepare quarterly reconciliations, review and investigate identified variances, and provide explanations for identified variances. Reconciliations, along with the variance explanations, should be included as supporting documentation for the CMS-64.

The Agency is required to report specific beneficiary enrollment information on the Form CMS-64.ENROLL. **This information is used by the Centers for Medicare and Medicaid Services (CMS) for testing proper classification of newly eligible individuals under Medicaid expansion programs**. Individuals enrolled under Medicaid expansion programs are classified as "newly eligible" or "oldly eligible," depending on their eligibility status prior to the expansion. States are allowed 100% federal funding for newly eligible beneficiaries but are limited to the regular FMAP rates for oldly eligible beneficiaries. The Agency identifies newly eligible individuals in the adult expansion state aid category using an FMAP indicator, "Y," in the CURAM system. This indicator is reflected in the "Katrina" field in the Medicaid Management Information System (MMIS), which the system used for processing claims payments, determining funding needs, and providing information for reporting purposes. Eligibility determinations are made by the Division of County Operations. Financial activities are performed by the Division of Medical Services and the Office of Finance and Administration's Managerial Accounting group.

Condition and Context:
ALA staff reviewed the Agency's control procedures to determine if adequate policies and procedures were in place regarding reporting requirements. The review revealed that although the Agency had documented its policies and procedures, they contained outdated information and did not appear complete. For example, ALA staff noted program changes were not reflected in the written procedures and program contacts included individuals who had terminated employment.

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

Finding Number:	**2015-025 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405AR5ADM; 05-1505AR5ADM; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARIMPL; 05-1505ARIMPL; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
ALA staff also reviewed the Agency's workbooks to determine if reconciliations between expenditures recorded in its financial management system and expenditures reported to the federal awarding agency were adequately reviewed and approved to ensure accuracy and completeness. Review of the two quarters ended March 31, 2015, and June 30, 2015, respectively, revealed sufficient, appropriate evidence was not available documenting adequate review and approval.

In addition to reviewing control procedures, ALA staff selected the two reports to determine if the Agency met federal awarding agency compliance requirements. ALA staff were unable to perform a review of the June 30, 2015, report because the report was decertified on September 9, 2015, as the Agency was unable to support its claimed expenditures. It was not known at that time when the June 30, 2015, report would be re-certified and if ALA staff would have adequate time to review it. Although the report was recertified on September 28, 2015, at the request of CMS, correspondence between the Agency and CMS indicated the Agency was still unable to support the enrollment information provided on the report. Because the enrollment information could not be relied upon, neither could the corresponding expenditures.

Additional inquiries revealed that enrollment information reported for the first three quarters of the state fiscal year was based on queries pulled from the CURAM system. According to Agency management, this information could not be obtained for the fourth quarter because the employee who had generated the queries for the first three quarters had left the Agency and his procedures were not documented. Agency attempts to duplicate the queries were unsuccessful; therefore, the Agency was unable to produce accurate and complete information for the fourth quarter.

In order to understand the process, ALA staff inquired with the Division of Medical Services (DMS). DMS indicated that only "newly" eligible individuals were placed in state aid category 06 "adult expansion." DMS used this category to separately track "newly" eligible individual expenditures because, under the Private Option, those expenditures are 100% federally funded. All funding requests regarding "newly" eligible individuals were based on data extracted from category 06.

ALA staff also inquired with the Division of County Operations (DCO). DCO indicated it had initiated the use of a "Y" indicator within category 06 to identify "newly" eligible individuals for the Private Option because "oldly" eligible individuals were also in category 06.

According to DMS, DCO did not inform them of this practice, and neither Hewlett Packard (HP) nor DMS was using the "Y" indicator to identify "newly" eligible individuals because they believed category 06 was strictly for "newly" eligible individuals.

ALA staff review did reveal "oldly" and "newly" eligible individuals in category 06, resulting in "oldly" eligible individuals being incorrectly 100% federally funded. The appropriate federal rate for these individuals would have been 70.17% for July through September 2014 and 70.88% for October 2014 through June 2015.

Additional inquiry concerning the "Y" indicator revealed it occupied a field in MMIS previously used to track expenditures for Hurricane Katrina evacuees. The Agency indicated that this field **could not be relied upon for Private Option purposes until July 1, 2015**. Therefore, ALA concluded that the data in this field as of June 30, 2015, cannot be relied upon for audit purposes.

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

Finding Number:	**2015-025 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405AR5ADM; 05-1505AR5ADM; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARIMPL; 05-1505ARIMPL; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Questioned Costs:
Unknown

Cause:
Employee turnover in positions responsible for key components of the reporting process led to an insufficient number of staff with adequate knowledge and training to perform timely review of reported expenditure calculations and reconciliations.

Also, adequate controls were not in place to ensure that information systems appropriately identified beneficiaries who should be classified as newly eligible.

Effect:
Claims for individuals were funded at the 100% federal rate instead of the 70% rate.

Recommendation:
ALA staff recommend the Agency implement adequate controls to ensure that expenditures are properly reported on the quarterly CMS-64 and that beneficiaries are properly identified in the appropriate category to determine the federal funding rate to be applied.

Views of Responsible Officials and Planned Corrective Action:
The Division of County Operations (DCO) agrees with this finding. Analysis of the root cause(s) and cleanup of overlapping eligibility segments is underway. Some, but not all, of the causes have already been identified. We are working along with our partners Northrup Grumman, eSystems, and HP to bring this issue to full resolution.

Anticipated Completion Date: December 2016

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

Finding Number:	**2015-026**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARIMPL; 05-1505ARIMPL; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – ADP System Security Reviews**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 45 CFR § 95.621(f)(1) and (2), "state agencies are responsible for the security of all ADP projects under development and operational systems involved in the administration of HHS programs." An appropriate security plan should be established according to recognized industry standards or the standards governing security of federal ADP systems and information processing. In addition, 45 CFR § 95.621(f)(3) states, "state agencies shall review ADP system security of installations involved in the administration of HHS programs on a biennial basis."

Condition and Context:
The Agency failed to perform a biennial systems security review of ANSWER and its Cost Allocation system as required. These systems are part of the administration process of the Medical Assistance Program. The most recent systems security review completed for systems housed by DHS was performed during state fiscal year 2013.

Questioned Costs:
None

Cause:
The Agency stated it did not have adequate funding available to pay a vendor to perform a systems security review.

Effect:
The lack of a security review could place sensitive data housed in ANSWER, specifically personally identifiable private health information, at higher risk of unauthorized access or manipulation. Unauthorized access to this information would be in direct violation of HIPAA. Additionally, the lack of a security review for the cost allocation system could lead to errors in the allocation of costs to several federal programs.

Recommendation:
ALA staff recommend the Agency take immediate action to ensure that system securities reviews are performed in accordance with federal regulations as required.

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

Finding Number:	**2015-026 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP; 05-1405ARINCT; 05-1505ARINCT; 05-1405ARIMPL; 05-1505ARIMPL; 05-1405ARBIPP; 05-1505ARBIPP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – ADP System Security Reviews**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
CMS waived the audit requirement as of June 9, 2015. DHS will be resuming required audits in 2016 to ensure that system securities reviews are completed.

Anticipated Completion Date: June 2016

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Additional Comments from the Auditor:
During the review, ALA staff requested security review information from the following individuals:

- Chief Information Officer on August 17, 2015; September 14, 2015; September 21, 2015; October 14, 2015; October 21, 2015; and October 29, 2015.
- Information Systems Manager on October 21, 2015; October 29, 2015; November 3, 2015; and November 4, 2015.
- Interim Chief Information Security Officer on November 4, 2015; November 10, 2015; November 13, 2015; November 18, 2015; and November 23, 2015.
- Software Support Analyst on November 13, 2015; November 18, 2015; and November 23, 2015.
- State IT Security Specialist, on November 23, 2015.

The Division of Medical Services Chief Financial Officer was copied on all of the above correspondence. The Agency did not communicate to ALA staff on any of these occasions that CMS had waived the audit requirement.

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

Finding Number:	**2015-027**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility**
Type of Finding:	**Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 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. This includes establishing internal controls documenting agency reviews to ensure compliance with program regulations.

The Arkansas Medicaid program contracts with third party vendor Hewlett Packard (HP) to oversee the provider enrollment process. To address the risk that newly-enrolled providers may not actually be eligible, the Division of Medical Services (DMS) follows guidance contained in its Provider Enrollment Monitoring policy and performs quarterly reviews by sampling newly-enrolled providers to ensure providers meet all eligibility requirements.

Condition and Context:
ALA staff requested documentation for two quarterly reviews performed by DMS to determine if the Agency was providing adequate oversight in accordance with its monitoring policy. As of September 22, 2015, only one review for the quarter ended September 30, 2014, had been performed by DMS. The review, performed in May 2015, noted several deficiencies. These deficiencies have yet to be completely resolved.

In addition, reviews for the remaining three quarters (i.e., December 31, 2014; March 31, 2015; and June 30, 2015) had not begun.

ALA staff review also revealed that although the Agency has a monitoring policy in place, the policy does not adequately address timeframes for completing the quarterly reviews and does not contain follow-up procedures for addressing resolution of deficiencies found during the reviews.

Questioned Costs:
Unknown

Cause:
The Agency's Provider Enrollment Monitoring policy does not specify timeframes for performing the quarterly reviews of newly-enrolled providers.

Effect:
This deficiency could delay discovery of ineligible providers that are receiving payments for services provided to Medicaid beneficiaries. In addition, inadequate follow-up procedures for deficiencies found could allow a provider identified as ineligible to continue receiving payments.

Recommendation:
ALA staff recommend the Agency strengthen controls and update its Provider Enrollment Monitoring policy to include specific timeframes for performance of quarterly reviews. In addition, specific follow-up procedures for deficiencies noted should also be addressed.

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

Finding Number:	**2015-027 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility**
Type of Finding:	**Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
DMS agrees that timeframes for responses should be added to the internal control policy of quarterly provider file reviews. In addition, DMS staff feels that these quarterly reviews will be much easier to conduct once the new CORE MMIS system is in place.

Anticipated Completion Date: March 31, 2016

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

Finding Number:	**2015-028**
State/Educational Agency(s):	**Arkansas Department of Human Services;** **Office of the Attorney General**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Utilization Control and Program Integrity and Medicaid Fraud Control Unit**
Type of Finding:	**Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
In accordance with Section 1088.2.3 of the Department of Human Services (DHS) Participant Exclusion Rule, participants are automatically excluded if they are the subject of final determination that they have wrongfully acted or failed to act with respect to, or have been found guilty, or pled guilty or *nolo contendere*, to any crime related to embezzlement, theft, forgery, bribery, falsification or destruction of records, any form of fraud, receipt of stolen property, or any other offense indicating moral turpitude or a lack of business integrity or honesty.

In addition, Section 1088.2.8 states that DHS shall maintain a list of excluded participants. Excluded participants cannot continue as a party to any DHS contract or grant and are ineligible to submit proposals, bids, or applications to DHS for the term of the exclusion.

Finally, in accordance with 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. This includes establishing internal controls to ensure participants meeting exclusion criteria are on the list of excluded participants.

Condition and Context:
ALA staff obtained the Medicaid Fraud Control Unit's (MFCU) conviction listing for fiscal year 2014 to ensure that:

1) Participants included on the MFCU conviction listing and meeting the stated criteria were included on DHS' exclusion listing.
2) Participants meeting the stated criteria did not receive payments during fiscal year 2015.

ALA staff review revealed a breakdown in the conviction notification process because 25 of the 29 participants on the MFCU conviction listing who met the stated criteria were not included on the DHS exclusion list as required.

According to MFCU management, if a case was referred to MFCU through the Office of the Medicaid Inspector General (OMIG) and that case resulted in a conviction, then MFCU would notify OMIG of the conviction and would rely on OMIG to communicate the results to DHS. Procedures are not in place to ensure that MFCU notifies DHS of the convictions directly. Additionally, no procedures were in place at MFCU to notify OMIG or DHS if a case was not referred to MFCU through OMIG but through some other means and that case resulted in a conviction. Existing procedures at MFCU only include notification of the conviction to the federal government for inclusion on the federal exclusion listing.

ALA staff were able to confirm that the 29 participants on the MFCU conviction listing did not receive payments during fiscal year 2015.

Questioned Costs:
None

Cause:
Communication between the Agencies is not adequate to ensure that participant convictions meeting the exclusion criteria are placed on the DHS exclusion listing.

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

Finding Number:	**2015-028 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services;** **Office of the Attorney General**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1405AR5MAP; 05-1505AR5MAP**
Federal Award Year(s):	**2014 and 2015**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Utilization Control and Program Integrity and Medicaid Fraud Control Unit**
Type of Finding:	**Significant Deficiency**

Effect:
Convicted participants meeting the stated criteria were not included on the DHS Participant Exclusion List, which places federal monies at higher risk and could result in payments to ineligible participants.

Recommendation:
ALA staff recommend the Agency and related parties review and strengthen control procedures to ensure convicted participants meeting the exclusion criteria and are included on the DHS Participant Exclusion Listing as required.

Views of Responsible Officials and Planned Corrective Action:
Federal laws and regulations require the Medicaid Fraud Control Unit of the Attorney General's Office (MFCU) to ensure that all individuals and companies convicted of *Medicaid* fraud are referred to appropriate federal authorities for consideration for placement on the federal exclusion list. The MFCU is now and always has been in full compliance with this federal mandate. All individuals convicted of Medicaid fraud in Arkansas have been properly placed on the federal exclusion list for an appropriate time. Prior to the summer of 2015, there was no state or federal law, regulation, memorandum of understanding, or even verbal agreement that required the MFCU to provide proof of all convictions to DHS. In the summer of 2015, DHS Office of Chief Counsel requested that the MFCU forward proof of all convictions to them from 2015 forward. MFCU immediately complied with this request and will continue to provide proof of all convictions obtained by the Arkansas MFCU to DHS as requested.

The MFCU and DHS are working closely together and are very near the completion of a new memorandum of understanding that should help with these and other issues. The MFCU also hopes to assist DHS in drafting a more workable exclusion policy.

Anticipated Completion Date: June 30, 2016

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

U.S. DEPARTMENT OF HOMELAND SECURITY

Finding Number:	**2015-029**
State/Educational Agency(s):	**Arkansas Department of Emergency Management**
CFDA Number(s) and Program Title(s):	**97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**
Federal Award Number(s):	**4143DRARP00000001**
Federal Award Year(s):	**2013**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Reimbursements to subrecipients using Federal Public Assistance Funds obligated with the Project Worksheet agreement and approved by FEMA for the FEMA-4143-DR disaster grants are limited to 75% of total eligible costs.

Condition and Context:
ALA staff selected 10 large project worksheets from ongoing or completed projects during the audit period to determine if subrecipient reimbursements were limited to 75% of eligible project costs. The review revealed a miscalculation by the Agency, resulting in an overpayment to a subrecipient totaling $60,000. The total eligible project costs of the subrecipient were $304,676, and the allowable 75% reimbursement should have been $228,507. However, the subrecipient received $288,507.

Questioned Costs:
$60,000

Cause:
The Agency's review process did not identify the clerical error.

Effect:
A subrecipient was reimbursed in excess of the allowable percentage.

Recommendation:
ALA staff recommend the Agency review and strengthen procedures to ensure subrecipient reimbursements do not exceed the 75% of total eligible costs.

Views of Responsible Officials and Planned Corrective Action:
On October 2, 2015, review for the final payment of project worksheet (PW) 65 was completed. The applicant submitted documentation with eligible costs in the amount of $304,675.85. The 75% federal cost share for Newton County was $228,506.89; instead the applicant was paid $288,506.89, resulting in an overpayment of $60,000.00. The overpayment was caused by a transposition of numbers on the ADEM Large Project Reimbursement Form, which caused a clerical error when entering the information into ADEM's applicant workbook for FEMA-4143-DR-AR. The applicant currently has eight large projects open for FEMA-4143-DR-AR, and the overpayment will be offset from the balance of one of the eight open large projects.

The Recovery Branch has put a new requirement in place to double check for payment accuracy. Each payment request will be reviewed by two Public Assistance Officers: the one originating the payment (First Reviewer) request and another Public Assistance Officer on staff (Second Reviewer). At both the review and payment request periods, the applicant's file will be reviewed to ensure there are no additional unaccounted-for payments, the file is up-to-date, and the current payment request can be paid. At the time of payment request, the Public Assistance Officer (First Reviewer) will write out figures showing math on the Large Project Reimbursement form and attach a calculator paper/tape showing the total of the payment to be made. This will ensure that the final total is the correct amount being requested for payment. Each payment request will continue to be reviewed to ensure all steps made by staff are adhered to and approved by both the Recovery Branch Manager (Third Reviewer) and the Response and Recovery Division Director (Fourth Reviewer).

U.S. DEPARTMENT OF HOMELAND SECURITY (Continued)

Finding Number:	**2015-029 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Emergency Management**
CFDA Number(s) and Program Title(s):	**97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**
Federal Award Number(s):	**4143DRARP00000001**
Federal Award Year(s):	**2013**
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: February 2016

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FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS

U.S. DEPARTMENT OF LABOR

Finding Number:	**2015-030**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
CFDA Number(s) and Program Title(s):	**17.268 – H1B Job Training Grants**
Federal Award Number(s):	**05-R10-APNF-83**
Federal Award Year(s):	**Various**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance**

Repeat Finding:
Not applicable

Criteria:
The classification of awards on the Schedule of Expenditures of Federal Awards (SEFA) should be presented into clusters in accordance with guidelines in A-133 Section 3.10(b)(1). The SEFA should be broken down into program clusters including Research and Development, Student Financial Aid, and Other clusters as defined by the Compliance Supplement.

Condition and Context:
Per review of the June 30, 2015, SEFA, it was noted that a training award was classified as a Research and Development award in the Research and Development Cluster. This award should be listed under the Other awards section of the SEFA because it is a training award (CFDA# 17.268 $1,024,309).

Questioned Costs:
None

Cause:
During 2012, the UAMS Department of Nursing provided the UAMS Department of Grants Accounting with information obtained through discussions held with the entity which was passing through the award to UAMS, the State of Arkansas. The UAMS Department of Grants Accounting set up an advance account for expenses within the general ledger based on this information, which included an initial determination that the nature of the award was Research and Development.

When the final award documents were received subsequently, the UAMS Department of Grants Accounting failed to ensure that the nature of the award as previously indicated within the general ledger agreed to the nature of the award as described within the final award documents. As a result, the award was inappropriately classified as Research and Development within the SEFA.

Effect:
Classifying a federal award incorrectly on the SEFA may result in a Major Program Determination error. This classification error did not impact the Major Program Determination. The Major Program Determination identifies federal awards to be audited under OMB Circular A-133 (A-133, Section_.520)

Recommendation:
It is our recommendation that management implement a review process over the movement of advanced accounts to grant accounts to ensure the nature of the grant as indicated within the general ledger reflects the nature of the grant as indicated within the final awards documents to ensure that awards are classified appropriately on the SEFA.

In addition, we recommend a more robust review around the classification of all awards as part of the annual review of the SEFA.

FINDINGS COVERING PROGRAMS AUDITED BY OTHER EXTERNAL AUDITORS (Continued)

U.S. DEPARTMENT OF LABOR (Continued)

Finding Number:	**2015-030 (Continued)**
State/Educational Agency(s):	**University of Arkansas for Medical Sciences**
CFDA Number(s) and Program Title(s):	**17.268 – H1B Job Training Grants**
Federal Award Number(s):	**05-R10-APNF-83**
Federal Award Year(s):	**Various**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance**

Views of Responsible Officials and Planned Corrective Action:
We concur with the finding and recommendation. Management will continue to review each grant award and the nature of the award to confirm that it is being classified correctly on the SEFA. The current advance accounts have been reviewed to confirm the classification of each.

Anticipated Completion Date: December 31, 2015

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Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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	$ 653,942,406	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	28,876,695	
Total United States Department of Agriculture		682,819,101	
Total SNAP CLUSTER		682,819,101	
CHILD NUTRITION CLUSTER			
United States Department of Agriculture			
School Breakfast Program	10.553	47,951,873	$ 46,982,192
National School Lunch Program	10.555	142,890,543	125,107,712
Summer Food Service Program for Children	10.559	10,650,170	
Total United States Department of Agriculture		201,492,586	172,089,904
Total CHILD NUTRITION CLUSTER		201,492,586	172,089,904
FOOD DISTRIBUTION CLUSTER			
United States Department of Agriculture			
Commodity Supplemental Food Program	10.565	998,958	203,528
Emergency Food Assistance Program (Administrative Costs)	10.568	658,207	595,107
Emergency Food Assistance Program (Food Commodities)	10.569	4,794,780	
Total United States Department of Agriculture		6,451,945	798,635
Total FOOD DISTRIBUTION CLUSTER		6,451,945	798,635
FOREST SERVICE SCHOOLS AND ROADS CLUSTER			
United States Department of Agriculture			
Schools and Roads - Grants to States	10.665	6,203,908	6,203,893
Total United States Department of Agriculture		6,203,908	6,203,893
Total FOREST SERVICE SCHOOLS AND ROADS CLUSTER		6,203,908	6,203,893
ECONOMIC DEVELOPMENT CLUSTER			
United States Department of Commerce			
Economic Adjustment Assistance	11.307	1,318,021	
Pass-Through from Central Arkansas Planning District	11.307	50,000	
Total United States Department of Commerce		1,368,021	
Total ECONOMIC DEVELOPMENT CLUSTER		1,368,021	
FISH AND WILDLIFE CLUSTER			
United States Department of the Interior			
Sport Fish Restoration Program	15.605	5,977,627	
Wildlife Restoration and Basic Hunter Education	15.611	10,467,063	18,645
Total United States Department of the Interior		16,444,690	18,645
Total FISH AND WILDLIFE CLUSTER		16,444,690	18,645

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
EMPLOYMENT SERVICE CLUSTER			
United States Department of Labor			
Employment Service/Wagner-Peyser Funded Activities	17.207	$ 5,729,083	
Disabled Veterans' Outreach Program (DVOP)	17.801	699,333	
Local Veterans' Employment Representative Program	17.804	718,220	
Total United States Department of Labor		7,146,636	
Total EMPLOYMENT SERVICE CLUSTER		7,146,636	
WIA CLUSTER			
United States Department of Labor			
WIA Adult Program	17.258	5,978,105	$ 5,794,143
WIA Youth Activities	17.259	6,044,013	6,016,767
WIA Dislocated Worker Formula Grants	17.278	6,991,397	4,583,358
Total United States Department of Labor		19,013,515	16,394,268
Total WIA CLUSTER		19,013,515	16,394,268
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
United States Department of Transportation			
Highway Planning and Construction	20.205	476,000,515	17,457,904
Recreational Trails Program	20.219	680,137	598,934
Total United States Department of Transportation		476,680,652	18,056,838
Total HIGHWAY PLANNING AND CONSTRUCTION CLUSTER		476,680,652	18,056,838
FEDERAL TRANSIT CLUSTER			
United States Department of Transportation			
Federal Transit_Capital Investment Grants	20.500	139,585	72,025
Federal Transit_Formula Grants	20.507	643,930	
Bus and Bus Facilities Formula Program	20.526	1,837,401	187,598
Total United States Department of Transportation		2,620,916	259,623
Total FEDERAL TRANSIT CLUSTER		2,620,916	259,623
TRANSIT SERVICES PROGRAMS CLUSTER			
United States Department of Transportation			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	2,664,426	
Job Access and Reverse Commute Program	20.516	1,437,722	1,360,499
New Freedom Program	20.521	50,033	50,032
Total United States Department of Transportation		4,152,181	1,410,531
Total TRANSIT SERVICES PROGRAMS CLUSTER		4,152,181	1,410,531
HIGHWAY SAFETY CLUSTER			
United States Department of Transportation			
State and Community Highway Safety	20.600	3,625,305	684,525
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	1,121,235	197,358
Occupant Protection Incentive Grants	20.602	6	
Safety Belt Performance Grants	20.609	1,482,892	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
HIGHWAY SAFETY CLUSTER (Continued)			
United States Department of Transportation (Continued)			
State Traffic Safety Information System Improvement Grants	20.610	$ 223,558	
Incentive Grant Program to Increase Motorcyclist Safety	20.612	4,410	
National Priority Safety Programs	20.616	844,292	$ 187,783
Total United States Department of Transportation		7,301,698	1,069,666
Total HIGHWAY SAFETY CLUSTER		7,301,698	1,069,666
CLEAN WATER STATE REVOLVING FUND CLUSTER			
Environmental Protection Agency			
Capitalization Grants for Clean Water State Revolving Funds	66.458	2,323,831	2,002,268
Total Environmental Protection Agency		2,323,831	2,002,268
Total CLEAN WATER STATE REVOLVING FUND CLUSTER		2,323,831	2,002,268
DRINKING WATER STATE REVOLVING FUND CLUSTER			
Environmental Protection Agency			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	15,972,226	11,118,147
Total Environmental Protection Agency		15,972,226	11,118,147
Total DRINKING WATER STATE REVOLVING FUND CLUSTER		15,972,226	11,118,147
SPECIAL EDUCATION CLUSTER (IDEA)			
United States Department of Education			
Special Education_Grants to States	84.027	120,369,291	116,518,720
Special Education_Preschool Grants	84.173	5,320,273	5,294,213
Total United States Department of Education		125,689,564	121,812,933
Total SPECIAL EDUCATION CLUSTER (IDEA)		125,689,564	121,812,933
TRIO CLUSTER			
United States Department of Education			
TRIO_Student Support Services	84.042	6,825,876	
TRIO_Talent Search	84.044	3,320,140	
TRIO_Upward Bound	84.047	6,198,613	
TRIO_Educational Opportunity Centers	84.066	1,668,991	
TRIO_McNair Post-Baccalaureate Achievement	84.217	372,524	
Total United States Department of Education		18,386,144	
Total TRIO CLUSTER		18,386,144	
SCHOOL IMPROVEMENT GRANTS CLUSTER			
United States Department of Education			
School Improvement Grants	84.377	8,892,891	8,548,079
ARRA - School Improvement Grants	84.388	94,385	(1,772)
Total United States Department of Education		8,987,276	8,546,307
Total SCHOOL IMPROVEMENT GRANTS CLUSTER		8,987,276	8,546,307

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
AGING CLUSTER			
United States Department of Education			
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	$ 3,427,538	$ 3,355,178
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	5,954,131	5,627,807
Nutrition Services Incentive Program	93.053	2,353,078	2,353,078
Total United States Department of Education		11,734,747	11,336,063
Total AGING CLUSTER		11,734,747	11,336,063
TANF CLUSTER			
United States Department of Health and Human Services			
Temporary Assistance for Needy Families	93.558	62,721,705	8,455,634
Total United States Department of Health and Human Services		62,721,705	8,455,634
Total TANF CLUSTER		62,721,705	8,455,634
CCDF CLUSTER			
United States Department of Health and Human Services			
Child Care and Development Block Grant	93.575	34,701,695	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	19,805,735	
Total United States Department of Health and Human Services		54,507,430	
Total CCDF CLUSTER		54,507,430	
MEDICAID CLUSTER			
United States Department of Health and Human Services			
State Medicaid Fraud Control Units	93.775	1,818,449	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	9,960,464	
Medical Assistance Program	93.778	4,541,164,553	
Total United States Department of Health and Human Services		4,552,943,466	
Total MEDICAID CLUSTER		4,552,943,466	
FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER			
Corporation for National and Community Service			
Foster Grandparent Program	94.011	287,215	
Total Corporation for National and Community Service		287,215	
Total FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER		287,215	
DISABILITY INSURANCE/SSI CLUSTER			
Social Security Administration			
Social Security_Disability Insurance	96.001	44,723,186	
Supplemental Security Income	96.006	214,969	
Total Social Security Administration		44,938,155	
Total DISABILITY INSURANCE/SSI CLUSTER		44,938,155	

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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			
United States Department of Agriculture			
Agricultural Research_Basic and Applied Research	10.001	$ 1,557,937	
Pass-Through from Washington State University	10.001	1,084	
Plant and Animal Disease, Pest Control, and Animal Care	10.025	82,763	
Agriculture Risk Coverage Program	10.113	24,061	
Specialty Crop Block Grant Program - Farm Bill	10.170	74,905	
Grants for Agricultural Research, Special Research Grants	10.200	237,764	
Pass-Through from University of Florida	10.200	89,612	
Pass-Through from University of Georgia	10.200	79,414	
Cooperative Forestry Research	10.202	951,924	
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	3,995,853	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	2,416,939	
Grants for Agricultural Research_Competitive Research Grants	10.206	19,898	$ 5,717
Animal Health and Disease Research	10.207	81,805	
Small Business Innovation Research			
Pass-Through from Applied Food Technologies, Inc.	10.212	13,701	
Pass-Through from Sea Star International	10.212	19,909	
Pass-Through from Stratacor	10.212	13,389	
Sustainable Agriculture Research and Education	10.215	6,555	
Pass-Through from University of Georgia	10.215	18,466	
1890 Institution Capacity Building Grants	10.216	223,939	1,769
Pass-Through from Fort Valley State University	10.216	18,743	
Higher Education - Institution Challenge Grants Program	10.217	32,468	
Biotechnology Risk Assessment Research	10.219	49,451	
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226	1,393	
Agricultural Market and Economic Research	10.290	39,570	
Pass-Through from University of Missouri	10.290	53,952	
Integrated Programs	10.303	245,531	170,609
Specialty Crop Research Initiative	10.309	310,918	225,051
Pass-Through from Michigan State University	10.309	19,251	
Agriculture and Food Research Initiative (AFRI)	10.310	2,609,384	913,093
Pass-Through from Iowa State University	10.310	12,660	
Pass-Through from Kansas State University	10.310	128,494	
Pass-Through from Louisiana State University	10.310	108,289	
Pass-Through from Oregon State University	10.310	1,817	
Pass-Through from Purdue University	10.310	124,608	
Pass-Through from University of Wisconsin	10.310	122,999	
Beginning Farmer and Rancher Development Program	10.311	16,170	
Pass-Through from Oklahoma State University	10.320	32,344	
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326	36,563	2,778
Crop Protection and Pest Management Competitive Grants Program			
Pass-Through from Texas A & M University	10.329	16,057	
Risk Management Education Partnerships	10.460	102,047	
Cooperative Extension Service	10.500	12,929	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
United States Department of Agriculture (Continued)			
Child and Adult Care Food Program	10.558	$ 24,542	
Forestry Research	10.652	489,811	
Forest Health Protection	10.680	49,597	
Rural Business Opportunity Grants	10.773	12,812	
Soil Survey	10.903	6,898	
Environmental Quality Incentives Program	10.912	178,217	
Pass-Through from North Carolina State University	10.912	7,813	
Technical Agricultural Assistance	10.960	8,066	
Cochran Fellowship Program-International Training-Foreign Participant	10.962	9,517	
Other Department of Agriculture Assistance	10.UNKNOWN	628,685	
Pass-Through from Eastern Iowa Community College	10.UNKNOWN	17,292	
Pass-Through from Poinsett County Conservation District	10.UNKNOWN	19,974	
Pass-Through from Wildy Farms South, Inc.	10.UNKNOWN	3,480	
Total United States Department of Agriculture		15,462,260	$ 1,319,017
United States Department of Commerce			
Economic Development_Technical Assistance	11.303	122,810	
Sea Grant Support			
Pass-Through from University of Puerto Rico	11.417	3,447	
Measurement and Engineering Research and Standards	11.609	210,377	
Other Department of Commerce Assistance	11.UNKNOWN	1,997	
Total United States Department of Commerce		338,631	
United States Department of Defense			
Collaborative Research and Development			
Pass-Through from Battelle Memorial Institute	12.114	3,977	
Electronic Absentee Systems for Elections	12.217	18,192	
Basic and Applied Scientific Research	12.300	318,838	
Military Medical Research and Development	12.420	592,136	9,462
Pass-Through from Laureate Institute for Brain Research	12.420	43,536	
Pass-Through from University of Tennessee	12.420	90,138	
Basic Scientific Research	12.431	568,276	
DOD, NDEP, DOTC-STEM Education Outreach Implementation	12.560	2,500	
Basic, Applied, and Advanced Research in Science and Engineering			
Pass-Through from Davidson College	12.630	15,451	
Air Force Defense Research Sciences Program	12.800	6,325	
Pass-Through from Embry-Riddle Aeronautical University	12.800	16,090	
Research and Technology Development	12.910	115,023	
Other Department of Defense Assistance	12.UNKNOWN	130,796	
Pass-Through from APEI	12.UNKNOWN	1,440	
Pass-Through from General Dynamics	12.UNKNOWN	45,154	
Pass-Through from Hypres, Inc.	12.UNKNOWN	49,404	
Pass-Through from Radiance Technologies	12.UNKNOWN	49,964	
Total United States Department of Defense		2,067,240	9,462

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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 the Interior			
Fish and Wildlife Management Assistance	15.608	$ 108	
Wildlife Restoration and Basic Hunter Education			
Pass-Through from Pennsylvania Game Commission	15.611	21,635	
Cooperative Endangered Species Conservation Fund	15.615	65,224	
Asian Elephant Conservation Fund	15.621	15,548	
State Wildlife Grants	15.634	172,047	
Migratory Bird Joint Ventures	15.637	3,100	
Research Grants (Generic)	15.650	63,973	
Assistance to State Water Resources Research Institutes	15.805	122,558	
Earthquake Hazards Research Grants	15.807	46,883	$ 35,395
U.S. Geological Survey_ Research and Data Collection	15.808	3,378	
Pass-Through from American View	15.808	26,313	
Cooperative Research Units Program	15.812	30,756	
Preservation of Japanese American Confinement Sites	15.933	91,495	
Natural Resource Stewardship	15.944	13,010	
Other Department of the Interior Assistance	15.UNKNOWN	126,081	
Total United States Department of the Interior		802,109	35,395
United States Department of Justice			
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	381,637	47,365
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			
Pass-Through from University of Maryland	16.580	34,814	
Total United States Department of Justice		416,451	47,365
United States Department of State			
Academic Exchange Programs - Special Academic Exchange Programs	19.011	4,117	
Other Department of State Assistance			
Pass-Through from American Schools of Oriental Research	19.UNKNOWN	52,942	
Total United States Department of State		57,059	
United States Department of Transportation			
Highway Planning and Construction	20.205	724,976	69,197
University Transportation Centers Program	20.701	892,368	488,914
Pass-Through from Louisiana Tech University	20.701	12,900	
Pass-Through from University of Texas at Austin	20.701	5,269	
Pass-Through from University of Oklahoma	20.701	134,856	
Biobased Transportation Research			
Pass-Through from University of Missouri	20.761	67,605	
Transportation Planning, Research and Education	20.931	281,124	
Total United States Department of Transportation		2,119,098	558,111

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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)			
National Aeronautics and Space Administration			
Science	43.001	$ 986,746	$ 82,445
Education	43.008	227,184	
Cross Agency Support	43.009	187,060	86,323
Other National Aeronautics and Space Administration Assistance	43.UNKNOWN	123,671	
Pass-Through from Loma Linda University Medical Center	43.UNKNOWN	83,930	
Pass-Through from National Space Biomedical Research Institute	43.UNKNOWN	1,053,374	
Total National Aeronautics and Space Administration		2,661,965	168,768
National Endowment for the Humanities			
Promotion of the Humanities_Division of Preservation and Access	45.149	48,252	
Promotion of the Humanities_Professional Development	45.163	11,206	
Promotion of the Humanities_Office of Digital Humanities	45.169	62,566	13,784
Total National Endowment for the Humanities		122,024	13,784
National Science Foundation			
Engineering Grants	47.041	3,147,794	54,908
Mathematical and Physical Sciences	47.049	1,041,381	
Pass-Through from University of Akron	47.049	14,269	
Geosciences	47.050	328,992	52,801
Computer and Information Science and Engineering	47.070	1,080,532	
Pass-Through from University of Texas-Pan American	47.070	16,000	
Biological Sciences	47.074	1,419,292	11,292
Pass-Through from Cornell University	47.074	292,500	
Pass-Through from Mississippi State University	47.074	818	
Pass-Through from University of Massachusetts	47.074	114,892	
Pass-Through from University of Nebraska, Lincoln	47.074	34,926	
Social, Behavioral, and Economic Sciences	47.075	405,633	82,572
Pass-Through from University of Colorado	47.075	3,195	
Education and Human Resources	47.076	493,756	
Pass-Through from Mathematical Association of America	47.076	5,394	
Pass-Through from National Center for Science and Civic Engagement	47.076	3,000	
Pass-Through from Tennessee Technological University	47.076	554	
Office of International and Integrative Activities	47.079	547,766	32,342
Office of Cyberinfrastructure	47.080	(854)	
Office of Experimental Program to Stimulate Competitive Research	47.081	3,757,128	32,361
ARRA - Trans-NSF Recovery Act Research Support	47.082	28,862	
Other National Science Foundation Assistance	47.UNKNOWN	342,591	
Total National Science Foundation		13,078,421	266,276
Environmental Protection Agency			
Region 3 Environmental Priority Projects			
Pass-Through from Tetra Tech	66.113	1,559	
Water Pollution Control State, Interstate, and Tribal Program Support			
Pass-Through from Texas Commission on Environmental Quality	66.419	154,121	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
Environmental Protection Agency (Continued)			
Nonpoint Source Implementation Grants	66.460	$ 396,675	$ 9,986
Regional Wetland Program Development Grants	66.461	19,574	12,475
Gulf of Mexico Program	66.475	144	
P3 Award: National Student Design Competition for Sustainability	66.516	626	
Other Environmental Protection Agency Assistance	66.UNKNOWN	7,206	
Total Environmental Protection Agency		579,905	22,461
United States Department of Energy			
State Energy Program	81.041	93,727	
Office of Science Financial Assistance Program	81.049	291,938	
Pass-Through from Pennsylvania State University	81.049	96,725	
Conservation Research and Development	81.086	18,367	
Pass-Through from APEI	81.086	59,906	
Renewable Energy Research and Development	81.087	69,221	
Pass-Through from Sinewatts	81.087	109,094	
Pass-Through from University of Central Florida	81.087	72,976	
State Energy Program Special Projects	81.119	20,668	
Nuclear Energy Research, Development and Demonstration	81.121	82,133	28,979
Other Department of Energy Assistance			
Pass-Through from Argonne National Labs	81.UNKNOWN	13,097	
Pass-Through from Houston Advanced Research Center	81.UNKNOWN	107,183	
Pass-Through from Lawrence Livermore National Laboratory	81.UNKNOWN	109,125	
Pass-Through from United Technologies Research Center	81.UNKNOWN	65,183	
Total United States Department of Energy		1,209,343	28,979
United States Department of Education			
Special Education_Grants to States	84.027	509,480	
Charter Schools	84.282	67,141	
Education Research, Development and Dissemination	84.305	191,026	96,490
Pass-Through from Rand Corporation	84.305	55,130	
ARRA - Statewide Data Systems	84.384	(1,695)	
Promoting Readiness of Minors in Supplemental Security Income	84.418	3,530,450	
Other Department of Education Assistance	84.UNKNOWN	55,840	
Total United States Department of Education		4,407,372	96,490
United States Department of Health and Human Services			
Public Health and Social Services Emergency Fund	93.003	24,000	
Birth Defects and Developmental Disabilities - Prevention and Surveillance			
Pass-Through from University of Missouri	93.073	17,035	
Maternal and Child Health Federal Consolidated Programs	93.110	37,931	
Environmental Health	93.113	635,913	52,551
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	472,332	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
United States Department of Health and Human Services (Continued)			
Research Related to Deafness and Communication Disorders	93.173	$ 113,015	
Pass-Through from Appalachian State University	93.173	9,001	
Research on Healthcare Costs, Quality and Outcomes			
Pass-Through from University of Alabama - Birmingham	93.226	12,659	
Mental Health Research Grants	93.242	458,739	$ 148,882
Pass-Through from Emory University	93.242	(274)	
Pass-Through from University of Massachusetts	93.242	11,932	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	424,016	
Pass-Through from Benton County Drug Court	93.243	28,223	
Occupational Safety and Health Program	93.262	938,433	
Pass-Through from University of Washington	93.262	2,242	
Alcohol Research Programs	93.273	174,641	
Drug Abuse and Addiction Research Programs	93.279	1,964,224	263,328
Pass-Through from Baylor College of Medicine	93.279	(6)	
Pass-Through from InterVexion Therapeutics, LLC	93.279	275,431	
Pass-Through from RTI International	93.279	116,525	
Pass-Through from University of Kentucky Research Foundation	93.279	165,592	
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	1,290,934	102,699
National Health Service Corps Scholarship Program	93.288	22,534	
Minority Health and Health Disparities Research	93.307	1,346,511	201,840
Trans-NIH Research Support			
Pass-Through from Brown University	93.310	43,598	
Pass-Through from Emory University	93.310	103,725	
National Center for Advancing Translational Sciences	93.350	3,017,161	
Research Infrastructure Programs	93.351	1,067,029	
Nursing Research	93.361	129,824	(304)
National Center for Research Resources	93.389	1,099,745	
Cancer Cause and Prevention Research	93.393	968,034	
Pass-Through from Association of American Medical Colleges	93.393	54,354	
Pass-Through from University of Minnesota	93.393	54,771	
Cancer Detection and Diagnosis Research	93.394	958,480	134,181
Pass-Through from American College-Radiology Imaging Network	93.394	5,812	
Cancer Treatment Research	93.395	3,017,334	178,466
Pass-Through from CTSU-CALGB	93.395	138	
Pass-Through from Emmes Corporation	93.395	253,463	
Pass-Through from Gynecologic Oncology Group	93.395	10,428	
Pass-Through from Southwest Oncology Group	93.395	8,136	
Pass-Through from University of Alabama - Birmingham	93.395	22,712	
Pass-Through from University of Kentucky Research Foundation	93.395	8,965	
Pass-Through from University of Oklahoma	93.395	1,404	
Pass-Through from Vanderbilt University	93.395	22,335	

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RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
United States Department of Health and Human Services (Continued)			
Cancer Biology Research	93.396	$ 183,884	
Pass-Through from Yale University	93.396	6,702	
Cancer Research Manpower	93.398	20,011	
Pass-Through from Cancer Trials Support Unit	93.398	7,747	
Health Care Innovation Awards (HCIA)	93.610	(36,257)	$ (493,379)
Cardiovascular Diseases Research	93.837	409,500	
Lung Diseases Research	93.838	33,699	
Pass-Through from Eastern Cooperative Oncology Group	93.838	186	
Blood Diseases and Resources Research	93.839	572,456	10,721
Pass-Through from University of Iowa	93.839	316,235	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	941,043	
Pass-Through from BioStrategies, LLC	93.846	71,573	
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	755,224	21,584
Pass-Through from Biomedical Research Foundation	93.847	147,537	
Pass-Through from Georgia Regents University	93.847	6,325	
Pass-Through from Jaeb Center for Health Research	93.847	1,493	
Pass-Through from Louisiana State University	93.847	8,602	
Pass-Through from University of Vermont	93.847	45,893	
Pass-Through from Yale University	93.847	6,528	
Kidney Diseases, Urology and Hematology Research	93.849	22,403	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	53,770	
Pass-Through from Emory University	93.853	8,397	
Pass-Through from SFC Fluidics	93.853	20,682	
Pass-Through from University of Medicine/Dental, New Jersey	93.853	2,965	
Pass-Through from University of Alabama - Birmingham	93.853	45,664	
Allergy, Immunology and Transplantation Research	93.855	1,593,861	
Pass-Through from Boston University	93.855	31,579	
Pass-Through from Duke Clinical Research	93.855	215,430	
Pass-Through from HIV Prevention Trials Network	93.855	53,407	
Pass-Through from Indiana University	93.855	100,674	
Pass-Through from University of Alabama - Birmingham	93.855	113,338	
Pass-Through from University of California at San Diego	93.855	99,445	
Pass-Through from University of Mississippi	93.855	14,471	
Microbiology and Infectious Diseases Research			
Pass-Through from University of Alabama - Birmingham	93.856	74,387	
Biomedical Research and Research Training	93.859	8,474,018	847,154
Pass-Through from Johns Hopkins University	93.859	121,887	
Child Health and Human Development Extramural Research	93.865	209,358	
Pass-Through from University of Alabama - Birmingham	93.865	12,312	
Aging Research	93.866	3,231,216	22,723
Pass-Through from Medical University of South Carolina	93.866	23,529	
Pass-Through from University of Alabama - Birmingham	93.866	10,417	

State of Arkansas
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For the Year Ended June 30, 2015

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)			
Vision Research	93.867	$ 480,905	
Medical Library Assistance			
Pass-Through from University of Pittsburgh	93.879	38,965	
International Research and Research Training	93.989	188	
Other Department of Health and Human Services Assistance	93.UNKNOWN	4,283,639	$ 666,151
Pass-Through from Arkansas Research Alliance	93.UNKNOWN	434,623	
Pass-Through from Case Western Reserve University	93.UNKNOWN	30,321	
Pass-Through from Southwest Oncology Group	93.UNKNOWN	10,784	
Pass-Through from University of Alabama - Birmingham	93.UNKNOWN	52,888	
Pass-Through from University of California at San Diego	93.UNKNOWN	8,697	
Pass-Through from University of California at San Francisco	93.UNKNOWN	3,254	
Pass-Through from Washington/Madison County Adult Drug Court	93.UNKNOWN	55,880	
Total United States Department of Health and Human Services		42,820,766	2,156,597
United States Department of Homeland Security			
Centers for Homeland Security			
Pass-Through from University of Maryland	97.061	149,644	
Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection	97.077	33,822	
Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies			
Pass-Through from University of Maryland	97.108	184,844	
Other Department of Homeland Security Assistance	97.UNKNOWN	126,654	
Total United States Department of Homeland Security		494,964	
Total RESEARCH AND DEVELOPMENT CLUSTER		86,637,608	4,722,705
STUDENT FINANCIAL ASSISTANCE CLUSTER			
United States Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007	4,223,130	
Federal Work-Study Program	84.033	5,640,751	
Federal Perkins Loan Program_Federal Capital Contributions	84.038	34,966,280	
Federal Pell Grant Program	84.063	255,137,316	
Federal Direct Student Loans	84.268	531,547,563	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	1,169,514	
Total United States Department of Education		832,684,554	
United States Department of Health and Human Services			
Nurse Faculty Loan Program (NFLP)	93.264	27,374	
Health Professions Student Loans, Including Primary Care Loans/Loans for for Disadvantaged Students	93.342	4,945,928	
Nursing Student Loans	93.364	338,235	
Total United States Department of Health and Human Services		5,311,537	
Total STUDENT FINANCIAL ASSISTANCE CLUSTER		837,996,091	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture			
Agricultural Research_Basic and Applied Research	10.001	$ 51,467	
Plant and Animal Disease, Pest Control, and Animal Care	10.025	1,262,671	
Conservation Reserve Program	10.069	53,780	
Wetlands Reserve Program	10.072	16,124	
Federal-State Marketing Improvement Program	10.156	32,468	$ 32,468
Market Protection and Promotion	10.163	23,581	
Specialty Crop Block Grant Program - Farm Bill	10.170	282,682	90,100
Organic Certification Cost Share Programs	10.171	9,868	
Sustainable Agriculture Research and Education			
Pass-Through from University of Georgia	10.215	4,623	
1890 Institution Capacity Building Grants	10.216	224,480	
Homeland Security_Agricultural			
Pass-Through from University of Florida	10.304	25,000	
Agriculture and Food Research Initiative (AFRI)	10.310	2,545	
Pass-Through from Winrock International Institution for Agri Development	10.310	300	
ARRA - Trade Adjustment Assistance for Farmers Training Coordination Program (TAAF)			
Pass-Through from University of Minnesota	10.315	16,254	
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326	31,394	
Crop Protection and Pest Management Competitive Grants Program	10.329	16,407	
Rural Rental Housing Loans	10.415	530,787	530,787
State Mediation Grants	10.435	87,436	
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443	222,483	
Rural Community Development Initiative	10.446	45,065	
Cooperative Extension Service	10.500	10,733,076	621,035
Pass-Through from Kansas State University	10.500	19,674	
Pass-Through from Pennsylvania State University	10.500	18,056	
Pass-Through from University of Georgia	10.500	7,257	
Pass-Through from University of Wyoming	10.500	2,414	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	69,035,373	
Child and Adult Care Food Program	10.558	59,356,144	
State Administrative Expenses for Child Nutrition	10.560	3,947,854	
WIC Farmers' Market Nutrition Program (FMNP)	10.572	122,110	
Senior Farmers Market Nutrition Program	10.576	89,584	89,584
Child Nutrition Discretionary Grants Limited Availability	10.579	1,188,622	535,238
Fresh Fruit and Vegetable Program	10.582	2,334,405	2,281,261
Child Nutrition Direct Certification Performance Awards	10.589	(277,908)	
Forestry Research	10.652	19,726	
Cooperative Forestry Assistance	10.664	2,694,234	174,956
Pass-Through from The Nature Conservancy	10.664	18,375	
Forest Legacy Program	10.676	45,639	
Forest Stewardship Program	10.678	66,490	
Forest Health Protection	10.680	328,347	

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For the Year Ended June 30, 2015

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture (Continued)			
Rural Business Enterprise Grants			
Pass-Through from American Association of Community Colleges	10.769	$ 1,000	
Pass-Through from Winrock	10.769	5,000	
Rural Business Opportunity Grants	10.773	143,162	
Distance Learning and Telemedicine Loans and Grants	10.855	445,077	
1890 Land Grant Institutions Rural Entrepreneurial Outreach Program	10.856	73	
Small Socially Disadvantaged Producer Grant Program	10.871	111,640	
Delta Health Care Services Grant Program	10.874	627,215	
Soil and Water Conservation	10.902	508,811	$ 445,275
Soil Survey	10.903	2,916	
Environmental Quality Incentives Program	10.912	481,336	64,297
Wildlife Habitat Incentive Program	10.914	7,624	
Other Department of Agriculture Assistance	10.UNKNOWN	43,539	
Total United States Department of Agriculture		155,066,280	4,865,001
United States Department of Commerce			
Economic Development_Support for Planning Organizations	11.302	78,168	
Economic Development_Technical Assistance	11.303	90,191	
State and Local Implementation Grant Program	11.549	312,367	
Low-Power Television and Translator Digital-to-Analog Conversion			
Pass-Through from Public Broadcasting Service of Arlington VA	11.554	63,497	
ARRA - State Broadband Data and Development Grant Program			
Pass-Through from Connect Arkansas	11.558	300,213	101,800
Manufacturing Extension Partnership	11.611	1,010,656	153,762
Other Department of Commerce Assistance	11.UNKNOWN	13,500	
Total United States Department of Commerce		1,868,592	255,562
United States Department of Defense			
Procurement Technical Assistance For Business Firms	12.002	269,603	
Law Enforcement Support Office - 1033 Program	12.005	7,006,436	
Payments to States in Lieu of Real Estate Taxes	12.112	2,098,175	2,098,164
Military Construction, National Guard	12.400	2,590,596	
National Guard Military Operations and Maintenance (O&M) Projects	12.401	48,173,975	
National Guard ChalleNGe Program	12.404	1,900,000	
Basic, Applied, and Advanced Research in Science and Engineering			
Pass-Through from Academy of Applied Science	12.630	9,512	
Donations/Loans of Obsolete DOD Property	12.700	141,664	
Information Security Grant Program	12.902	112	
Other Department of Defense Assistance	12.UNKNOWN	34,243	
Total United States Department of Defense		62,224,316	2,098,164
United States Department of Housing and Urban Development			
Housing Counseling Assistance Program	14.169	6,172	6,172
Manufactured Home Dispute Resolution	14.171	93,034	

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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 (Continued)			
Community Development Block Grants/Entitlement Grants	14.218	$ 11,190,381	$ 11,090,624
Community Development Block Grants/Technical Assistance Program	14.227	815	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	10,286,553	9,929,012
Emergency Solutions Grant Program	14.231	1,324,091	1,215,906
Shelter Plus Care	14.238	1,797,322	1,797,321
Home Investment Partnerships Program	14.239	6,507,352	5,771,905
Housing Opportunities for Persons with AIDS	14.241	502,527	486,182
Fair Housing Assistance Program_State and Local	14.401	524,844	
Historically Black Colleges and Universities Program	14.520	39,742	
Sustainable Communities Regional Planning Grant Program	14.703	94,272	
Total United States Department of Housing and Urban Development		32,367,105	30,297,122
United States Department of the Interior			
Indian Education_Higher Education Grant Program	15.114	176,192	
Distribution of Receipts to State and Local Governments	15.227	763,307	463,932
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	125,968	
Abandoned Mine Land Reclamation (AMLR) Program	15.252	3,414,524	
Fish and Wildlife Management Assistance	15.608	123,353	
Pass-Through from National Fish & Wildlife Foundation	15.608	66,684	
Cooperative Endangered Species Conservation Fund	15.615	111,995	11,122
Clean Vessel Act Program	15.616	530,566	466,483
Sportfishing and Boating Safety Act	15.622	588,347	588,347
Multistate Conservation Grant Program	15.628	182,524	
State Wildlife Grants	15.634	503,764	256,879
Federal Junior Duck Stamp Conservation and Design	15.644	3,341	
Endangered Species Conservation Recovery Implementation Funds	15.657	34,555	14,000
U.S. Geological Survey_ Research and Data Collection	15.808	25,480	
National Cooperative Geologic Mapping Program	15.810	72,220	
National Geological and Geophysical Data Preservation Program	15.814	16,017	
Historic Preservation Fund Grants-In-Aid	15.904	628,407	133,256
Outdoor Recreation_Acquisition, Development and Planning	15.916	283,028	170,129
Preservation of Japanese American Confinement Sites	15.933	6,769	1,235
Other Department of the Interior Assistance	15.UNKNOWN	3,882	
Total United States Department of the Interior		7,660,923	2,105,383
United States Department of Justice			
Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001	1,140	
Violence Against Women Act Court Training and Improvement Grants	16.013	10,329	
Sexual Assault Services Formula Program	16.017	226,597	226,597
Juvenile Accountability Block Grants	16.523	236,660	77,594
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528	50,050	33,869

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Justice (Continued)			
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	$ 514,942	$ 270,285
Missing Children's Assistance	16.543	340,028	163,364
Title V_Delinquency Prevention Program	16.548	120,122	
National Criminal History Improvement Program (NCHIP)	16.554	100,596	
Crime Victim Assistance	16.575	3,947,627	3,713,590
Crime Victim Compensation	16.576	851,486	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	15,116	
Drug Court Discretionary Grant Program	16.585	282,828	
Violence Against Women Formula Grants	16.588	1,680,097	1,245,806
Residential Substance Abuse Treatment for State Prisoners	16.593	258,533	57,210
State Criminal Alien Assistance Program	16.606	274,085	
Juvenile Mentoring Program	16.726	69,762	
Pass-Through from National 4H Council	16.726	103,461	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,863,621	2,639,557
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	54,590	
DNA Backlog Reduction Program	16.741	669,791	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	86,364	
Edward Byrne Memorial Competitive Grant Program	16.751	90,630	7,109
Harold Rogers Prescription Drug Monitoring Program	16.754	35,779	
Second Chance Act Reentry Initiative	16.812	445,921	
John R. Justice Prosecutors and Defenders Incentive Act	16.816	31,908	
Equitable Sharing Program	16.922	569,241	
Other Department of Justice Assistance	16.UNKNOWN	473,537	
Total United States Department of Justice		14,404,841	8,434,981
United States Department of Labor			
Labor Force Statistics	17.002	794,963	
Compensation and Working Conditions	17.005	90,675	
Unemployment Insurance	17.225	271,300,045	
Senior Community Service Employment Program	17.235	1,602,153	1,578,100
Trade Adjustment Assistance	17.245	11,455,605	
WIA Dislocated Workers	17.260	87,797	
Pass-Through from Western Arkansas Employment Development Agency	17.260	29,821	
WIA Pilots, Demonstrations, and Research Projects	17.261	569,745	
H-1B Job Training Grants	17.268	2,520,542	327,911
Pass-Through from AATYC	17.268	26,414	
Pass-Through from Arkansas Community Colleges	17.268	42,261	
Work Opportunity Tax Credit Program (WOTC)	17.271	201,031	
Temporary Labor Certification for Foreign Workers	17.273	70,067	
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	4,484	
Workforce Investment Act (WIA) National Emergency Grants	17.277	2,188,223	2,080,164

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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	$ 7,894,401	$ 698,921
Pass-Through from Anne Arundel University	17.282	185,200	
Consultation Agreements	17.504	1,114,922	
Mine Health and Safety Grants	17.600	117,878	
Veterans' Employment Program	17.802	384,888	347,465
Other Department of Labor Assistance			
Pass-Through from Arkansas Community Colleges (ACC)	17.UNKNOWN	361	
Total United States Department of Labor		300,681,476	5,032,561
United States Department of State			
Academic Exchange Programs - Undergraduate Programs			
Pass-Through from IREX	19.009	99,548	51,351
Investing in People in the Middle East and North Africa	19.021	91,336	76,611
Other Department of State Assistance			
Pass-Through from Institute of International Education	19.UNKNOWN	1,280	
Total United States Department of State		192,164	127,962
United States Department of Transportation			
Highway Training and Education	20.215	30,037	
National Motor Carrier Safety	20.218	3,364,441	
Performance and Registration Information Systems Management	20.231	17,940	
Commercial Driver's License Program Improvement Grant	20.232	298,816	
Commercial Vehicle Information Systems and Networks	20.237	110,408	
Railroad Development	20.314	141,457	
Rail Line Relocation and Improvement	20.320	1,347,250	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	2,019,991	2,019,990
Formula Grants for Rural Areas	20.509	11,867,182	10,426,925
Alcohol Open Container Requirements	20.607	8,364,122	
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	161,854	
Pipeline Safety Program State Base Grant	20.700	575,336	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	209,382	34,600
National Infrastructure Investments	20.933	14,887,121	10,467,621
Total United States Department of Transportation		43,395,337	22,949,136
United States Department of Treasury			
Low Income Taxpayer Clinics	21.008	95,093	
Total United States Department of Treasury		95,093	
General Services Administration			
Donation of Federal Surplus Personal Property	39.003	11,133,381	
Total General Services Administration		11,133,381	

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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	42.UNKNOWN	$ (42)	
Total Library of Congress		(42)	
National Aeronautics and Space Administration			
Science	43.001	15,581	
Education	43.008	71,246	
Other National Aeronautics and Space Administration Assistance	43.UNKNOWN	11,739	
Total National Aeronautics and Space Administration		98,566	
National Endowment for the Arts			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	54,576	
Pass-Through from City of Fayetteville	45.024	18,063	
Pass-Through from City of Freeman	45.024	18,032	
Promotion of the Arts_Partnership Agreements	45.025	709,661	$ 475,627
Pass-Through from Mid-America Arts Alliance	45.025	8,500	
Total National Endowment for the Arts		808,832	475,627
National Endowment for the Humanities			
Promotion of the Humanities_Federal/State Partnership	45.129	31,283	
Pass-Through from Arkansas Humanities Council	45.129	16,870	
Promotion of the Humanities_Challenge Grants	45.130	(12,163)	
Promotion of the Humanities_Division of Preservation and Access	45.149	313	
Promotion of the Humanities_Professional Development	45.163	19,415	
Promotion of the Humanities_Public Programs			
Pass-Through from American Library Association	45.164	1,701	
Pass-Through from The Gilder Lehrman Institute of American History	45.164	150	
Other National Endowment for the Humanities Assistance	45.UNKNOWN	17,491	
Total National Endowment for the Humanities		75,060	
Institute of Museum and Library Services			
Museums for America	45.301	23,957	
Museum Grants for African American History and Culture	45.309	19,158	
Grants to States	45.310	1,619,108	
Total Institute of Museum and Library Services		1,662,223	
National Science Foundation			
Mathematical and Physical Sciences	47.049	35,681	
Geosciences	47.050	35,228	
Education and Human Resources	47.076	2,727,389	24,700
Pass-Through from Missouri State University	47.076	39,419	
Office of International and Integrative Activities	47.079	25,538	
Office of Cyberinfrastructure	47.080	99,424	
Office of Experimental Program to Stimulate Competitive Research	47.081	250,379	

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National Science Foundation (Continued)			
ARRA - Trans-NSF Recovery Act Research Support	47.082	$ 88,000	
Other National Science Foundation Assistance	47.UKNOWN	192,527	
Total National Science Foundation		3,493,585	$ 24,700
Small Business Administration			
Small Business Development Centers	59.037	1,162,352	
Federal and State Technology Partnership Program	59.058	112,480	
Total Small Business Administration		1,274,832	
United States Department of Veterans Affairs			
Veterans State Nursing Home Care	64.015	4,180,083	
Post-9/11 Veterans Educational Assistance	64.027	191,520	
ARRA - Post-9/11 Veterans Educational Assistance	64.027	876	
Burial Expenses Allowance for Veterans	64.101	367,662	
Vocational Rehabilitation for Disabled Veterans	64.116	16,364	
Post-Vietnam Era Veterans' Educational Assistance	64.120	36,856	
All-Volunteer Force Educational Assistance	64.124	304,796	
State Cemetery Grants	64.203	1,021,769	
Other Department of Veterans Affairs Assistance	64.UNKNOWN	94,997	
Total United States Department of Veterans Affairs		6,214,923	
Environmental Protection Agency			
Air Pollution Control Program Support	66.001	987,437	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	374,234	
State Clean Diesel Grant Program	66.040	101,136	147,390
Congressionally Mandated Projects	66.202	33,859	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	2,210,923	
State Public Water System Supervision	66.432	1,042,561	
State Underground Water Source Protection	66.433	79,902	
Water Quality Management Planning	66.454	100,000	
Nonpoint Source Implementation Grants	66.460	2,424,321	1,454,169
Regional Wetland Program Development Grants	66.461	54,128	
Greater Research Opportunities (GRO) Fellowships For Undergraduate Environmental Study	66.513	14,355	
Science To Achieve Results (STAR) Fellowship Program	66.514	150	
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	481,129	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	197,630	
Pollution Prevention Grants Program	66.708	35,891	
Hazardous Waste Management State Program Support	66.801	971,171	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	379,578	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	506,138	

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CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
Environmental Protection Agency (Continued)			
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	$ 774,112	
State and Tribal Response Program Grants	66.817	389,552	
Environmental Education Grants	66.951	99,302	$ 8,317
Total Environmental Protection Agency		11,257,509	1,609,876
United States Department of Energy			
State Energy Program	81.041	250,459	19,940
ARRA - State Energy Program	81.041	437,911	
Weatherization Assistance for Low-Income Persons	81.042	1,500,650	1,347,680
Renewable Energy Research and Development	81.087	17,251	
State Energy Program Special Projects	81.119	181,735	165,819
Total United States Department of Energy		2,388,006	1,533,439
United States Department of Education			
Adult Education - Basic Grants to States	84.002	5,010,150	2,565,855
Title I Grants to Local Educational Agencies	84.010	154,992,772	153,738,140
Migrant Education_State Grant Program	84.011	5,406,384	5,091,903
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	543,238	180,476
Higher Education_Institutional Aid	84.031	5,783,957	
Federal Family Education Loans	84.032	332,727,854	
Career and Technical Education - Basic Grants to States	84.048	10,725,189	6,574,872
Pass-Through from Arkansas STEM Coalition	84.048	20,729	
Fund for the Improvement of Postsecondary Education	84.116	65	
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	47,147,779	
Rehabilitation Long-Term Training	84.129	382,919	
Migrant Education_Coordination Program	84.144	59,500	59,500
Migrant Education_College Assistance Migrant Program	84.149	10,101	
Independent Living_State Grants	84.169	216,738	
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	463,215	458,000
Special Education-Grants for Infants and Families	84.181	3,343,706	
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	274,907	
Education for Homeless Children and Youth	84.196	717,587	617,354
Javits Gifted and Talented Students Education	84.206	246,285	
Assistive Technology	84.224	389,199	
Rehabilitation Training_Continuing Education	84.264	179,963	
Pass-Through from George Washington University	84.264	16,261	
Pass-Through from University of Massachusetts	84.264	188,013	
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265	486,062	
Charter Schools	84.282	4,298,477	4,217,843
Twenty-First Century Community Learning Centers	84.287	12,132,733	11,535,562
Educational Technology State Grants	84.318	(615)	(615)

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Education (Continued)			
Special Education - State Personnel Development	84.323	$ 541,705	$ 537,534
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	112,464	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	1,107,506	
Child Care Access Means Parents in School	84.335	28,553	
Transition to Teaching	84.350	407,257	
Reading First State Grants	84.357	(113)	(113)
Rural Education	84.358	3,027,581	3,027,577
English Language Acquisition State Grants	84.365	3,650,610	3,530,400
Mathematics and Science Partnerships	84.366	2,007,662	515,744
Improving Teacher Quality State Grants	84.367	22,244,339	21,214,534
Pass-Through from National Writing Project	84.367	11,149	
Pass-Through from Pathway Book Services	84.367	8,382	
Grants for State Assessments and Related Activities	84.369	4,991,978	
College Access Challenge Grant Program	84.378	1,263,729	50,000
Strengthening Minority-Serving Institutions	84.382	2,310,410	
ARRA - Title I Grants to Local Educational Agencies	84.389	(1,537)	(1,537)
ARRA - Special Education Grants to States	84.391	(147)	(147)
ARRA - Special Education - Preschool Grants	84.392	(9,990)	(9,990)
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	(9,446)	(9,446)
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants			
Pass-Through from State of Florida & State of Maryland	84.395	9,100	
ARRA - State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund			
Pass-Through from Ohio State University	84.396	341,622	
Investing in Innovation (i3) Fund			
Pass-Through from National Writing Project	84.411	85,076	
ARRA- Investing in Innovation (i3) Fund			
Pass-Through from Jacksonville State University	84.411	6,017	
American Printing House for the Blind	84.906	31,595	
Other Department of Education Assistance	84.UNKNOWN	129,155	(504)
Total United States Department of Education		628,057,825	213,892,942
National Archives and Records Administration			
National Historical Publications and Records Grants	89.003	51,549	
Total National Archives and Records Administration		51,549	
Delta Regional Authority			
Delta Regional Development	90.200	202,958	
Pass-Through from University of Mississippi	90.200	22,004	
Delta Area Economic Development	90.201	483,389	78,500
Total Delta Regional Authority		708,351	78,500

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Election Assistance Commission			
Help America Vote Act Requirements Payments	90.401	$ 779,626	
Total United States Election Assistance Commission		779,626	
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	68,621	
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	141,936	$ 137,456
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	209,976	209,976
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	342,714	33,300
National Family Caregiver Support, Title III, Part E	93.052	1,312,557	1,254,844
Medicare Enrollment Assistance Program	93.071	514,233	131,358
Lifespan Respite Care Program	93.072	4,535	
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073	165,663	
Pass-Through from University of Missouri	93.073	42,341	
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	8,933,521	1,526,845
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	342,873	138,070
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	395,697	277,365
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	95,187	
Food and Drug Administration_Research	93.103	332,197	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	148,477	121,027
Pass-Through from Mid South Health Systems	93.104	61,819	
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	731,387	
Maternal and Child Health Federal Consolidated Programs	93.110	889,695	159,981
Pass-Through from Arizona State University	93.110	36,305	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	547,521	
Nurse Anesthetist Traineeships	93.124	45,570	
Emergency Medical Services for Children	93.127	113,213	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	187,515	
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	11,495	
Injury Prevention and Control Research and State and Community Based Programs	93.136	373,505	
AIDS Education and Training Centers	93.145	187,860	
Projects for Assistance in Transition from Homelessness (PATH)	93.150	313,281	312,871
Nursing Workforce Diversity	93.178	262,007	
Disabilities Prevention	93.184	275,264	
Telehealth Programs	93.211	564,172	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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)			
Family Planning_Services	93.217	$ 3,777,333	
Affordable Care Act (ACA) Abstinence Education Program	93.235	527,879	$ 498,226
State Capacity Building	93.240	220,594	
State Rural Hospital Flexibility Program	93.241	476,773	97,510
Mental Health Research Grants	93.242	30,228	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1,327,467	1,204,118
Pass-Through from Craighead County	93.243	6,196	
Pass-Through from Mid South Health Systems	93.243	44,274	
Geriatric Academic Career Awards	93.250	11,721	
Universal Newborn Hearing Screening	93.251	224,877	
Poison Center Support and Enhancement Grant Program	93.253	148,910	
Immunization Cooperative Agreements	93.268	55,545,255	
Alcohol Research Programs	93.273	31,905	
Substance Abuse and Mental Health Services-Access to Recovery	93.275	1,241,080	805,688
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	4,610,172	151,169
Small Rural Hospital Improvement Grant Program	93.301	286,173	273,024
National State Based Tobacco Control Programs	93.305	197,848	
Minority Health and Health Disparities Research	93.307	11,130	
State Health Insurance Assistance Program	93.324	536,333	
Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	93.332	391,874	41,659
Behavioral Risk Factor Surveillance System	93.336	32,926	
ACL Independent Living State Grants	93.369	66,165	
Cancer Treatment Research			
Pass-Through from Oregon Health & Science University	93.395	9,998	
Food Safety and Security Monitoring Project	93.448	351,057	
ACL Assistive Technology	93.464	131,161	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	6,113,868	
Pass-Through from Arkansas Children's Hospital	93.505	398,458	
PPHF National Public Health Improvement Initiative	93.507	215,169	
Affordable Care Act (ACA) Primary Care Residency Expansion Program	93.510	1,074,581	
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	2,043,698	
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; PPHF	93.521	1,303,567	
State Planning and Establishment Grants for the Affordable Care Act (ACA)s Exchanges	93.525	7,084,195	
Affordable Care Act - Teaching Health Center Graduate Medical Education Payments Program	93.530	899,179	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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)			
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	$ 143,429	$ 104
Promoting Safe and Stable Families	93.556	2,992,696	
Child Support Enforcement	93.563	26,808,244	
Refugee and Entrant Assistance_State Administered Programs	93.566	10,861	
Low-Income Home Energy Assistance	93.568	23,583,706	26,610,871
Community Services Block Grant	93.569	7,704,356	7,046,135
State Court Improvement Program	93.586	458,946	
Community-Based Child Abuse Prevention Grants	93.590	287,384	210,980
Grants to States for Access and Visitation Programs	93.597	94,293	
Chafee Education and Training Vouchers Program (ETV)	93.599	223,575	
Head Start	93.600	8,588,714	441,620
Adoption Incentive Payments	93.603	418,047	
The Affordable Care Act Medicaid Adult Quality Grants	93.609	492,236	
Health Care Innovation Awards (HCIA)	93.610	114,182	
Voting Access for Individuals with Disabilities_Grants to States	93.617	3,555	3,555
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	23,233,324	
Developmental Disabilities Basic Support and Advocacy Grants	93.630	671,478	183,572
University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632	499,219	
Children's Justice Grants to States	93.643	174,229	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	3,003,615	
Adoption Opportunities	93.652	481,429	
Foster Care_Title IV-E	93.658	44,161,502	
Adoption Assistance	93.659	18,328,463	
Social Services Block Grant	93.667	16,621,326	11,214,374
Child Abuse and Neglect State Grants	93.669	624,364	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	1,154,153	1,123,624
Chafee Foster Care Independence Program	93.674	445,190	
ARRA - Community Services Block Grant			
Pass-Through from Arkansas River Valley Area Council	93.710	2,160	
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	93.735	239,721	
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	676,989	45,979
PPHF Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Exchanges	93.750	309,833	7,985
Children's Health Insurance Program	93.767	118,056,386	
Money Follows the Person Rebalancing Demonstration	93.791	7,801,558	
Biomedical Research and Research Training	93.859	132,907	
Grants for Primary Care Training and Enhancements	93.884	670,845	
Grants to States for Operation of Offices of Rural Health	93.913	195,739	

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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)			
HIV Care Formula Grants	93.917	$ 6,950,131	$ 1,721,670
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	9,663	
HIV Prevention Activities_Health Department Based	93.940	1,355,256	176,114
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	326,993	
Assistance Programs for Chronic Disease Prevention and Control	93.945	1,812,822	154,038
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	98,496	
Block Grants for Community Mental Health Services	93.958	4,233,306	4,219,847
Block Grants for Prevention and Treatment of Substance Abuse	93.959	12,450,958	9,851,010
PPHF Geriatric Education Centers	93.969	394,462	3,536
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	1,058,286	
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	80,951	
Preventive Health and Health Services Block Grant	93.991	1,355,280	60,412
Maternal and Child Health Services Block Grant to the States	93.994	7,600,108	
Other Department of Health and Human Services Assistance	93.UNKNOWN	5,919,532	
Pass-Through from Houston Academy of Medicine-Texas Medical Center	93.UNKNOWN	6,903	
Total United States Department of Health and Human Services		460,084,982	70,449,913
Corporation for National and Community Service			
State Commissions	94.003	245,410	
AmeriCorps	94.006	2,271,247	2,084,681
Training and Technical Assistance	94.009	5,326	
Total Corporation for National and Community Service		2,521,983	2,084,681
United States Department of Homeland Security			
State and Local Homeland Security National Training Program	97.005	55,452	
Pass-Through from Center for Rural Development	97.005	161,796	
Homeland Security Preparedness Technical Assistance Program	97.007	18,232	
Boating Safety Financial Assistance	97.012	1,284,302	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	117,410	
Flood Mitigation Assistance	97.029	5,986	6,000
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	18,473,266	17,128,529
Hazard Mitigation Grant	97.039	4,343,284	4,232,450
National Dam Safety Program	97.041	117,319	
Emergency Management Performance Grants	97.042	3,728,710	1,458,238
State Fire Training Systems Grants	97.043	21,938	
Assistance to Firefighters Grant	97.044	207,400	
Cooperating Technical Partners	97.045	599,661	
Pre-Disaster Mitigation	97.047	712,449	376,053
Homeland Security Grant Program	97.067	4,292,982	3,148,134

State of Arkansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

CLUSTER NAME/Federal Grantor/Program Name/ Pass-Through Entity	CFDA or Other Identifying #	Expenditures	Amount Provided to Subrecipients
United States Department of Homeland Security (Continued)			
Earthquake Consortium	97.082	$ 10,307	
Repetitive Flood Claims	97.092	5,420	$ 208
National Incident Management System (NIMS)	97.107	(436)	
Other Department of Homeland Security Assistance	97.UNKNOWN	81,553	
Total United States Department of Homeland Security		34,237,031	26,349,612
United States Agency for International Development			
USAID Foreign Assistance for Programs Overseas	98.001	57,022	
Total United States Agency for International Development		57,022	
Total Expenditures of Federal Awards		**$ 9,037,682,678**	**$ 776,961,222**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

State of Arkansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

(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 report of other auditors.

State/Educational Agency and Program Name	CFDA Number(s)	Expenditures
Arkansas Development Finance Authority:		
HOME Investment Partnership Program	14.239	$ 6,507,352
Arkansas Department of Workforce Services:		
TANF Cluster	93.558	62,968,092
Unemployment Insurance	17.225	271,300,045
Trade Adjustment Assistance	17.245	11,346,259
State of Arkansas Construction Assistance Revolving Loan Fund:		
Clean Water State Revolving Fund Cluster	66.458	2,323,831
State of Arkansas Drinking Water Revolving Loan Fund:		
Drinking Water State Revolving Fund Cluster	66.468	15,967,483
Arkansas Student Loan Authority:		
Federal Family Education Loans	84.032-L	332,727,854
University of Arkansas for Medical Sciences:		
Research and Development Cluster	various	42,205,987
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	398,458
Head Start	93.600	7,841,641
Social Security Determination:		
Disability Insurance/SSI Cluster	96.001	44,418,451

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

(1) Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation

The Schedule presents total federal awards expended for each individual federal program in accordance with 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 $27,113,048 in disbursements, expenditures, or distributions. Major and nonmajor programs are determined using 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, 2015, 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	$34,966,280
93.264	Nurse Faculty Loan Program (NFLP)	27,374
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	4,945,928
93.364	Nursing Student Loans	338,235
	Total	$40,277,817

(3) Federally Funded Loan Programs (Continued)

The State also participates in the Federal Direct Student Loans (Direct Loan) program, CFDA 84.268, and the Federal Family Education Loans Program (FFEL), CFDA 84.032, which includes the Federal Stafford Loan Program and the Federal Parents' Loans for Undergraduate Students Program. The programs do not require the universities to disburse the funds. The proceeds are disbursed by the federal government for direct loans and by lending institutions for FFEL. Loan guarantees are issued by the Arkansas Guaranteed Student Loan Corporation and other for-profit and not-for-profit guarantee agencies. The federal government reinsures these guarantee agencies. During the year ended June 30, 2015, Direct Loans totaling $531,547,563 and FFEL loans totaling $0 were made to students enrolled at higher educational agencies in the State. These loans are included in the Schedule.

Education loans made or purchased by the Arkansas Student Loan Authority (the Authority) are guaranteed by the Great Lakes Higher Education Guaranty Corporation (Great Lakes), United Student Aid Fund (USAF), or the U.S. Department of Education (USDE). Student loans guaranteed by the USDE are considered noncash awards and totaled $331,042,439 at July 1, 2014. The Great Lakes, USAF, and USDE guarantees are contingent upon the loans being serviced within the diligence requirements of the guarantors.

Expenditures reflected in CFDA 66.458, Capitalization Grants for Clean Water State Revolving Funds, include loans to local municipalities or other public entities for constructing water treatment facilities. The funding source for these loans includes federal grant funds, state match funds, and revolving Program funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan balance for the year ended June 30, 2015, was $225,883,356. Total disbursements for new loans made to subrecipients during fiscal year 2015 totaled $1,029,998. Administrative costs associated with the program for the year ended June 30, 2015, totaled $321,563.

Expenditures reflected in CFDA 66.468, Capitalization Grants for Drinking Water State Revolving Funds, 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 the consolidation of new or existing water systems. The funding sources for these loans include federal grant funds, state match funds, and revolving Program funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan balance to subrecipients for the year ended June 30, 2015, was $171,887,064. Disbursements for new loans made to subrecipients during fiscal year 2015 totaled $2,314,773. Loans forgiven during fiscal year 2015 totaled $1,509,419. Administrative costs associated with the program for the year ended June 30, 2015, totaled $4,849,336.

(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	Amount
10.555	National School Lunch Program	$15,731,999
10.558	Child and Adult Care Food Program	245,919
10.559	Summer Food Service Program	12,734
10.565	Commodity Supplemental Food Program	789,571
10.569	Emergency Food Assistance Program (Food Commodities)	4,794,780
12.005	Law Enforcement Support Office 1033 Program	7,006,436
12.700	Donations/Loans of Obsolete DOD Property	141,664
39.003	Donation of Federal Surplus Personal Property	11,133,381
93.268	Immunization Grants	52,418,004
	Total	$92,274,488

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

During fiscal year 2015, the State received cash rebates totaling $23,172,008 from infant formula manufacturers on sales of formula to participants in the WIC program (CFDA 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFR § 246.16(a) 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 341,179 more persons than could be served this fiscal year in the absence of the rebate contract.

(6) Disability Determination for Social Security

Reported expenditures for benefits under the Social Security Disability Insurance program are not audited by Arkansas Legislative Audit but by a private firm. That audit is based on the federal fiscal year, which ends September 30. For the period ended September 30, 2014, the audit firm was Stan Parks, CPA, which issued an audit report for the period October 1, 2013 through September 30, 2014.

(7) 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 $214,702,979.

(8) Rural Rental Housing Loans

Expenditures reflected in CFDA 10.415, Rural Rental Housing Loans (Preservation Revolving Loan Fund), include loans to contractors for development of multifamily housing. The funding source for these loans is a $2,125,000 promissory note executed between Arkansas Development Finance Authority and United States Department of Agriculture (USDA) Rural Development during fiscal year 2013. When received, these funds will be used to make new loans for program activities. The outstanding loan balance to subrecipients for the year ended June 30, 2015, was $1,927,614. Total disbursements for new loans made to subrecipients during fiscal year 2015 totaled $530,787.

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2015

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

State/Educational Agency Name(s) / Program Title	CFDA Number(s) Affected	Page Number(s)
Southern Arkansas University		
Student Financial Assistance Cluster	84.038; 84.268	117
University of Arkansas at Pine Bluff		
Research and Development Cluster	10.500	118
Arkansas Department of Education		
Special Education Cluster	84.173	119
Arkansas Department of Human Services		
Child Nutrition Cluster	10.553; 10.555; 10.559	120 - 123
TANF Cluster	93.558	124
CCDF Cluster	93.575; 93.596	125 - 126
Foster Care_Title IV-E	93.658	127 - 128
Adoption Assistance	93.659	129 - 130
ARRA - Adoption Assistance	93.659	130
Children's Health Insurance Program	93.767	131 - 135
Medicaid Cluster	93.778	131; 136 - 166
ARRA - Medicaid Cluster	93.778	159 - 166

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Southern Arkansas University

***2014 Prior-Year Finding Number*:**	**2014-005**
State/Educational Agency(s):	**Southern Arkansas University**
CFDA Number(s) and Program Title(s):	**84.038 – Federal Perkins Loan Program_Federal Capital Contributions** **84.268 – Federal Direct Student Loans (Student Financial Assistance Cluster)**
Federal Award Number(s):	**Unknown (84.038);** **P268K141087 (84.268)**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Internal controls of outgoing information were immediately addressed. The financial aid and accounting offices have expressed a commitment to communicate more effectively in efforts to avoid typographical errors and timing issues of SAU reports.

Condition and Context:
The University's reported expenditures to DFA for the Federal Perkins Loan Program_Federal Capital Contributions and Federal Direct Student Loans were overstated by $48,978 and $2,768,022, respectively. The SEFA was not adjusted for these reporting errors.

Questioned Costs:
None

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
Federal expenditures for Federal Capital Contributions were overstated due to June UAS reports being processed after the SEFA deadline. The Accounting Department will request that these transactions be processed sooner or take care to submit an amended report once they are received.

Federal expenditures for Federal Direct Student Loans were overstated due to a typographical error submitted by the University's Loan Officer to the Assistant Controller, who prepares the report. The Director of Financial Aid has now implemented a review process to evaluate out-going information for accuracy.

Anticipated Completion Date: June 30, 2015

Contact Person:
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Controller
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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

University of Arkansas at Pine Bluff

***2014 Prior-Year Finding Number*:**	**2014-001**
State/Educational Agency(s):	**University of Arkansas at Pine Bluff**
CFDA Number(s) and Program Title(s):	**10.500 – Cooperative Extension Service (Research and Development Cluster)**
Federal Award Number(s):	**2008-45200-04406**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Noncompliance and Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
The University has implemented the procedures to verify that vendors are not suspended or debarred by the federal government. Currently, the University has not noted any vendors with which it is doing business to be suspended or debarred. The University will continue to review its vendors on the federal website to ensure it is in compliance with federal regulations.

Condition and Context:
Although goods and services were properly received or rendered, the University did not verify that applicable vendors had not been suspended or debarred from doing business with the Federal Government. However, none of the applicable vendors identified during the audit period were suspended or debarred. University management provided a vendor listing of the applicable transactions that revealed seven vendors paid with program funds should have been verified as not being suspended or debarred prior to the execution of the applicable contracts.

Questioned Costs:
None

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The University of Arkansas Pine Bluff will strengthen its internal control processes to ensure all federal guidelines are being followed. Each quarter, the University will review the expenditures to federal vendors to determine which vendors, if any, have been paid over $25,000. Also, those vendors will be checked against the federal suspended and debarred website. This procedure will be performed by those in the Controller's office. As an additional control, the procurement office will check all vendors against the website to determine if those businesses are eligible to receive federal funds before a purchase order is processed from the University. A copy of the verification will be printed and attached to the purchase requisition. These changes will go into effect immediately at our institution.

Anticipated Completion Date: February 5, 2015

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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Arkansas Department of Education

***2014 Prior-Year Finding Number*:**	**2014-006**
State/Educational Agency(s):	**Arkansas Department of Education**
CFDA Number(s) and Program Title(s):	**84.173 – Special Education_Preschool Grants (Special Education Cluster (IDEA))**
Federal Award Number(s):	**H173A130021**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Noncompliance**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
As of May 6, 2015, the Department of Education's corrective action plan that was implemented in 2015 (prior to the audit date) is effective in addressing the issues that were noted in the fiscal year 2014 audit. The Department of Education remains in full compliance.

Condition and Context:
In 2014, the Agency used only the preschool 3- to 5-year-old counts in the "allocation of remaining funds" for population amounts after the base instead of using the total school-aged and preschool children count in the calculation. Although the total distribution of remaining funds of $776,082 to the LEAs for 2014 was appropriate, the breakdown among recipients was incorrect.

Questioned Costs:
None

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):

Anticipated Completion Date: Corrective action was implemented prior to the audit date, and we believe we are now in full compliance.

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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Arkansas Department of Human Services

***2014 Prior-Year Finding Number*:**	**2014-002**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**10.555 – National School Lunch Program (Child Nutrition Cluster)**
Federal Award Number(s):	**6AR300322**
Federal Award Year(s):	**2015**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Already marked complete.

Condition and Context:
Testing of fiscal year ended inventory reports submitted by third-party processors indicated errors in pricing and quantity. Recalculation of the inventory amounts revealed errors in 7 of 23 items, with a net understatement of inventory value totaling $41,490.

Questioned Costs:
Unknown

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Agency concurs with the findings. We have reviewed and strengthened our procedures to ensure accurate prices and weights are used to determine ending inventory values. New procedures were implemented July 1, 2014, to ensure that submitted calculations to determine ending inventory values are correct.

Anticipated Completion Date: Completed

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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-003**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**10.559 – Summer Food Service Program for Children (Child Nutrition Cluster)**
Federal Award Number(s):	**6AR300322**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring – Sponsors**
Type of Finding:	**Material Weakness**

Audit Status as of June 30, 2015:
Several indictments occurred during fiscal year 2015, and the investigation is ongoing.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Complete.

Condition and Context:
For fiscal year 2014, DHS identified instances of fraudulent claims in the SFSP. The amount of fraudulent claims is presently unknown due to a pending federal investigation involving the Federal Bureau of Investigation, the United States Department of Agriculture (USDA) Office of Inspector General, and other federal agencies. DHS is also conducting an internal audit to identify and correct internal control weaknesses in the SNU. Indictments involving sponsors in the program and agency employees were issued by the United States District Court Eastern District of Arkansas on December 11, 2014. The investigation and internal audit were ongoing at the end of fieldwork.

Questioned Costs:
Unknown

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Agency concurs with the finding. The USDA currently provides training to Agency staff at the Agency's request. The Agency has implemented policy changes to enhance internal controls. Procedures have been modified to separate duties – from the application to the approval to the monitoring. A different staff is responsible for each step of the process. To strengthen our monitoring, we have implemented a claim validation system. We randomly select a number of reimbursement claims and require those vendors selected to send us further documentation to match their claims.

To further increase our monitoring, we will do random spot-checking and random follow-up of the staff reviews. In addition, we will monitor variances in payments and look closely at significant changes.

Anticipated Completion Date: Training/Procedures - April 2015
Monitoring plan - complete

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Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-004**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**10.555 – National School Lunch Program** **10.559 – Summer Food Service Program for Children** **(Child Nutrition Cluster)**
Federal Award Number(s):	**6AR300322**
Federal Award Year(s):	**2014**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring – Sponsors**
Type of Finding:	**Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Manual tracking process is complete. IT system – team is working with Northrop Grummen on a program software re-write. Anticipated completion date is the first quarter of FY2017.

Condition and Context:
Our review revealed that DHS did not maintain adequate documentation of the corrective action for findings identified during an administrative review for one sponsor.

Questioned Costs:
None

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Agency concurs with the finding. The Agency will implement a tracking system that follows the corrective action plan from the finding to the follow-up. We will keep a calendar schedule for regular follow-ups. The Division's auditor will regularly monitor follow-up progress.

Anticipated Completion Date: IT systems rewrite Mid/Long Term: February 2016 to September 2016
Manual tracking process - complete

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Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-02**
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** **10.559 – Summer Food Service Program for Children** **(Child Nutrition Cluster)**
Federal Award Number(s):	**2012IN109946; 2013IN109946**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring**
Type of Finding:	**Noncompliance and Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Already marked as complete.

Condition and Context:
The Division of Child Care and Early Childhood Education (DCCECE), Special Nutrition Program (SNP) Unit administers the Child Nutrition Cluster Programs at the Arkansas Department of Human Service (DHS), which includes monitoring of NSLP School Food Authority (SFA) and SFSPC sponsor activities. Compliance testing for SNP monitoring of five SFSPC sponsor reviews revealed the DHS DCCECE SNP management and personnel failed to properly monitor one SFSPC sponsor. SNP personnel requested the sponsor provide a corrective action plan (CAP) for program deficiencies, including some disallowed meals, during the sponsor's July 25, 2013, review. When the sponsor did not submit a CAP by the requested date of August 19, 2013, SNP personnel failed to contact the sponsor by the prescribed method. When meals are disallowed during a review, SNP policy is to conduct a follow-up review or other measures to verify corrective action has been taken. If the sponsor fails to fully and completely correct all deficiencies, the sponsor should be declared "seriously deficient" and action initiated to terminate SFSP operations.

Questioned Costs:
Unknown

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-007**
State/Educational Agency(s):	**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-0801ARTANF; G-901ARTANF; 1302ARTANF; 1402ARTANF**
Federal Award Year(s):	**2008, 2009, 2013, and 2014**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles; Eligibility**
Type of Finding:	**Noncompliance and Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
The corrective action is still in progress. The CBT refresher has been developed and content approved. TEA Caseworkers will complete the training by June 5, 2015.

Condition and Context:
To test the $13,969,653 in cash assistance disbursements to 12,168 clients, we randomly sampled $65,878 in cash assistance payments to 60 clients to determine allowable cost and eligibility for those clients. Our sample revealed four clients with overpayments, as summarized below:

- One client was paid a supplemental payment of $746 and a regular payment of $373, based on an assistance unit total of seven. The number of people in the assistance unit was six; therefore, payments should have been for $662 and $331, respectively. An overpayment of $126 resulted.
- One client was paid three monthly payments, two of $122 each and one of $162, when the case was sanctioned, and these payments were supposed to be suspended. An overpayment of $406 resulted.
- One client was paid $102 when the case was sanctioned due to the client's refusal to work, and the payment was supposed to be suspended, resulting in an overpayment of $102.
- One client was paid three monthly payments of $102 each for a case that was closed, resulting in an overpayment of $306.

Questioned Costs:
$940

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Agency concurs with the findings and will continue our existing corrective action since marked improvement has been made. TEA Caseworkers will complete a refresher Computer-Based Training on calculating assistance units and applying sanctions correctly. Supervisors will continue to monitor and review these cases.

Anticipated Completion Date: May 2015

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Arkansas Department of Human Services (Continued)

2014 Prior-Year Finding Number	**2014-008**
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-1201ARCCDF; G-1301ARCCDF; G-1401ARCCDF**
Federal Award Year(s):	**2012, 2013, and 2014**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
We have increased our employee trainings. We have been requesting salary information from employers. We have arranged with the Agency accounts receivable unit to set up a payment plan with clients who have received improper payments or services, and we will hold payments until we have received payment each month. The Division is working on a new state plan to change the threshold for qualifications for services. The anticipated date for the state plan is January 2016.

Condition and Context:
Between October 1, 2013 and September 30, 2014, the Division of Child Care and Early Childhood Education identified 68 cases of client and provider overpayments totaling $137,412. The Agency also identified an additional 44 cases of possible overpayments totaling $67,181 that are currently under investigation.

In addition to the above, we selected 95 clients for audit testing from the database of child care billings, including the 45 clients receiving the highest benefits. As a result of this testing, we referred four clients to the Agency for further analysis due to information in the records that raised questions relating to eligibility and appropriateness of payments.

Questioned Costs:
$137,412

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Agency concurs with the finding. Approximately 40-50% of the clients had actually reported their changes in income to a different division in the Agency. There is currently no cross-checking between divisions. We will request that the Office of Finance and Administration research the possibility of both systems communicating and sending alerts to each other.

The main reasons for overpayment are:

- Failure to report changes in marital status.
- Failure to report increases in income.
- Failure to work the required number of hours per week.
- Failure to keep the required class hours per week.

We will work with the legal and compliance teams and look at methods of tracking these and ways to reduce by the end of the year. We will also discuss with the legal team the possibility of clients providing permission to have employers tell us their earnings.

We have between 1,300 and 2,300 providers. Providers are required to report to us children who have not been attending. The Agency has a restitution process in place. The Agency continues to provide training to the staff.

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-008 (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-1201ARCCDF; G-1301ARCCDF; G-1401ARCCDF**
Federal Award Year(s):	**2012, 2013, and 2014**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles**
Type of Finding:	**Noncompliance**

Views of Responsible Officials and Planned Corrective Action (June 30, 2014) (Continued):

Anticipated Completion Date: April 2015

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Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-009**
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):	**1301AR1401; 1401AR1401**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Cash Management**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
This finding is complete.

Condition and Context:
We reviewed federal draws recorded in the Payment Management System (PMS) to determine if draws were adequately supported, were made for actual program expenditures, and met the immediate cash needs of the program. Our review included comparing the program draws recorded in PMS to program expenditures recorded in the Arkansas Administrative Statewide Information System (AASIS) and reported on the program's quarterly financial reports. Our review revealed federal draws exceeded actual program expenditures by $1,121,060. A similar issue was discovered and reported during our 2013 Single Audit.

Our testing revealed two specific instances that contributed to draws exceeding actual program expenditures. The first instance was a keying error resulting in an excess draw totaling $10,000. The second instance involved a coding error in AASIS that mistakenly identified costs as Foster Care, resulting in unallowable costs drawn totaling $19,982.

Questioned Costs:
$1,121,060

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Office of Finance and Administration (OFA) agrees with the finding. The $1,121,060 was primarily related to a cost being entered twice on the quarterly Title IV-E worksheet. We have changed the process to include an additional review. The worksheet is now prepared by the Division of Children and Family Services CFO and reviewed by an OFA Assistant Director. Program codes will be reviewed on a quarterly basis.

Anticipated Completion Date: Complete

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Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-06**
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; 1301AR1401**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Cash Management**
Type of Finding:	**Noncompliance and Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
This finding is complete.

Condition and Context:
We reviewed federal draws recorded in the Payment Management System (PMS) to determine if draws were adequately supported, were made for actual program expenditures, and met the immediate cash needs of the program. Our review included comparing the program draws recorded in PMS to program expenditures recorded in the Arkansas Administrative Statewide Information System (AASIS) and reported on the program's quarterly financial reports. Our review revealed that federal draws exceeded actual program expenditures by $1,325,145.

Questioned Costs:
$1,325,145

Arkansas Department of Human Services (Continued)

2012 Prior-Year Finding Number:	**12-710-04**
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**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
The Division of Children and Family Services (DCFS) has again made staffing changes to address this issue. The new staff member has been trained to review the Adoption Subsidy Overpayments report on a monthly basis for subsidy overpayments. DCFS sends a listing of new overpayments to Accounts Receivable via email and copies the Adoption Manager. Copies of the email notification and listing of new overpayments are retained in a binder for future reference purposes. Compliance with these processes is a part of the employee's performance evaluation.

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

Arkansas Department of Human Services (Continued)

2011 Prior-Year Finding Number:	**11-710-09**
CFDA Number(s) and Program Title(s):	**93.659 – Adoption Assistance** **93.659 – ARRA – Adoption Assistance**
Federal Award Number(s):	**1001AR1403; 1101AR1403;** **1001AR1407; 1101AR1407;**
Federal Award Year(s):	**2010 and 2011**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
The Division of Children and Family Services (DCFS) has again made staffing changes to address this issue. The new staff member has been trained to review the Adoption Subsidy Overpayments report on a monthly basis for subsidy overpayments. DCFS sends a listing of new overpayments to Accounts Receivable via email and copies the Adoption Manager. Copies of the email notification and listing of new overpayments are retained in a binder for future reference purposes. Compliance with these processes is a part of the employee's performance evaluation.

Condition and Context:
During our reconciliation of payments issued as recorded in the Agency's Children's Reporting and Information System (CHRIS) to the 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.

Questioned Costs:
$8,662 – Adoption Assistance

$ 450 – ARRA - Adoption Assistance

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-010**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program** **93.778 – Medical Assistance Program** **(Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 05-1305ARADM; 05-1405ARADM; 05-1405AR502**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action has not been taken. See current-year finding **2015-015** on page **46**.

As of the end of field work, Navigant Consulting had not completed its review of the reporting and reconciliation processes.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
DMS has contracted with Navigant Consulting to perform an engagement beginning June 1, reconciling both the CMS-64 and 21 reports as well as formulating a procedures manual detailing proper processes for accumulation of the data required for the reports. Once this engagement is complete, the roadmap derived will be forwarded to Optum, and the technology project designed to automate the data collections necessary for the reports will begin.

Condition and Context:
Our review of the reconciliations for the quarters ended September 30, 2013, and December 31, 2013, revealed variances identified by the Agency that were not adequately addressed. In addition, both reconciliations we reviewed were performed 12 days after the CMS-64 and CMS-21 reports were due for submission.

Questioned Costs:
Unknown

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Office of Finance and Administration (OFA) and the Division of Medical Services (DMS) agree with the finding. This finding resulted from the following factors: new staff preparing the report, lack of DMS staff familiarity with the report due to turnover, and changes in the reporting due to the Affordable Care Act and the Private Option. Total reconciliation of the report before submission is not always feasible currently, due to the sheer volume of the information required to prepare the report and the short time frame to file it in.

However, DMS is working on an information technology system which will automate the gathering of much of the information needed to file the report and make reconciliation more efficient and timely.

In addition, DMS and OFA staff are meeting together monthly to both improve the knowledge of the report and have reconciliations that both Divisions can review.

Anticipated Completion Date: October 2015

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Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-011**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Award Number(s):	**05-1305AR5021; 05-1405AR5021**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Reconciliation of Expenditures**
Type of Finding:	**Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
DMS has contracted with Navigant Consulting to perform an engagement beginning June 1, reconciling both the CMS-64 and 21 reports as well as formulating a procedures manual detailing proper processes for accumulation of the data required for the reports. Once this engagement is complete, the roadmap derived will be forwarded to Optum, and the technology project designed to automate the data collections necessary for the reports will begin.

Condition and Context:
Our review revealed the Agency does not perform a reconciliation between federal expenditures recorded in its financial management system and the amounts reported to the federal awarding agency. As a result, the following discrepancies were noted:

- The Agency understated its Schedule of Expenditures of Federal Awards (SEFA) regarding the Children's Health Insurance Program (CHIP) by $6,311,958.
- Sufficient, appropriate evidence could not be provided for a variance totaling $9,396,434 between the federal expenditures recorded in the Agency's financial management system and the federal expenditures reported to the federal awarding agency. (Note: A portion of this variance is the result of issues noted in findings **2014-012** and **2014-013**.

Questioned Costs:
Unknown

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Office of Finance and Administration (OFA) and the Division of Medical Services (DMS) agree with the finding. Staff have been instructed to look at CHIP and traditional Medicaid separately since they are two different federal awards. DMS is also working on an information technology system which will automate the gathering of much of the information needed to file the grant report and will make reconciliation more efficient and timely.

Anticipated Completion Date: April 30, 2015

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Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-012**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Award Number(s):	**05-1305AR5021; 05-1405AR5021**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Material Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action has not been taken.

Although the Agency corrected the formula error addressed in the finding, it had not adjusted the workbook to address the error noted below. In addition, the monies have not been "paid back" because the Agency has not made the necessary adjustments to the CMS-64 to accurately reflect program expenditures.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
This formula error has been corrected, and the monies will be paid back on the June 30, 2015, CMS-64. DMS has contracted with Navigant Consulting to perform an engagement beginning June 1, reconciling both the CMS-64 and 21 reports as well as formulating a procedures manual detailing proper processes for accumulation of the data required for the reports. Once this engagement is complete, the roadmap derived will be forwarded to Optum, and the technology project designed to automate the data collections necessary for the reports will begin.

Condition and Context:
Our review of the CMS-64.21U portion of the report revealed an error in the amount reported as rebates for drug purchases in the quarter ended December 31, 2013. A formula error in the Agency's workbook, used as support for the data reported on the CMS-64, resulted in an excess claim for drug rebates totaling $10,199,414. The federal share of the excess claim totals $8,064,677.

Questioned Costs:
$8,064,677

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Office of Finance and Administration (OFA) and the Division of Medical Services (DMS) agree with the finding. This error resulted from a bad formula in a workbook. An additional full-time staff person was added in February, along with the temporary assignment of another staff person, to help review the workbook and ensure that formulas are correct. In addition, OFA is working to break the workbook into smaller, more manageable pieces. DMS is also working on an information technology system that will automate the gathering of much of the information needed to file the grant report and thereby reduce the complexity of the workbook.

Anticipated Completion Date: September 30, 2015

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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-013**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Award Number(s):	**05-1305AR5021; 05-1405AR5021**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
The adjustments have been made on the CMS-21 related to the ARHealth premiums. The formulas have been corrected, and formulas are under review after each quarter. DMS has contracted with Navigant Consulting to perform an engagement beginning June 1, reconciling both the CMS-64 and 21 reports as well as formulating a procedures manual detailing proper processes for accumulation of the data required for the reports. Once this engagement is complete, the roadmap derived will be forwarded to Optum, and the technology project designed to automate the data collections necessary for the reports will begin.

Condition and Context:
Our review of the CMS-21 base report revealed the Agency failed to report ARHealth premiums collected, totaling $1,265,705. The omission affected the quarter ended June 30, 2013, and the quarters ended September 30, 2013; December 31, 2013; and March 31, 2014. Adjustments regarding recoupments, refunds, and premiums received are required to be included on the CMS-21.

Questioned Costs:
$832,818 (2014)

$432,887 (2013)

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Office of Finance and Administration (OFA) agrees with the finding. This error resulted from a bad formula in a workbook. An additional full-time staff person was added in February, along with the temporary assignment of another staff person, to help review the workbook and ensure that formulas are correct. In addition OFA is working to break the workbook into smaller, more manageable pieces. The Division of Medical Services is also working on an information technology system that will automate the gathering of much of the information needed to file the grant report and thereby reduce the complexity of the workbook.

Anticipated Completion Date: September 30, 2015

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Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-07**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Award Number(s):	**05-1105AR5021; 05-1205AR5021**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Cash Management**
Type of Finding:	**Noncompliance and Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action has not been taken.

Although the Agency corrected the formula error addressed in the finding, it had not adjusted the workbook to address the error noted below. In addition, the Agency has not made the necessary adjustments to the CMS-64 to accurately reflect program expenditures.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
The worksheet has been updated and is being reviewed regularly. This finding is complete.

Condition and Context:
During our review of the Medicaid Cluster, we discovered a formula error within an Agency worksheet that resulted in a draw of federal funds from CHIP for Medicaid expenditures. Questioned costs totaled $14,392.

We also discovered another error involving CHIP during our review. As previously stated, the FMAP was reduced as of October 1, 2012, for states covering parents under CHIP. The Agency failed to reduce the FMAP as of October 1, 2012, and, as a result, requested and received excess federal funds totaling $29,613.

Questioned Costs:
$44,005

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-014**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Claims Payments**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action has not been taken. See current-year finding **2015-019** on page **54**.

Although the Agency reported that corrective action had been implemented and may have addressed these specific instances of noncompliance, ALA staff follow-up procedures revealed that RSPMI program providers are still not maintaining sufficient, appropriate evidence as required. The current-year review revealed noncompliance resulting in questioned costs totaling $40,321.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Corrective action implemented and in place.

Condition and Context:
We selected 60 beneficiary files for review to determine if the provider maintained sufficient, appropriate evidence as required by the specific sections of the RSPMI manual stated above. Our review revealed the following:

- 11 beneficiary files did not contain adequate supporting documentation to determine that an individualized Master Treatment Plan was completed and reviewed at least every 90 calendar days.
- 22 beneficiary files lacked some form of documentation to support services billed.

Questioned Costs:
$16,098

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Agency concurs with the finding. In response to a similar finding in the prior year, the Agency strengthened controls via activities designed to insure compliance with program rules and regulations and medical necessity. These controls included inspection of care, desk reviews, and retrospective reviews for services provided through the RSPMI program. It should be noted that as a result of the implementation of these additional controls in January of 2014, the current-year finding has been reduced by 62%. The Division of Medical Services (DMS) will continue those initiatives and, if irregularities are discovered, will implement additional corrective action provider requirements, including mandatory training in areas of deficiency. DMS has also implemented a quality assurance project focused specifically upon periodic treatment plan reviews and documentation of beneficiary progress. DMS will continue to analyze and review outlier providers via desk review and refer such provider sites, as warranted, to the Office of Medicaid Inspector General for investigation of suspected waste and abuse of RSPMI funding.

Anticipated Completion Date: Complete

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Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-015**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Living Choices Assisted Living)**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action has not been taken. See current-year finding **2015-020** on page **57**.

Although the Agency reported the status of the finding as complete and may have addressed these specific instances of noncompliance, ALA staff follow-up procedures revealed that Living Choice Assisted Living providers are still not maintaining sufficient, appropriate evidence as required. The current-year review revealed noncompliance resulting in questioned costs totaling $280,961.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Marked as complete.

Condition and Context:
We selected 30 provider files for review from the Living Choices Assisted Living program to determine if required documentation was being maintained in accordance with Provider Manual §§ 202.100 and 202.110. The manual 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:

- The beneficiary's attending or primary care physician's name, office address, telephone number, and after-hours contact information.
- A copy of the beneficiary's plan of care.
- Written instructions to the facility's attendant care staff.
- Documentation of limited nursing services performed by the provider's nursing staff in accordance with the beneficiary's plan of care. Records must include:
  - Nursing service(s) performed.
  - Date and time of day nursing services are performed.
  - Progress or other notes regarding the resident's health status.
  - The signature or initials and the title of the person performing the services.
- Documentation of periodic nursing evaluations performed by the assisted living facility nursing staff in accordance with the beneficiary's plan of care.
- Quarterly Monitoring Forms (AAS-9506) completed every 90 days (effective 1/1/13).
- Records of attendant care services.
  - Documentation of attendant care services performed.
  - The signature or initials of the person performing the services as well as the date services were performed.

Our review of the Living Choices Assisted Living program revealed that 26 case files lacked some form of documentation to support the services billed. Questioned costs totaled $264,381.

Questioned Costs:
$264,381

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-015 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Living Choices Assisted Living)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):

The Division of Aging and Adult Services (DAAS) agrees with the finding and has implemented several initiatives aimed at further reducing errors. As a result of the prior-year finding, DAAS began direct communications with providers aimed at reducing instances of non-compliance. These efforts appear to have been productive, as questioned costs in the current period have dropped by 69.3%. DAAS issued a Provider Information Memorandum April 30, 2014, clarifying documentation requirements, and also reviewed documentation requirements in provider workshops in July, 2014 and on October 15, 2014. In addition, DAAS revised the Medicaid Policy on documentation requirements to clarify differences between documentation required for CNAs providing medical services versus CNAs providing attendant care services. DAAS will continue to conduct provider workshops with continued emphasis on documentation requirements.

DAAS will ensure providers consistently meet documentation and participation requirements. Appropriate corrective action in accordance with the Medicaid Provider Manual will be initiated.

DAAS is continuing these initiatives and remains committed to looking for additional means to improve and enhance the control environment surrounding Living Choices Assisted Living Services.

Anticipated Completion Date: Complete

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Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-016**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care)**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken for the ElderChoices program.

However, corrective action has not been taken for the Personal Care program. See current-year finding **2015-021** on page **61**.

Although the Agency reported the finding was complete and may have addressed these specific instances of noncompliance, ALA staff follow-up procedures revealed that Personal Care program providers are still not maintaining sufficient, appropriate evidence as required. The current-year review revealed noncompliance resulting in questioned costs totaling $16,526.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Marked as complete.

Condition and Context:
Our purpose in reviewing these programs was to determine if adequate supporting documentation was being maintained in beneficiary case files as required by Arkansas Provider Manuals. The manuals dictate the information that must be documented and maintained in these files to support the services billed.

The manuals dictate the following information be maintained in the files:

ElderChoices (§ 214.000)

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

Personal Care Services (§ 220.110(D))

- The date of service.
- The routines performed on that date of service.
- The time of day the aide begins the beneficiary's services.
- The time of day the aide ends the beneficiary's services.
- Notes regarding the beneficiary's condition as instructed by the service supervisor.
- Task performance difficulties.
- The justification for any emergency unscheduled tasks and documentation of the prior-approval or post-approval of the unscheduled tasks.
- The justification for not performing any scheduled service plan required tasks.
- Any other observations the aide believes are of note or should be reported to the supervisor.

Our follow-up procedures included reviewing 12 beneficiary files from each program to determine if required documentation was being maintained to support services billed.

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-016 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Our review revealed the following:

ElderChoices

- Four case files lacked some form of documentation to support the services billed. Questioned costs totaled $624.

Personal Care Services

- Six case files lacked some form of documentation to support the services billed. Questioned costs totaled $7,834.

Questioned Costs:
$8,458

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Division of Aging and Adult Services (DAAS) agrees with the finding and has implemented several initiatives aimed at further reducing errors. As a result of the prior-year finding, DAAS began direct communications with providers aimed at reducing instances of non-compliance. Since May 2013, DAAS Quality Assurance (QA) has been conducting desk audits of providers. If desk audits identify documentation problems, DAAS QA advises providers of the problems and advises providers of documentation requirements per Medicaid Policy. These efforts appear to have been productive, as questioned costs in the current period have dropped by 92%. DAAS also issued a Provider Information Memorandum April 30, 2014, as well as clarifying and reviewing documentation requirements in provider workshops in July 2014 and on October 15, 2014.

DAAS will ensure providers consistently meet documentation and participation requirements. Appropriate corrective action in accordance with the Medicaid Provider Manual will be initiated. DAAS is continuing these initiatives and remains committed to looking for additional means to improve and enhance the control environment surrounding ElderChoices Services.

While personal care services are a state plan service outside of the DDS or Aging Waivers, reviewers from both divisions will ensure that adequate documentation is maintained in the beneficiaries' file.

Anticipated Completion Date: Complete

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Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-017**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 05-1305ARBIPP; 05-0405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action has not been taken. See current-year finding **2015-022** on page **64**.

The Agency reported it anticipated hiring a DDS Program Administrator, and ALA staff confirmed an administrator was hired in June 2015. However, ALA staff follow-up procedures revealed that DDS ACS waiver providers are still not maintaining sufficient, appropriate evidence as required. The current-year review revealed noncompliance resulting in questioned costs totaling $735,540.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
The Division of Developmental Disabilities (DDS) has identified, advertised, and interviewed for a Program Administrator to implement training procedures to ensure all required documentation is maintained in the beneficiary files. The Division anticipates offering the most qualified applicant the position within the next week, with an expected start date of early June 2015. Initially, the staff person will target those organizations from which the findings were made and then branch out to other provider organizations. This position will also conduct site visits and inspections to determine compliance with program standards and requirements as well as prepare, present, and train both provider organizations and DDS staff. Furthermore, this position will monitor and evaluate the effectiveness of the DDS programs and services. DDS feels confident that the repurposing of this position will aid in lessening the deficiencies identified in the report.

Condition and Context:
We selected 60 provider files for review to determine if the provider maintained documentation as required by Provider Manual § 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 daily 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 that 41 of the 60 case files lacked some form of documentation to support the services billed.

Questioned Costs:
$699,545

State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-017 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 05-1305ARBIPP; 05-0405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (DDS ACS Waiver)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):

The Agency agrees with the finding. To remedy the issues revealed in the audit report, the Division of Developmental Disabilities (DDS) has identified and intends to dedicate a program administrator staff to implement training procedures to ensure all required documentation is maintained in the beneficiary files. Initially, the staff person will target those organizations from which the findings were made and then branch out to other provider organizations. This position will also conduct site visits and inspections to determine compliance with program standards and requirements as well as prepare, present, and train both provider organizations and DDS staff. Furthermore, this position will monitor and evaluate the effectiveness of the DDS programs and services. DDS feels confident that the repurposing of this position will aid in lessening the deficiencies identified in the report.

Anticipated Completion Date: June 2015

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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-018**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 05-1305ARBIPP; 05-1405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services**
Type of Finding:	**Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Corrective action implemented and in place.

Condition and Context:
To determine if the control was in place and operating effectively, we obtained a listing of reviews conducted by DMS QA. We selected 60 items to determine if there was sufficient, appropriate evidence supporting a review by DMS QA. Our review revealed that the Agency lacked documentation to support reviews performed. DMS QA indicated that unless an issue was noted as a result of its review, no documentation of the review would be available.

Questioned Costs:
None

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Agency agrees with the finding. The review was consistently performed by DMS staff; however, it was not properly documented, and DMS agrees that such documentation is necessary. DMS has instituted internal controls requiring the documentation of such reviews on an ongoing basis.

Anticipated Completion Date: Complete

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State of Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-019**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 051305ARBIPP; 05-1405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Targeted Case Management**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
The Division of Developmental Disabilities (DDS) has identified, advertised, and interviewed for a Program Administrator to implement training procedures to ensure all required documentation is maintained in the beneficiary files. The Division anticipates offering the most qualified applicant the position within the next week, with an expected start date of early June 2015. Initially, the staff person will target those organizations from which the findings were made and then branch out to other provider organizations. This position will also conduct site visits and inspections to determine compliance with program standards and requirements as well as prepare, present, and train both provider organizations and DDS staff. Furthermore, this position will monitor and evaluate the effectiveness of the DDS programs and services. DDS feels confident that the repurposing of this position will aid in lessening the deficiencies identified in the report.

Condition and Context:
Our follow-up procedures included reviewing 15 beneficiary files to determine if required documentation was being maintained by the provider (case manager) to support services billed. Our review revealed the following:

- Eight beneficiary files did not contain adequate supporting documentation for services billed.
- Two beneficiary files did not contain adequate supporting documentation to determine if the level of support had been met by case managers.

Questioned Costs:
$5,687

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Agency agrees with the finding. To remedy the issues revealed in the audit report, the Division of Developmental Disabilities (DDS) has identified and intends to dedicate a program administrator staff to implement training procedures to ensure all required documentation is maintained in the beneficiary files. Initially, the staff person will target those organizations from which the findings were made and then branch out to other provider organizations. This position will also conduct site visits and inspections to determine compliance with program standards and requirements as well as prepare, present, and train both provider organizations and DDS staff. Furthermore, this position will monitor and evaluate the effectiveness of the DDS programs and services. DDS feels confident that the repurposing of this position will aid in lessening the deficiencies identified in the report.

Anticipated Completion Date: June 2015

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Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-020**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1305ARBIPP; 05-1405AR5MAP; 05-1405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action was taken regarding spend down categories.

However, corrective action has not been taken for the other categories noted in this finding. See current-year finding **2015-023** on page **68**.

Although the Agency reported the status of the finding as complete and may have addressed these specific instances of noncompliance, ALA staff follow-up procedures revealed similar deficiencies with internal controls regarding application records for determining eligibility. The current-year review revealed noncompliance resulting in questioned costs totaling $72,883.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Already marked as complete.

Condition and Context:
We reviewed 120 Medicaid recipient files to ensure sufficient, appropriate evidence was provided to support the Agency's determination of eligibility. Sixty files were for aid categories determined to be spend downs. The other 60 represented all other aid categories. Our review revealed the following:

- In two recipient files, one representing paid claims for State Aid category 11 (Aid to the Aged) and the other representing paid claims for State Aid category 41 (Aid to the Disabled), the Agency did not have adequate documentation to support medical necessity. In addition, the approved resource limits were exceeded for one recipient. The Agency's failure to follow program requirements regarding medical necessity and resource limits resulted in known questioned costs of $16,890.
- In two recipient files representing paid claims for State Aid category 49 (Disabled Tax Equity and Fiscal Responsibility Act [TEFRA] Child), one file did not have adequate documentation to support recipient disability, and the other file lacked documentation to support medical necessity. The Agency's failure to follow program requirements regarding disability determination resulted in known questioned costs of $14,443.
- In two recipient files representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed medical bills were inadequate to spend the recipients' income down to the point of eligibility. In addition, the Agency did not have adequate documentation to support resource eligibility for one recipient. The Agency's failure to follow program requirements regarding the use of medical bills to spend down income and resource verification resulted in known questioned costs totaling $1,788.
- In one recipient file representing paid claims for State Aid category 27 (Aid to Families with Dependent Children [AFDC] Spend Down), documentation revealed that the recipient did not adequately assign rights to the Agency. However, the Agency's failure to follow program requirements regarding assignment of rights resulted in no known questioned costs.
- In one recipient file representing paid claims for State Aid category 17 (Aged Spend Down), review of documentation revealed that the Agency did not adequately address resources for the first month of the spend down period. However, the Agency's failure to follow program requirements regarding resource determination did not result in known questioned costs.

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-020 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1305ARBIPP; 05-1405AR5MAP; 05-1405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
In addition to the eight compliance and internal control deficiencies summarized above, an additional 52 internal control deficiencies were noted. Deficiencies included missing signed applications; untimely evaluations; eligibility determined under the wrong state aid category; and various eligibility attributes, including those related to social security enumeration, citizenship, assignment of rights, cooperation with the Office of Child Support Enforcement, categorical relatedness, medical necessity, appropriateness of care, income, and resources, that were either not initially considered or not adequately documented when eligibility was determined. Additionally, there were cases of missing spend down computations documenting a recipient's unmet liability as well as the medical bills that were used to spend down the recipient's income, improper spend down computations, and several instances of inadequate documentation supporting the medical bills used to spend down the income. However, the Agency was able to address these specific deficiencies, and the recipient's eligibility was not affected.

Questioned Costs:
$33,121

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Agency concurs with the findings and notes continued improvement from previous audits. We will continue to ensure that appropriate personnel who handle these complex cases receive adequate training and communication of procedures to ensure compliance with all program requirements.

Anticipated Completion Date: Completed

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Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-021**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 05-1305AR5ADM; 05-1405AR5ADM; 05-1305ARBIPP; 05-1405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action has not been taken. See current-year finding **2015-025** on page **73**.

As of the end of fieldwork, Navigant Consulting had not completed work on the review of the CMS-64 and CMS-21 reports and procedures.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
DMS has contracted with Navigant Consulting to perform an engagement beginning June 1, reconciling both the CMS-64 and 21 reports as well as formulating a procedures manual detailing proper processes for accumulation of the data required for the reports. Once this engagement is complete, the roadmap derived will be forwarded to Optum, and the technology project designed to automate the data collections necessary for the reports will begin.

Condition and Context:
Our review of the Agency's internal control processes regarding reporting for the quarters ended March 31, 2014, and June 30, 2014, revealed the following:

- The Agency did not adequately review the CMS-64 report information during its certification process to determine accuracy and completeness. Several variances were noted, but the Agency failed to review, investigate, or adequately explain them.
- The Agency failed to perform quarterly reconciliations between the reported expenditures and the expenditures recorded in its financial systems for the two quarters included in our review. Further inquiry revealed the Agency failed to perform reconciliations during the entire 2014 fiscal year.

Our compliance review included testing administrative expenditure line items greater than $1,000,000 and MAP expenditure line items greater than $10,000,000 from the March 31, 2014, and June 30, 2014, CMS-64 reports. We then traced the amounts reported to the Agency's workbook to determine accuracy and completeness. As previously stated, the workbook is the Agency's tool used to compile information for CMS-64 report preparation. Our review revealed the following:

- The workbook contained numerous calculation errors because incorrect expenditure amounts were entered. Errors noted caused both understatements and overstatements of expenditures on the CMS-64.
- Data had been "hard-keyed" in a formula-designated cell.
- Formulas were inaccurate and had been incorrectly altered.
- Eligible expenditures were reported, but an incorrect form was used, which resulted in the data being reported on an incorrect line of the report.
- Expenditures were understated due to formula errors created when adding Eligibility Waiver (Private Option) data into the workbook.

In addition to the errors noted above, our review disclosed a cumulative unreconciled variance totaling $43,946,550 for the year ended June 30, 2014. The federal portion of the variance is estimated to be approximately $30,806,530 based on the regular Federal Medical Assistance Percentage (FMAP) rate. The variance is the difference between expenditures recorded in the Agency's financial records using its cost allocation system and the expenditures reported to the federal awarding agency on the CMS-64.

Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-021 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP; 05-1305AR5ADM; 05-1405AR5ADM; 05-1305ARBIPP; 05-1405ARBIPP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
A portion of this variance is the result of a calculation error regarding the drug rebate allocation for the Medical Assistance Program (MAP) for the quarter ended December 31, 2013. The Agency failed to include all applicable expenditures regarding Primary Care Case Management (PCCM) and the Tax Equity and Fiscal Responsibility Act (TEFRA) because of a formula error in the workbook. As a result, the allocation for MAP was understated by $10,199,414. The federal share of this understatement is $6,500,208. (Note: The Children's Health Insurance Program [CHIP] portion of this error is noted at finding **2014-012**.

Questioned Costs:
Unknown

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
OFA agrees with the finding. Lack of staff familiarity combined with staff turnover in both OFA and DMS led to these issues. DMS is also working on a system that will automate the gathering of much of the information needed to file the grant report and should help ensure the accuracy of the information.

Anticipated Completion Date: September 30, 2015

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Arkansas Department of Human Services (Continued)

***2014 Prior-Year Finding Number*:**	**2014-022**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1305AR5MAP; 05-1405AR5MAP**
Federal Award Year(s):	**2013 and 2014**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Inpatient Hospitals and Long-Term Care Facility Audits**
Type of Finding:	**Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Corrective action implemented and in place.

Condition and Context:
We obtained the cost report log but were unable to confirm that the Agency performed comparisons as asserted because the Agency was unable to provide sufficient, appropriate evidence of the comparison.

Questioned Costs:
None

Views of Responsible Officials and Planned Corrective Action (June 30, 2014):
The Agency agrees with the finding. The log in question was consistently updated and reviewed by Division of Medical Services (DMS) staff; however, it was not properly documented, and DMS agrees that such documentation is necessary. DMS has instituted internal controls requiring the documentation of such reviews on an ongoing basis.

Anticipated Completion Date: Complete

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Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-09**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1205AR5MAP; 05-1305AR5MAP**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Claims Payments**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action has not been taken. See current-year finding **2015-019** on page **54**.

Although the Agency reported that corrective action was implemented and in place and may have addressed these specific instances of noncompliance, ALA staff follow-up procedures revealed that RSPMI program providers are still not maintaining sufficient, appropriate evidence as required. The current-year review revealed noncompliance resulting in questioned costs totaling $40,321.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Corrective action implemented and in place.

Condition and Context:
We selected 60 beneficiary files for review to determine if the provider maintained documentation as required by the specific sections of the RSPMI manual stated above. Our review revealed the following:

- 17 beneficiary files did not contain adequate supporting documentation to determine that an individualized Master Treatment Plan was completed and reviewed at least every 90 calendar days.
- 28 beneficiary files lacked some form of documentation to support services billed.

Questioned Costs:
$43,062

Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-10**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1205AR5MAP; 05-1305AR5MAP**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Living Choices Assisted Living)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action has not been taken. See current-year finding **2015-020** on page **57**.

Although the Agency reported below that corrective action was implemented and in place and may have addressed these specific instances of noncompliance, ALA staff follow-up procedures revealed that Living Choices Assisted Living providers are still not maintaining sufficient, appropriate evidence as required. The current-year review revealed noncompliance resulting in questioned costs totaling $280,961.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Corrective action implemented and in place.

Condition and Context:
We selected 60 provider files for review from the Living Choices Assisted Living program to determine if required documentation was being maintained in accordance with Provider Manual sections 202.100 and 202.110. The manual 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:

- The beneficiary's attending or primary care physician's name, office address, telephone number, and after-hours contact information.
- A copy of the beneficiary's plan of care.
- Written instructions to the facility's attendant care staff.
- Documentation of limited nursing services performed by the provider's nursing staff in accordance with the beneficiary's plan of care. Records must include:
  - Nursing service(s) performed.
  - Date and time of day nursing services are performed.
  - Progress or other notes regarding the resident's health status.
  - The signature or initials and the title of the person performing the services.
- Documentation of periodic nursing evaluations performed by the assisted living facility nursing staff in accordance with the beneficiary's plan of care.
- Quarterly Monitoring Forms (AAS-9506) completed every 90 days (effective 1/1/13).
- Records of attendant care services.
  - Documentation of attendant care services performed.
  - The signature or initials of the person performing the services as well as the date services were performed.

Our review of the Living Choices Assisted Living program revealed that 56 case files lacked some form of documentation to support the services billed. Questioned costs totaled $855,085.

Questioned Costs:
$860,435

Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-11**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1205AR5MAP; 05-1305AR5MAP**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care and DDS ACS Waiver)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken for the ElderChoices program.

However, corrective action has not been taken for the Personal Care and DDS ACS Waiver programs. See current-year findings **2015-021** and **2015-022** on pages **61** and **64**.

Although the Agency reported that corrective action was implemented and in place and may have addressed these specific instances of noncompliance, ALA staff follow-up procedures revealed that Personal Care and DDS ACS Waiver program providers are still not maintaining sufficient, appropriate evidence as required. The current-year review revealed noncompliance resulting in questioned costs totaling $16,526 and $735,543, respectively.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Corrective action implemented and in place.

Condition and Context:
Our purpose in reviewing these programs was to determine if adequate supporting documentation was being maintained in beneficiary case files as required by Arkansas Provider Manuals. The manuals dictate the information that must be documented and maintained in these files to support the services billed.

The manuals dictate the following information be maintained in the files:

ElderChoices (section 214.000)

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

Personal Care Services (section 220.110(D))

- The date of service.
- The routines performed on that date of service.
- The time of day the aide begins the beneficiary's services.
- The time of day the aide ends a beneficiary's services.
- Notes regarding the beneficiary's condition as instructed by the service supervisor.
- Task performance difficulties.
- The justification for any emergency unscheduled tasks and documentation of the prior-approval or post-approval of the unscheduled tasks.
- The justification for not performing any scheduled service plan required tasks.
- Any other observations the aide believes are of note or should be reported to the supervisor.

Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-11 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1205AR5MAP; 05-1305AR5MAP**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care and DDS ACS Waiver)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

DDS ACS Waiver (section 202.100)

- 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 revealed the following:

ElderChoices

- Five case files lacked some form of documentation to support the services billed. Questioned costs totaled $28,479.

Personal Care Services

- Seven case files lacked some form of documentation to support the services billed. Questioned costs totaled $16,622.

DDS ACS Waiver

- Five case files lacked some form of documentation to support the services billed. Questioned costs totaled $58,768.

Questioned Costs:
$103,869

Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-12**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1205AR5MAP; 05-1305AR5MAP**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services**
Type of Finding:	**Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Corrective action implemented and in place.

Condition and Context:
In order to determine if adequate controls were in place specific to the HCB Waiver Programs, we conducted three separate control tests.

Our first test included obtaining a listing of all reviews performed by DMS QA whereby services billed were compared to services allowed per the plans of care. We selected 60 items from this listing to determine if supporting documentation was adequate to substantiate that the reviews had been performed. Our review revealed that 19 items did not have adequate supporting documentation of a review being performed by DMS QA. DMS QA indicated that unless an issue was noted as a result of its review, no documentation of the review would be available.

Our second test included obtaining a listing of all home visits made by DMS QA whereby services were actually being provided for claims submitted. We selected 60 items from this listing to determine if supporting documentation was adequate to substantiate that the home visit had been made. Our review revealed that 49 items did not have adequate supporting documentation of a home visit. DMS QA indicated that unless an issue was noted as a result of the home visit, no documentation of the review would be available.

Our third test involved verification that all independent audits for providers meeting the criteria previously mentioned were being received and reviewed by DHS Office of Chief Council. Our discussion with the Agency revealed that no procedures were in place to review independent audits of providers, as required per the financial accountability sections of the HCB waivers.

Questioned Costs:
None

Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-13**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1205AR5MAP; 05-1305AR5MAP**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Targeted Case Management**
Type of Finding:	**Noncompliance and Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Corrective action implemented and in place.

Condition and Context:
Our purpose in reviewing this program was to determine if adequate supporting documentation was being maintained in beneficiary case files as required by Section II of the Arkansas Medicaid Provider Manual for the ACS Waiver section 202.100. The manual dictates the information that must be documented and maintained in files to support the services billed as follows:

- 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.

In addition, case management services are available at three levels of support as defined by ACS Waiver sections 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.

Our follow-up procedures included reviewing 15 beneficiary files to determine if required documentation was being maintained by the provider (case manager) to support services billed. Our review revealed the following:

- Eight beneficiary files did not contain adequate supporting documentation for services billed.
- Three beneficiary files did not contain adequate supporting documentation to determine case management services had been provided.
- Seven beneficiary files did not contain adequate supporting documentation to determine if the level of support had been met by case managers.

Questioned Costs:
$9,181

Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-14**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1205AR5ADM; 05-1305AR5ADM**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles – Rebates for Drug Purchases**
Type of Finding:	**Noncompliance and Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Correction action implemented and in place. In addition, DMS is currently working with a new pharmacy IT contractor to further strengthen the controls and reconciliation processes surrounding drug rebates.

Condition and Context:
We selected 60 National Drug Codes (NDC) from the quarter ended December 31, 2012, to determine if the Agency generated invoices timely and if the manufacturers submitted rebate payments timely. Our review revealed that all invoices were generated timely. However, rebate payments representing 30 of the NDC reviewed were not received timely. In addition, rebate payments for two of the NDC had yet to be received as of December 23, 2013, and the Agency could not provide adequate evidence documenting that the outstanding rebate balances were being actively pursued for collection.

Questioned Costs:
None

Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-15**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1205AR5ADM; 05-1305AR5ADM**
Federal Award Year(s):	**2013 and 2012**
Compliance Requirement(s) Affected:	**Allowable Costs/Cost Principles – Rebates for Drug Purchases**
Type of Finding:	**Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action has not been fully implemented.

Although the Agency reported that corrective action was implemented and in place and had developed procedures regarding uncollectable balances and abatement, as of December 15, 2015, it had not implemented those procedures. As a result, a deficiency in internal control still exists because procedures are not operating as designed.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Correction action implemented and in place. DMS developed written policies regarding uncollectable balances and abatement consistent with Arkansas Code, the Financial Management Guide, and federal regulations.

Condition and Context:
During our review to determine compliance with rebates for drug purchases, we discovered the Agency was not actively pursuing outstanding balances, as noted in finding **13-710-14**. As a result, we inquired about formal written policies and procedures for the following:

- Pursuit of outstanding accounts receivable balances regarding rebates for drug purchases.
- Identification of outstanding accounts receivable balances regarding rebates for drug purchases that are not collectable and should be referred to the proper authorities for abatement.

Agency personnel stated that there are no written policies and procedures for these areas.

Questioned Costs:
None

Arkansas Department of Human Services (Continued)

***2013 Prior-Year Finding Number*:**	**13-710-16**
State/Educational Agency(s):	**Arkansas Department of Human Services**
CFDA Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1205AR5MAP; 05-1305AR5MAP**
Federal Award Year(s):	**2012 and 2013**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Already marked as completed.

Condition and Context:
We reviewed 120 Medicaid recipient files to ensure adequate documentation was provided to support the Agency's determination of eligibility. Sixty files were for aid categories determined to be spend downs. The other 60 represented all other aid categories. Our review revealed the following:

- In one recipient file representing paid claims for State Aid category 27 (AFDC Spend Down), documentation revealed medical bills were inadequate to spend the recipients' income down to the point of eligibility or that 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 regarding the use of medical bills to spend down income resulted in known questioned costs totaling $1,668.
- In one recipient file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed that the approved resource limits were either exceeded or not verified; Social Security enumeration was not satisfied; 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 regarding resource limitations or verifications and medical bills used to spend down income, known questioned costs were determined to be $371. As a result of our testing in 2013, additional known questioned costs for fiscal year 2012 were discovered totaling $22,435.
- In one recipient file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed that 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 $9,558.

Questioned Costs:
$11,597 (2013)

$22,435 (2012)

Arkansas Department of Human Services (Continued)

2012 Prior-Year Finding Number:	**12-710-05**
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 – Home and Community-Based Services (Personal Care and DDS ACS Waiver)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken for the ElderChoices program.

However, corrective action has not been taken for the Personal Care and DDS ACS Waiver programs. See current-year findings **2015-021** and **2015-022** on pages **61** and **64**.

Although the Agency reported that corrective action was implemented and in place and may have addressed these specific instances of noncompliance, ALA staff follow-up procedures revealed that Personal Care and DDS ACS Waiver program providers are still not maintaining sufficient, appropriate evidence as required. The current-year review revealed noncompliance resulting in questioned costs totaling $16,526 and $735,543, respectively.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Correction action implemented and in place. Effectiveness of the corrective actions may be seen in the substantial reduction of related findings in the most recent audit.

Condition and Context:
We selected 25 beneficiary files from the ElderChoices and Personal Care Services programs and 15 beneficiary files from the DDS ACS Waiver program.

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 copy of the participant's plan of care
- A brief description of the specific service(s) provided
- The signature and title of the individual rendering the service(s)
- 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.

Arkansas Department of Human Services (Continued)

2012 Prior-Year Finding Number:	**12-710-05 (Continued)**
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 –** **Home and Community-Based Services** **(Personal Care and DDS ACS Waiver)**
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.

The documentation required for the DDS ACS Wavier program is located in § 202.100 and 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.

Questioned Costs:
$1,335,817

Arkansas Department of Human Services (Continued)

2012 Prior-Year Finding Number:	**12-710-09**
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**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
Corrective action implemented and in place.

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

Arkansas Department of Human Services (Continued)

2012 Prior-Year Finding Number:	**12-710-10**
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**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
This corrective action is ongoing.

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.
- 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.

Arkansas Department of Human Services (Continued)

2012 Prior-Year Finding Number:	**12-710-10 (Continued)**
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 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.

Questioned Costs:
$389,007 (2012)

$37,018 (2011)

Arkansas Department of Human Services (Continued)

2011 Prior-Year Finding Number:	**11-710-11**
CFDA Number(s) and Program Title(s):	**93.778 - Medical Assistance Program 93.778 - ARRA - Medical Assistance Program (Medicaid Cluster)**
Federal Award Number(s):	**05-1005AR5MAP; 05-1105AR5MAP; 05-1005ARARRA; 05-1105ARARRA; 05-1105AREXTN**
Federal Award Year(s):	**2010 and 2011**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Significant Deficiency**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee reported Status of Prior-Year Finding as of May 22, 2015:
This corrective action is ongoing.

Condition and Context:
We reviewed 153 Medicaid recipient files to ensure adequate documentation was provided to support the Agency's determination of eligibility. Our review revealed the following:

- In two recipient files, one file representing paid claims for State Aid category 20 (AFDC Grant) and the other file representing paid claims for State Aid category 27 (AFDC Spend Down), documentation revealed the approved income limits were exceeded. As a result of the Agency's failure to follow program requirements for income limitations, known questioned costs were determined to be $54,905 and $1,569, respectively. The known questioned costs identified in category 20 and category 27 represent 5.70% and .36%, respectively, of the paid claims tested for those categories.
- In two recipient files, one file representing paid claims for State Aid category 17 (Aged Spend Down) and the other file representing paid claims for State Aid category 47 (Disabled Spend Down), documentation revealed the recipients did not meet the eligibility requirements for aliens as defined in 42 CFR § 435.406(c) and MS 6780 and, therefore; did not qualify for the treatment of an emergency medical condition as defined in 42 CFR § 440.255(c). Upon further review, it was also revealed that the emergency services provided both recipients did not qualify as an emergency medical condition as defined in 42 CFR § 440.255(c). As a result of the Agency's failure to comply with the policies previously stated, known questioned costs were determined to be $12,356 and $720, respectively. The known questioned costs identified in category 17 and category 47 represent 7.23% and 22.48%, respectively, of the paid claims tested for those categories.
- In one recipient file representing paid claims for State Aid category 57 (Under Age 18 Spend Down), documentation revealed the approved resource value allowable was exceeded. As a result of the Agency's failure to follow program requirements for resource limitations, known questioned costs were determined to be $11,067, which represents 38.18% of the paid claims tested for this category.

Questioned Costs:
$80,617

Arkansas Department of Human Services (Continued)

2010 Prior-Year Finding Number:	**10-710-19**
CFDA Number(s) and Program Title(s):	**93.778 - Medical Assistance Program** **93.778 - ARRA - Medical Assistance Program** **Medical Assistance Program** **(Medicaid Cluster)**
Federal Award Number(s):	**05-0805AR5028; 05-0905AR5028; 05-0905ARARRA; 05-1000AR5028; 05-1005ARARRA**
Federal Award Year(s):	**2008, 2009 and 2010**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
This corrective action is ongoing.

Condition and Context:
A statistical sample of 361 Medicaid recipients with fiscal year 2010 expenditures totaling $4,578,369 revealed that 21 recipients with expenditures totaling $66,018 for services rendered were not eligible for participation in the Medicaid program. The number of recipients sampled was based on a 95% confidence level with a 3% expected error rate and a 5% tolerable error rate. Actual results of the sample produced an error rate of 1.4%. The population sampled was higher risk recipients that have more complex eligibility determination factors and was comprised of 109,300 recipients with fiscal year 2010 expenditures totaling $1,293,597,724. The following errors in addition to insufficient evidence to support the Agency's decision were noted:

- In three cases with paid claims totaling $25,847, the Agency failed to follow program requirements related to resource limitations. In each case recipients were over the approved criteria and the Agency failed to comply with policies 42 CFR 435.913 case documentation and MS 23110 which in summary states that the Agency is responsible for determining resource value.
- In two cases with paid claims totaling $1,373, the Agency failed to follow program requirements related to income limitations. In each case recipients were over the approved income criteria and the Agency failed to comply with policies 42 CFR 435.913 case documentation and various MS manual policies all establishing income limits.
- In seven cases with paid claims totaling $14,223, the Agency failed to follow program requirements related to mandatory referrals or other categorical requirements related to deprived children. In each case the recipients either failed to establish that a child lived in the home of the adult recipient or they had failed to make a required Office of Child Support Enforcement referral. The Agency also failed to comply with policies 42 CFR 435.913 case documentation and various MS manual policies.
- In three cases with paid claims totaling $2,785, the Agency failed to follow multiple program requirements and/or satisfy several categorical requirements. In each case there was insufficient evidence regarding multiple eligibility criteria. The Agency failed to comply with policy 42 CFR 435.913 case documentation.
- In six cases with paid claims totaling $21,790, the Agency failed to redetermine recipient eligible as required by 42 CFR 435.916. In each case the Agency was either not able to make the determination at the time of the fieldwork or when they attempted to make the determination it was determined that the recipient was not eligible.

Questioned Costs:
$66,018

Arkansas Department of Human Services (Continued)

2009 Prior-Year Finding Number:	**09-710-18**
CFDA Number(s) and Program Title(s):	**93.778 - Medical Assistance Program** **93.778 - Medical Assistance Program, Recovery Act (Medicaid Cluster)**
Federal Award Number(s):	**05-0805AR5028; 05-0905AR5028; 05-0905ARARRA**
Federal Award Year(s):	**2008 and 2009**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Audit Status as of June 30, 2015:
Corrective action taken.

Auditee Reported Status of Prior-Year Finding as of May 22, 2015:
This corrective action is complete.

Condition and Context:
Audit procedures were performed on 155 Medicaid cases, with expenditures totaling $5,704,503 for the year ended June 30, 2009, at seven selected counties throughout the State. The cases chosen were selected based upon a number of factors including average dollar amount per claim, complexity, and number of eligibility criteria. It was noted that documentation available at the time of field work for 19 recipients, with expenditures totaling $667,671, did not support the Agency's determination that the recipients were eligible for participation in the Medicaid program. The exceptions are summarized below:

- In six cases, with paid claims totaling $312,842, resource limitations were exceeded.
- In six cases, with paid claims totaling $50,647, income limitations were exceeded.
- In four cases, with paid claims totaling $182,167, the required Office of Child Support Enforcement referral was not made.
- In three cases, with paid claims totaling $122,015, there was insufficient supporting documentation in the applicant's case record to provide evidence for multiple eligibility criteria.

Questioned Costs:
$667,671