AUDIT FINDING

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ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
DEPARTMENT OF CORRECTIONS
FOR THE YEAR ENDED JUNE 30, 2021

Finding 1:
In accordance with Ark. Code Ann. § 25-1-124, the Agency reported to Arkansas Legislative Audit a loss of State funds totaling approximately $8,000. Act 1110 of 2021 allowed the Department of Corrections (Corrections) to use federal stimulus payments received by inmates for their outstanding fines, fees, or court costs owed to local governments. In accordance with the Act, any remaining funds available were distributed in equal parts to the inmate welfare fund and the inmate care and custody fund maintained by Corrections.

Subsequent to enforcement of this Act, inmates filed paperwork with the United States Department of Treasury (Treasury), claiming their stimulus payments were lost/stolen. As a result, Treasury notified the bank, which reclaimed the total amount of stimulus funds from the inmate bank account. Corrections used state funds to reimburse the inmate bank account for these losses, resulting in a loss to the State of approximately $8,000.

In response to a lawsuit filed by inmates, the court ruled that stimulus funds can continue to be used to pay outstanding fines, fees, or court costs; however, any federal relief or stimulus funds remaining after such obligations are satisfied must be returned to the inmate.

Recommendation:
We recommend Agency management implement internal controls to ensure that only funds available to inmates are used to pay outstanding fines, fees, or court costs.

Agency Response:
The Department of Corrections (ADC) - In regard to federal stimulus payments:

a. As per Act 1110 of 2021 the Agency continues to use federal stimulus payments received by inmates for outstanding fines, fees, or court costs owed to local governments.
b. In an effort to recover lost funds, the Agency has since implemented liens on inmate accounts found to have fraudulently filed forms with the federal government stating that stimulus funds were not received resulting in reclamation of funds.
c. On March 16, 2022, U.S. District Court Judge Lee Rudofsky entered an Order, making the preliminary injunction previously issued a permanent injunction. A few highlights of the order:
    i. Judge Rudofsky denied the inmates' request for interest as such payment would be in violation of sovereign immunity.
    ii. The injunction covers all prisoners to whom Act 1110 applied, applies, or could apply.
    iii. The ADC had 90 days from the date of the Order (until June 14, 2022) to return any funds to the inmate that were in the ADC's possession and were not being used to pay off court fines, fees, costs, or restitution.
    iv. For any future confiscations of federal relief or stimulus funds, the ADC would have 90 days from the date of confiscation to determine whether a prisoner had existing court fines, fees, costs, or restitution. If no court fines, fees, costs, or restitution were owed, the money would be returned to the inmate.

Finding 2:
The Agency did not receive or did not maintain vendor invoices supporting purchases made, as required by Ark. Code Ann. § 19-4-815. Our testing of disbursements made by the various inmate councils within the Division of Correction revealed six payments to vendors totaling $9,362 without invoices or other proper documentation. According to Agency management, all six purchases originated at the Grimes Unit, and disbursements from their inmate council have been suspended.

This lack of compliance with Ark. Code Ann. § 19-4-815 limits the Agency's ability to provide assurance that purchases made are for a legitimate purpose.

Recommendation:
We recommend Agency management establish procedures to maintain vendor invoices and other proper supporting documentation, as required by Ark. Code Ann. § 19-4-815.

Agency Response:

The Department of Corrections has shut down the Inmate Council in question.

a. Per Ark Code § 19-4-815, original of supporting documentation to be retained by the agency.
b. Internal Audit will audit Inmate Councils upon requests of the Director, Warden, or Deputy Warden, and upon change of the Warden position.
c. Internal Audit will also perform random audit of Inmate Councils statewide.
d. If an Inmate Council is found noncompliant, it will be deemed inactive until steps have been taken to ensure the Inmate Council is aware and compliant with R1-19-4-505 Internal Control and Ethics Requirements of the State Financial Management Guide and Ark. Code § 19-4-815 Original of supporting documentation.

Finding 3:

As reported in the prior audit, the Agency is in noncompliance with R4-19-4-501 of the State Financial Management Guide. This rule requires that for all AASIS user agencies, a supervisor must acknowledge the deletion of all cash receipt transactions on a weekly basis.

This issue was addressed with the Agency as part of the FY2020 audit, which was dated July 19, 2021. As part of follow-up procedures in the FY2021 audit, we requested the Agency's documentation supporting compliance with this rule for the 26-week period of July 2021 through December 2021. Twenty-two of the weekly reports were documented as being reviewed and approved on either November 2, 2021 or January 12, 2022, and four weekly reports could not be provided by the Agency. Also, we were unable to determine if the weekly reports included all Department divisions that are AASIS users as the Agency maintained no documentation of the parameters used to create the AASIS reports.

By not complying with the State's financial management guide and ensuring that internal controls over cash receipts are operating effectively, improper accounting and other errors could occur.

Recommendation:

We recommend Agency management review R4-19-4-501 of the State Financial Management Guide, establish procedures to comply with the rule, and ensure internal controls over cash receipts are operating effectively.

Agency Response:

The Department of Corrections, when deleting cash receipts transactions,

a. Per R4-19-4-501, voided transactions are to be approved and initialed by the Accountant I or Assistant Chief Financial Officer. The Chief Financial Officer will be the Assistant CFO's backup in his absence.
b. A ZCAJO Cash Journal report is to be run on a weekly basis and deleted documents are to be initialed by the supervisor.
c. These documents will be retained by Accounting Control.

ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
DEPARTMENT OF HUMAN SERVICES
FOR THE YEAR ENDED JUNE 30, 2022

Finding 1:
Regulation R1-19-4-505 of the State Financial Management Guide states that government agencies must have an established system of internal control in relation to the safeguarding of assets. During our review of the Public Guardian bank accounts, we noted eight bank accounts, totaling $648, whose ending balances were not reported in the Arkansas Administrative Statewide Information System (AASIS) at June 30, 2022. The Agency was listed as the legal Public Guardian; therefore, such accounts were considered fiduciary in nature and should have been included in the ending bank balance as reported under the Agency's fiduciary fund on the financial statements.

Recommendation:
We recommend the Agency strengthen procedures in determining all bank accounts, and corresponding year-end balances to be reported in AASIS, in which the Agency holds fiduciary responsibility as the legal Public Guardian.

Agency Response:
DHS concurs with this finding. The Office of Public Guardian has updated its procedures to require all personal spending accounts to be submitted to the DHS Office of Finance monthly for review and documentation in AASIS.

Finding 2:
Regulation R1-19-4-505 of the State Financial Management Guide states government agencies must have an established system of internal control in relation to the safeguarding of assets. During our review of the Agency's Arkansas ABLE Investments of Foster Care Trust funds, we noted a total of $1,150,967 in foster care client trust funds (check contributions) had been sent by the Agency to a third-party administrator for investment against multiple foster care client investment accounts as of the 2022 fiscal year-end. Of this amount, $244,530 was sent for investment during FY2022, and the remaining $906,437 had been sent for investment during the prior three fiscal years.

Our review noted two instances of check contributions, of $1,100 and $4,000, respectively, being applied by the third-party administrator against the incorrect foster care client investment account. The Agency was unaware of the errors until notified by Arkansas Legislative Audit (ALA) staff in March 2023.

We also determined the total Arkansas ABLE Investment amount at June 30, 2022, posted in AASIS was under reported by $10,467. This under reporting relates to three foster care client investment accounts, in which the Agency had remained as Trustee, whose ending balances were not recorded in AASIS during the prior fiscal year-end, as noted in the prior audit report. The ending balances for these three foster care client investment accounts were, again, excluded from the Agency's AASIS recording of the ending Arkansas ABLE Investment balance at June 30, 2022.

Lack of due diligence in monitoring foster care client investment account check contributions and corresponding balances could lead to misappropriation of funds entrusted to the Agency.

Recommendation:
We recommend the Agency strengthen policies and procedures regarding the monitoring of foster care client investment account assets, as required per R1-19-4-505 of the State Financial Management Guide.

Agency Response:
DHS concurs with this finding. The Division of Children and Family Services (DCFS) has implemented a monthly reconciliation process to monitor Arkansas ABLE investment accounts of foster care trust funds and will update AASIS to reflect three ending account balances for the three accounts in which the Agency remains a trustee.

Finding 3:
The Agency notified ALA of an overpayment, as of December 2022, regarding the following non-emergency transportation contracts:

- Verida, Inc., dba Southeasttrans, Inc., was overpaid $3,417,841.
- Central Arkansas Development Council (CADC) was expected to be overpaid approximately $137,000 at the time of the Agency's notification to ALA.

Payments for these two contracts were processed in the Agency's Medicaid Management Information System (MMIS) and not in AASIS. The Division of Medical Services (DMS) recently experienced significant staff turnover, and new employees had not received adequate training on proper procedures regarding the monitoring of MMIS contract expenditures. In response to the Agency's discovery of the overpayment, DMS updated its procedures in order to monitor expenditures paid to date more closely and to help mitigate future occurrence of overspending prior to obtaining the necessary legislative approved amendment increases.

We reviewed 10 current contracts (including both Verida, Inc., dba Southeasttrans, Inc., and CADC) in which we obtained MMIS expenditure data, summarizing total amount paid from start date of the contracts up through current date of March 31, 2023. We determined that none of the MMIS contracts were considered overspent as of March 31, 2023. All contracts were supported by approved legislative contract amendments.

Furthermore, the Agency subsequently notified ALA on August 17, 2023, of a confirmed overpayment of $805,494 regarding CADC's non-emergency transportation contract. Although the Agency had been following its revised monitoring procedures, the overpayment occurred due to an unexpected, significant increase in monthly premium payment rates. ALA did not perform any additional review of MMIS contract payments for the period of March 31, 2023 to current date.

Recommendation:
We recommend the Agency update its monitoring procedures to deter overpayment of authorized contract amounts.

Agency Response:
DHS concurs with this finding. DMS has implemented multiple controls to monitor monthly spend for contracts paid through the MMIS. The controls span program and financial operations and include dual comparisons of spend to legislative authority and procedures to alert executive division staff when contract spend reaches 75% of legislative authority. DMS is also in the process of creating an automatic bar that will prevent payment in MMIS of any contract spend that has exceeded its legislative authority. While the Agency believes these controls will be effective, non-emergency transportation is a service that DHS is obligated by law to provide to Medicaid beneficiaries. To ensure that services continue, the Agency must continue to make contract payments to the vendor in the event there is an overspend on legislative authority. In the event of future overspends, the Agency will request an amendment to add additional funding to the contract.

Finding 4:
R1-19-4-2004 of the State Financial Management Guide states that monies lost through improper redemption of checks shall be reported to Arkansas Legislative Audit (ALA), the Attorney General's office, and local law enforcement. Ark. Code Ann. § 25-1-124(b)(1)&(2) states that a public employee with supervisory fiduciary responsibility over all fiscal matters of a public employer shall report to ALA the apparent theft or misappropriation of public funds within five business days upon learning of the theft.

The Agency notified ALA and authorities of the following improper activity:

- $10,687 in Patients Money Funds ($9,252 in cash and $1,435 in checks and money orders) was initially receipted by the Arkansas State Hospital (ASH) and subsequently delivered to and receipted by the Agency's Central Receipting Office for bank deposit from September 29, 2022 through January 27, 2023. However, as confirmed by an internal investigation, none of these monies were deposited into the bank. The employee responsible for the funds not deposited voluntarily terminated employment with the Agency effective February 11, 2023. The Agency reported the missing funds to law enforcement, and as of report date, the funds have not been recovered.

- A total of $27,409 was paid to three ASH employees for 1,528 hours not actually worked, as shown below:

	Amount Paid	Hours Clocked-In	Date
Employee 1	$ 24,012	1,455	July 11, 2021 through September 28, 2022
Employee 2	1,953	42	October 2, 2022 through October 26, 2022
Employee 3	1,444	31	October 2, 2022 through October 26, 2022
	$ 27,409	1,528	

The employment of all three individuals was terminated by the Agency. The improper payments have not been recovered.

Recommendation:
We recommend the Agency pursue recoupment of lost funds and continue to report any possible fraudulent activity to ALA and applicable authorities.

Agency Response:
DHS concurs with this finding. The Arkansas State Hospital has implemented monitoring procedures that require the review of hours clocked in against an employee's approved work schedule. The Office of Finance has updated its cash room procedures to require two employees to process all cash received, daily cash log reconciliations, and delivery of all cash received to Managerial Accounting on the date of receipt for processing.

Finding Number:	**2022-004**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
Division N, Title V, Section 501 of the Consolidation Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020) (codified at 15 U.S.C. § 9058a) provides that financial "assistance shall be provided for a period not to exceed 12 months except that grantees may provide assistance for an additional 3 months only if necessary to ensure housing stability for a household subject to the availability of funds." This requirement restricts funding to a maximum of 15 months of assistance.

Condition and Context:
Using data analytics, ALA staff identified a population totaling $1,819,690 at high risk of exceeding the 15-month maximum for rental assistance. From a population of 124 households, we selected a sample of 15, with payments totaling $257,682, to determine if more than 15 months of rental assistance was provided to the individual household.

Our testing revealed the following exceptions:

- Sample Item 1: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of July 2020, October 2020 through May 2021, and July through August 2021 were paid to both tenants. Neither tenant disclosed the other tenant as a household member on their application. As a result, questioned costs for 11 months of rental assistance totaled $8,625.

  In addition, one of the tenants was paid rental assistance twice for the month of June 2021, resulting in questioned costs totaling $473.
- Sample Item 2: The month of April 2021 was paid twice on behalf of one tenant at one rental address. Questioned costs totaled $625.
- Sample Item 3: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of March through October 2021 were paid to both tenants. Only one lease agreement could be provided for one of the tenants, and a household member was not disclosed on the application or lease. Questioned costs totaled $8,580.
- Sample Item 4: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of May 2020 through June 2021 were paid to the same landlord. Neither tenant disclosed the other tenant as a household member. Questioned costs totaled $15,750.
- Sample Item 5: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of August 2020 through June 2021 were paid, resulting in questioned costs totaling $12,600. Neither tenant disclosed the other tenant as a household member.
- Sample Item 6: Sixteen months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for one month totaling $650.
- Sample Item 7: Twenty-one months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for six months totaling $3,925.

  In addition, the month of June 2021 was paid twice, resulting in questioned costs totaling $650.

Finding Number:	**2022-004 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample Item 10: Eighteen months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for three months totaling $3,600.
- Sample Item 12: Nineteen months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for four months totaling $2,865.
- Sample Item 13: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. The last two months for tenant #1 and the first two months for tenant #2 overlapped. Both payments, representing the months of November and December 2021, were paid directly to the landlord. Neither tenant disclosed the other tenant as a household member on their application. Questioned costs totaled $900.
- Sample Item 15: Rental assistance was paid for the same rental address and rental period (July and August 2021) on behalf of two different tenants. Questioned costs totaled $1,250. A 12-month lease agreement, with a "no sublet" clause, for tenant #1 became effective on April 20, 2020, and was extended through November 21, 2021. Rental assistance claimed for tenant #1 totaled $16,122.

  Tenant #1 entered into a lease agreement as landlord with another party (tenant #2) for the same rental address and rental period, at least partially, effective October 1, 2020. There is no documentation supporting that tenant #1 owned the property, and as previously stated, there was a "no sublet" clause in the signed agreement from April 20, 2020. Rental assistance claimed for tenant #2 totaled $3,750.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$60,493

Cause:
The Agency did not have sufficient controls and procedures in place regarding the review of application information to determine if rental assistance payments were being made in accordance with program criteria.

Effect:
A lack of adequate controls allowed benefits to be paid for periods exceeding the maximum 15-month period and also did not prevent payments that covered the same rental period for the same rental address.

Recommendation:
ALA staff recommend the Agency pursue the recovery of overpayments of funds, returning them to the appropriate source.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with, in part, and disputes, in part, this finding. The applicants noted in Sample Items 4, 5, and 13 produced what appear to be valid leases from the same landlord and were determined to be eligible under program guidelines. The Agency will investigate all other identified deficiencies for potential fraud and will seek guidance from the United States Department of Treasury on recoupment of payments that were not made in accordance with program criteria.

Finding Number:	**2022-004 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: 6/30/2023

Contact Person:
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Finding Number:	**2022-005**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed;** **Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
2 CFR § 200.516(a)(6) requires the auditor to report as an audit finding any known or likely fraud affecting a federal award.

Condition and Context:
The Agency identified $995,655 in fraud committed on behalf of beneficiaries of the Emergency Rental Assistance Program.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$995,655

Cause:
Increased funding opportunities and an online application process provided for the increased ability to commit fraud on behalf of beneficiaries in the Program.

Effect:
Ineligible individuals received benefits or misappropriated benefits received under the Program using fraudulent means.

Recommendation:
ALA staff recommend the Agency continue to seek the prosecution of perpetrators and recoupment of benefits fraudulently obtained on behalf of beneficiaries, whenever possible.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency will continue to investigate claims of fraud in the Emergency Rental Assistance Program and collaborate with prosecutors and local law enforcement on cases of suspected fraud.

Anticipated Completion Date: Complete

Contact Person:
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Finding Number:	**2022-006**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 15 USC § 9058a(k), an eligible household means a "household that has a household income that is not more than 80% of the area median income for the household."

Condition and Context:
ALA reviewed a sample of 25 payments (totaling $26,777) out of 47,696 payments (totaling $99,457,430) to determine whether the payments were made to an eligible household.

Our review revealed that a payment, totaling $226, made in January 2022 was made to an ineligible applicant because the annual household income of $58,368 exceeded 80% of the area median income by $1,168. According to Treasury guidance, 80% of the annual area median income for a household of four in the area at the time of disbursement was $57,200.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$226

(Known questioned costs greater than $25,000 are required to be reported. The auditor must also report known questioned costs when likely questioned costs are greater than $25,000)

Cause:
The dual review process implemented by the Agency's contractor failed to identify the applicant as ineligible.

Effect:
Lack of adequate review of submitted applications resulted in ineligible households receiving assistance.

Recommendation:
ALA staff recommend the Agency review and strengthen internal controls over eligibility determinations for federal funds and recoup any funds disbursed to ineligible households.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Division of County Operations will perform a review of controls for eligibility determinations made by Agency contractors in active programs that disburse federal funds to applicants and seek guidance from the United States Department of Treasury on recoupment.

Finding Number:	**2022-006 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: 6/30/2023

Contact Person:
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Finding Number:	**2022-007**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 15 U.S.C. § 9058a(c)(2)(C)(i)(I), "with respect to financial assistance for rent and rental arrears and utilities and home energy costs and utility and home energy costs arrears provided to an eligible household from a payment made under this [program], an eligible grantee shall make payments to a lessor or utility provider on behalf of the eligible household, except that, if the lessor or utility provider does not agree to accept such payment from the grantee after outreach to the lessor or utility provider by the grantee, the grantee may make such payments directly to the eligible household for the purpose of making payments to the lessor or utility provider." Guidance provided by the U.S. Department of Treasury states, "grantees must make reasonable efforts to obtain the cooperation of landlords and utility providers to accept payments from the ERA program. Outreach will be considered complete if…the grantee has made at least three attempts by…e-mail over a five calendar-day period to request the landlords' or utility providers' participation…."

Condition and Context:
The Agency paid approximately $24,226,688 in rental assistance directly to tenants (and issued on single-payee checks) under the program. The Agency established a process to automatically send system-generated emails to the landlords over a 10-day period based upon information provided by and attested to by the tenants in the grants management system.

Using data analysis, ALA identified 565 high-risk payments, totaling $1,212,572, that indicated the landlord email address was the same as the tenant email address. We selected 40 payments, totaling $93,967, and requested copies of the emails sent to determine whether (1) controls were in place to ensure that at least three emails were sent to landlords regarding the tenant's rental assistance application prior to payment being issued directly to the tenant and (2) the email addresses used for communication with the tenant and landlord were different.

Our review of controls to confirm that three emails had been sent to the landlord email address prior to payment revealed documentation for the emails could not be provided in seven instances.

Our review to determine compliance regarding the email address used for communicating with the landlord revealed the following:

- In 30 instances, the email addresses for the tenant and the landlord were the same. Questioned costs totaled $61,340.
- In two instances, the landlord email address and the tenant email address were reversed. This error would cause the tenant to receive the landlord-designated emails when the required reasonable effort for outreach was made. Questioned costs totaled $17,205.
- In three instances, although the landlord and tenant email addresses were different, they closely resembled each other. For instance, a landlord's email was JaneDoe@email.com, and the tenant's email was Jdoe@email.com. Questioned costs totaled $4,289.
- In one instance, a payment approved for the landlord went to the tenant. Questioned costs totaled $4,500.

Finding Number:	**2022-007 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
As a result of the control and compliance exceptions noted above with the high-risk population, ALA selected an additional 20 payments, totaling $55,220, from the remaining lower-risk population of payments, totaling $23,014,116. Our review revealed the following exceptions:

- In six instances, documentation supporting three emails being sent to the landlord could not be provided.
- In one instance, although the landlord and tenant email addresses were different, they closely resembled each other. For instance, a landlord's email was JaneDoe@email.com, and the tenant's email was Jdoe@email.com. Questioned costs totaled $761.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$88,095

Cause:
The Agency failed to implement sufficient internal controls over landlord outreach efforts to ensure compliance with Treasury-issued guidance and establish eligibility of the tenant to receive rental assistance payments directly.

Effect:
The State of Arkansas could be subject to repayment of funds to the federal government.

Recommendation:
ALA staff recommend the Agency strengthen controls to ensure Treasury guidelines are followed regarding outreach to landlords. In addition, the Agency should contact the federal awarding agency to determine if recoupment is required.

Views of Responsible Officials and Planned Corrective Action:
The Agency concurs with, in part, and disputes, in part, this finding. While some cases did include matching email addresses for the landlord and tenant, this may be attributable to a landlord's refusal to participate or their lack of an email address. The cases with similar email addresses between landlord and tenant have not been confirmed to be in violation of program regulations. The Agency will review these cases to determine if program regulations were violated and seek guidance from the United States Department of Treasury on recoupment.

Anticipated Completion Date: 6/30/2023

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State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Finding Number:	**2022-008**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Period of Performance**
Type of Finding:	**Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
ALA staff selected 19 of 182 total transactions from the Agency's accounting system to determine whether any one of four key Emergency Rental Assistance Program staff approved the expenditure prior to payment. Of the 19 transactions selected, 3 did not have any documented approval by key staff prior to payment.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency failed to implement the aforementioned internal control in a consistent, uniform manner.

Effect:
Expenditures could be charged to the grant that are not allowed under the applicable federal requirements.

Recommendation:
ALA staff recommend the Agency ensure that all expenditures are reviewed by the appropriate program staff prior to disbursement.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Division of County Operations will perform a review of its controls for approval of expenditures for active programs that disburse federal funds to applicants.

Anticipated Completion Date: 6/30/2023

Contact Person:
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Finding Number:	**2022-009**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
To assist in complying with Division N, Title V, Section 501(g) of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020), the U.S. Department of Treasury (Treasury) required grantees to report expenditures and obligations quarterly.

Furthermore, on January 24, 2022, the Treasury issued a document entitled "Quarterly Reporting Special Tip," which specifically states that "amounts returned to Treasury, whether excess funds or voluntary reallocation, should be excluded from reporting since the funds are no longer available for obligation or expenditure."

Finally, in accordance with 2 CFR § 200.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
Our review of the June 30, 2022, quarterly report revealed an overstatement of expenditures totaling $31,822,809 because the Agency failed to exclude amounts returned to Treasury from the expenditure line item, in accordance with Treasury guidance.

In addition, the December 31, 2021, and March 30, 2022, reports erroneously included funds (representing bank balances) that were not obligated or expended, totaling $6,524,494 and $4,034,643, respectively. As of June 30, 2022, the bank balance included in the report totaled $3,724,092.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$35,546,901

Cause:
The Agency failed to implement sufficient internal controls to review reports for accuracy and to comply with Treasury-issued reporting guidance.

Effect:
The Treasury potentially relied on inaccurate information in determining the amount of funds subject to recapture during the period of the grant award.

Recommendation:
ALA staff recommend the Agency strengthen internal controls over the review of federal reports to ensure compliance with grantor-issued guidance and correct any erroneously reported information.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency corrected the reported information in the final 2022 program report that was submitted to the United States Department of Treasury on February 8, 2023.

Finding Number:	**2022-009 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

Anticipated Completion Date: Complete

Contact Person:
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Finding Number:	**2022-010**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
To assist in complying with Division N, Title V, Section 501(g) of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020), the U.S. Department of Treasury (Treasury) required grantees to report monthly the total number of unique households that received program assistance of any kind during the month. Reporting guidance issued by the Treasury indicated that the number reported for any particular month should capture all previously-approved applicants receiving assistance during the month as well as new applicants approved and receiving assistance in the reporting month.

Finally, in accordance with 2 CFR § 200.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
ALA's review of the January, February, and March 2022 ERA1-Monthly Compliance reports indicated that the Agency understated the number of households receiving assistance on all three monthly reports as follows:

- January was understated by 1,780.
- February was understated by 1,298.
- March was understated by 1,239.

The Agency only reported a unique household receiving assistance in the first month that assistance was received. Subsequent assistance received by the household was not reported during any additional months, in conflict with Treasury guidance.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency relied on information provided by a contractor in preparing the federal reports and failed to implement sufficient internal controls to review the information and ensure it complied with Treasury-issued guidance.

Effect:
Inaccurate information was reported to the Treasury and relied on by the Treasury in meeting its obligation under federal law.

Recommendation:
ALA staff recommend the Agency strengthen internal controls over the review of federal reports to ensure compliance with grantor-issued guidance and correct any erroneously reported information.

Finding Number:	**2022-010 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency corrected the reported information in the final 2022 program report that was submitted to the United States Department of Treasury on February 8, 2023.

Anticipated Completion Date: Complete

Contact Person: Mary Franklin
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Finding Number:	**2022-011**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.023 – COVID 19: Emergency Rental Assistance Program**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**ERA0417**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Special Tests and Provisions**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Pursuant to section 501(d) of the Consolidated Appropriations Act, 2021, Treasury was required to reallocate "excess" award funds. Treasury calculated a reallocation expenditure ratio based upon information reported by the grantees to determine whether the grantee was subject to the involuntary reallocation and recapture of excess funds.

Condition and Context:
ALA tested the April, May, and June 2022 ERA1-Monthly Compliance reports to determine whether the grantee accurately reported the amount expended for housing activity at the time of submission. The May 2022 report was understated because it did not include reissuances totaling $176,194 or subrecipient payments totaling $92,871.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$269,065

Cause:
The Agency failed to implement sufficient internal controls over reporting to ensure compliance with Treasury-issued guidance and accuracy in reported amounts.

Effect:
Inaccurate information was reported to the Treasury and relied upon by the Treasury in meeting its obligation under federal law.

Recommendation:
ALA staff recommend the Agency strengthen internal controls over the review of federal reports to ensure compliance with grantor-issued guidance and accuracy in the amounts reported, as well as to correct any erroneously reported information.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency corrected the reported information in the final 2022 program report that was submitted to the United States Department of Treasury on February 8, 2023.

Anticipated Completion Date: Complete

Contact Person:
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Finding Number:	**2022-013**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

Condition and Context:
The Agency implemented a process whereby all weekly payment batches for the nursing and hospital programs were approved by management prior to submission to the providers.

Of 17 nursing program batches and 7 hospital program batches, ALA staff reviewed 4 from the nursing program and 2 from the hospital program to ensure management approval was documented. Our review revealed that the Agency was unable to provide documentation of management approval for one hospital program batch payment.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency failed to maintain adequate documentation of management's prior approval of disbursements of federal funds.

Effect:
Unallowable expenses could be paid by the Agency if management fails to provide its required prior approval for federal fund disbursements.

Recommendation:
ALA staff recommend the Agency implement sufficient internal controls over disbursements to ensure proper payments of federal funds and maintain adequate documentation of the function of those internal controls.

Views of Responsible Officials and Planned Corrective Action:
The Agency concurs with this finding and has developed controls for approval of future program fund disbursements.

Anticipated Completion Date: Complete

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Finding Number:	**2022-013 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Material Weakness**

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

Contact Person:

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Finding Number:	**2022-021**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021; 05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
Section 2105(c)(10) of the Social Security Act allows states to elect to offer a premium assistance subsidy for qualified employer-sponsored insurance coverage to all targeted low-income children eligible for the Children's Health Insurance Program (CHIP). To be allowable, the Health Insurance Premium Payment (HIPP) assistance must be included coverage defined in the CHIP State Plan.

Condition and Context:
The Arkansas CHIP State Plan does not include coverage for HIPP; therefore, premium assistance payments are unallowable for CHIP recipients. ALA discovered premium assistance payments, totaling $152,884, made on behalf of CHIP recipients.

Additionally, the unallowable premium assistance payments were paid using Medicaid grant funds and were incorrectly reported as Medicaid expenditures.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$152,884

Cause:
The Agency failed to adhere to its CHIP State Plan and did not receive approval from the federal awarding agency to offer premium assistance payments.

Effect:
Unallowable HIPP assistance was paid on behalf of CHIP recipients using Medicaid grant funds.

Recommendation:
ALA staff recommend the Agency request a State Plan Amendment to allow premium assistance subsidies for CHIP recipients and implement adequate controls to ensure expenditures are made in accordance with the approved State Plan and are paid from the appropriate grant award.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency contracts with a vendor to perform eligibility determinations for the HIPP program. The Agency provided the vendor with a list that identified all HIPP eligible aid categories. The list incorrectly included CHIP aid categories. The Agency will direct the vendor to exclude CHIP aid categories from the list of aid categories eligible for HIPP. The Agency will ensure CHIP clients are disenrolled from the HIPP program and will develop and implement internal controls to ensure that the vendor enrolls only beneficiaries in HIPP eligible aid categories.

Finding Number:	**2022-021 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021; 05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed**
Type of Finding:	**Noncompliance and Significant Deficiency**

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

Anticipated Completion Date: 5/31/2023

Contact Person:

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Finding Number:	**2022-022**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statues, regulations, and terms and conditions of the award.

In addition, 42 CFR § 435.1009 states that federal financial participation (FFP) is not available for payments made on behalf of individuals who are inmates in public institutions, including eligible juveniles. To be considered an inmate of a public institution, a person must be living in an institution that is the responsibility of a governmental unit or over which a governmental unit exercises administrative control.

Finally, under section 1001 of the Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act (SUPPORT Act), states are 1) prohibited from terminating the Medicaid eligibility of an "eligible juvenile" who becomes an inmate of a public institution, 2) required to process applications submitted by incarcerated youth, and 3) required to re-determine the Medicaid eligibility of eligible juveniles before their release from a public institution.

An eligible juvenile is defined as a "juvenile who is an inmate of a public institution and who (A) was determined eligible for medical assistance under the State plan immediately before becoming an inmate of such a public institution; or (B) is determined eligible for such medical assistance while an inmate of a public institution."

In compliance with this requirement, Medical Services Manual section D-380 states that coverage for children entering the custody of the Division of Youth Services (DYS) will be placed in suspension status for up to 12 months from the initial approval or most recent renewal. When a child with suspended Medicaid eligibility receives eligible medical treatment off the grounds of the juvenile detention facility (inpatient services) or is released from custody, the child's Medicaid case will be reinstated for a fixed eligibility period from the date of hospitalization to the date of hospital discharge. Once the child returns to the DYS state run facility, the Medicaid case is re-suspended.

Condition and Context:
ALA staff selected 60 files for incarcerated juveniles to determine whether the State is properly suspending a juvenile's benefit coverage when the juvenile is held in a public institution and then properly reinstating coverage when the juvenile is placed in non-public institutions or released from DYS custody. ALA's review also included ensuring that benefit payments were not made for dates of service that fell within the juvenile's incarceration period.

Our review revealed the following deficiencies:

- The Agency failed to suspend Medicaid benefits for 21 juveniles in DYS custody. ALA also identified Medicaid payments, totaling $137,811, made for dates of service within the incarceration period for 18 of these individuals. The federal portion of these payments totaled $105,030.

Finding Number:	**2022-022 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- Although the Agency appropriately suspended Medicaid and CHIP benefits for 7 juveniles, Medicaid and CHIP payments, totaling $22,278 and $44, respectively, were made for dates of service within the incarceration period for these juveniles. The federal portion of the Medicaid and CHIP payments totaled $17,308 and $37, respectively.
- The Agency improperly reinstated Medicaid benefits for 2 juveniles prior to the placement of the juvenile in a private institution. Medicaid payments, totaling $5,625, were made for dates of service within the incarceration period for these individuals. The federal portion of these payments totaled $4,378.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$126,716 – Medical Assistance Program
$37 – Children's Health Insurance Program

Cause:
The Agency failed to properly monitor Medicaid and CHIP eligibility for juveniles in DYS custody. Suspensions of benefits were not always entered timely, were entered with incorrect effective dates, or were not entered into the system when an eligible juvenile was incarcerated.

Effect:
The Agency improperly received and used federal funds for payments made on behalf of incarcerated juveniles.

Recommendation:
ALA staff recommend the Agency design and implement internal controls over compliance to ensure that Medicaid and CHIP benefits are properly suspended when eligible juveniles are incarcerated and properly reinstated by designated DYS staff based on guidance set forth in the Medical Services Policy Manual and in compliance with federal regulations.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. In October 2021, the Division of Youth Services (DYS) began using a new Juvenile Justice Information System (JJIS) which provide more accurate and timely information on adjudications than the previous system. These improvements will allow DYS to timely process Medicaid suspensions and reinstatements. In addition to the improved JJIS, DYS has implemented numerous controls to monitor the incarceration status of juveniles and suspension and reinstatement of Medicaid benefits.

Anticipated Completion Date: Complete

Finding Number:	**2022-022 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**US Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Noncompliance and Material Weakness**

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

Contact Person:

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Finding Number:	**2022-023**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statues, regulations, and terms and conditions of the award.

Condition and Context:
The Public Assistance Reporting Information System, or PARIS, is a data-matching service that identifies recipients of public assistance who receive duplicate benefits in two or more states, in order to help detect improper payments. This system is administered by the Office of the Administration for Children and Families (ACF) within the federal Department of Health and Human Services.

ALA selected two quarters from state fiscal year 2022 for review to ensure that the Agency participated in the interstate PARIS match and to determine that adequate supporting documentation was available to demonstrate that the Agency adequately reviewed identified matches and determined whether those recipients were currently residing in the State and, therefore, properly received benefits under the Arkansas Medicaid or CHIP programs.

Our review confirmed that the Agency participated in the PARIS match for the two quarters (August 2021 and February 2022) selected for testing.

ALA then selected a sample of 20 recipient cases (10 recipient cases from each selected quarterly report) that were flagged as receiving benefits in Arkansas and another state to determine if those cases were reviewed. Our testing revealed that 6 of the 20 cases were not reviewed in the Arkansas Integrated Eligibility System (ARIES) eligibility system.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
Agency system controls built into ARIES did not identify that a recipient's PARIS match case should have been reviewed if the phone number for a recipient was blank. The recipient's residency issue between Arkansas and another state should have qualified the case for benefit review. According to the Division of County Operations (DCO), the PARIS matching system logic within ARIES will need to be adjusted to ensure these types of cases are identified in the future.

Finding Number:	**2022-023 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Weakness**

Effect:
Failure to review the PARIS interstate matches could result in the Agency not identifying individuals who are no longer residents of the State and, as a result, are ineligible to receive benefits under the Arkansas Medicaid or CHIP programs. Improper payments could be made on behalf of ineligible recipients.

Recommendation:
ALA staff recommend the Agency develop system controls in ARIES to ensure that all PARIS interstate matches are reviewed timely to aid in confirming that benefits are only made on behalf of eligible recipients.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency has updated the PARIS matching logic in ARIES to identify these types of cases.

Anticipated Completion Date: Complete

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Finding Number:	**2022-024**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year findings **2021-024** and **2020-017**.

Criteria:
In accordance with 45 CFR § 95.507(4), the Agency's established Cost Allocation Plan is required to contain sufficient information in such detail to permit the Director - Division of Cost Allocation, after consulting with the Operating Divisions, to make an informed judgment on the correctness and fairness of the State's procedures for identifying, measuring, and allocating all costs to each of the programs operated by the Agency.

42 CFR §§ 433.10 and 433.15 established rates to be used to calculate non-administrative and administrative state match and require that the state pay part of the costs for providing and administering the Medical Assistance Program (MAP).

In addition, 45 CFR § 75.303 states that a non-federal entity must "**take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings**."

Condition and Context:
Procedures implemented by the Agency to monitor state general revenues and other non-federal revenues used to "match" the federal grant award monies are not sufficiently detailed to determine the state match requirements were met for the Medical Assistance Program (MAP) and the Children's Health Insurance Program (CHIP).

As a result, the Agency was again unable to provide sufficient documentation for ALA to complete testing to determine if the State met the required match, in accordance with federal regulations.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The Agency does not maintain documentation identifying the original source of revenues for the category *"other non-federal."* Additionally, the Agency utilizes an outside accounting system, Lotus 1-2-3, to maintain and trace *state general revenue* and *other non-federal* funds available. Agency staff manually key information into this system daily; however, no reviews or other controls are in place to ensure the accuracy of the funding category balances. Agency procedures implemented to monitor the use of *state general revenue* and *other non-federal* funding sources are completed at the Division level and are not broken out to the federal program level.

Effect:
The Agency's inadequate controls resulted in a failure to document the required state match and could limit the Agency's resources to ensure the State can continue to provide benefits.

Finding Number:	**2022-024 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program** **93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)** **05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Matching, Level of Effort, Earmarking**
Type of Finding:	**Material Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency immediately implement appropriate controls to allow the Agency to track funding sources used to meet state match requirements for federal programs.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. In calendar year 2022, DHS implemented a new General Ledger platform to track and reconcile expenditures and revenues. The General Ledger - Revenue Side was implemented on April 1, 2022. The full General Ledger application was operational with all journal entries back to January 1, 2022 on June 30, 2022. This application will allow the Agency to monitor state general revenues and other non-federal revenues used to "match" the federal grant award monies to determine the State match requirements were met for the Medical Assistance Program (MAP) and the Children's Health Insurance Program (CHIP); however, the volume of daily transactions and the daily exception file has resulted in the need to build out the Funds Management Dashboard to identify State and Other transactions by internal order. The Agency's vendor is currently working on a LOE to provide a timeline and estimated costs to proceed. The Agency's expectation is to have the system fully operational on July 1, 2023.

Anticipated Completion Date: 7/1/2023

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Finding Number:	**2022-025**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Financial Audits (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-027**.

Criteria:
42 CFR § 438.3(m) states that managed care contracts must require Managed Care Organizations (MCOs), Prepaid Inpatient Health Plans (PIHPs), and Prepaid Ambulatory Health Plans (PAHPs) to annually submit audited financial reports that are conducted in accordance with generally accepted accounting principles and generally accepted auditing standards specific to the Medicaid contract.

In addition, 42 CFR § 438.602(e) states that an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, any MCO, PIHP, or PAHP must be conducted at least every three years.

Condition and Context:
ALA performed testing to ensure that both the annual audited financial reports as well as the periodic reviews were performed for the applicable managed care program entities and that the reports and reviews were in compliance with federal regulations.

Three MCOs that participated in the Provider-Led Arkansas Shared Savings Entity (PASSE) managed care program and two dental managed care entities participated in the Dental Managed Care program for calendar year 2021. These entities would have been required to submit audited financial reports.

The results of our testing revealed that although audited financial reports were provided by all of the PASSE and dental managed care entities, two of the three PASSE entity's reports and both dental managed care entities' reports were not in accordance with generally accepted accounting principles. In addition, the audits for the two dental managed care entities were not specific to the Medicaid contract.

Finally, the periodic reviews for the three PASSE and two dental managed care entities completed by the external quality review organization did not include the required financial data.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
The Agency did not adequately monitor the submission of reports to ensure they complied with federal regulations.

Finding Number:	**2022-025 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2005AR5021; 05-2105AR5021 (Children's Health Insurance Program)**
	05-2005AR5MAP; 05-2105AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Managed Care Financial Audits (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Effect:
Failure to monitor the adequacy of the reports submitted led to the Agency not identifying that the reports received did not comply with federal regulations.

Recommendation:
ALA staff recommend the Agency strengthen monitoring controls to ensure that all reports received comply with requirements included in the federal regulations.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency has amended the Dental Managed Care (DMC) contract to require DMC entities to perform and provide financial audit reports that have been audited in accordance with generally accepted accounting standards. The contract amendments are pending CMS approval. The Agency will also develop and implement internal controls to ensure that PASSE MCO's and dental managed care entities annually submit audited financial reports conducted in accordance with generally accepted accounting principles and generally accepted accounting standards that are specific to the Medicaid contract. The Agency will continue to provide the external quality review organization and its contracted actuary with the audited financial reports for both PASSE MCO's and dental managed care entities and will ensure the reports contain all required financial data. DMS Finance and the Assistant Director for Plan Partnership will review the report to ensure compliance.

Anticipated Completion Date: 6/30/2023

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Finding Number:	**2022-026**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2005AR5021; 05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020, 2021 and 2022**
Compliance Requirement(s) Affected:	**Allowable Costs and Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-023**.

Criteria:
In a final rule, published in the Federal Register on May 6, 2016 (81 FR 27498), the Centers for Medicare and Medicaid Services (CMS) adopted Medical Loss Ratio (MLR) requirements for Medicaid and Children's Health Insurance Program (CHIP) managed care programs. One of the requirements is that a state must require each Medicaid managed care plan to calculate and report an MLR for rating periods starting on or after July 1, 2017. Each CHIP managed care plan is required to calculate and report an MLR for rating periods for state fiscal years beginning on or after July 1, 2018.

Also, 42 CFR § 438.8(e)(4) states that the treatment of expenditures related to fraud prevention activities in the numerator of the MLR must be consistent with private market regulations noted at 45 CFR § 158.150. Based on current regulations, these expenditures are not allowed to be included in the private market MLR.

Finally, in accordance with 42 CFR § 438.5(c)(1), states must provide audited financial reports to the actuary, who determines capitation rates for the three most recent and complete years for the managed care entities. These reports must be specific to the Medicaid contract and in accordance with generally accepted accounting principles and generally accepted auditing standards.

Condition and Context:
ALA reviewed the Dental Managed Care program and the Provider-Led Arkansas Shared Savings Entity (PASSE) managed care program for compliance with the various managed care MLR requirements. As a result of procedures performed, the following deficiencies were noted:

Dental Managed Care:

- The calendar year 2021 MLR calculation for one of the two Dental Managed Care entities included expenditures related to fraud prevention activities, which is unallowable; these expenditures totaled $132,300. The total questioned costs related to the federal portion of these expenditures was $91,584 and $11,940 for Medicaid and CHIP, respectively.
- Audited financial reports were not provided to the actuary for the three most recent and complete years prior to the reporting period. As the Dental Managed Care program was effective beginning on January 1, 2018, audited financial reports from calendar years 2018, 2019, and 2020 should have been provided.

Finding Number:	**2022-026 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2005AR5021; 05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020, 2021 and 2022**
Compliance Requirement(s) Affected:	**Allowable Costs and Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
PASSE:

- The calendar year 2021 MLR calculation for one of the three PASSE entities included expenditures related to fraud prevention activities totaling $32,152, which is unallowable. There are no questioned costs related to these expenditures as the PASSE program does not require remittance to the State based on MLR results.
- Audited financial reports were not provided to the actuary for the three most recent and complete years prior to the reporting period. As the PASSE managed care program was effective beginning on March 1, 2019, audited financial reports from calendar years 2019 and 2020 should have been provided.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$91,584 (Medicaid)
$11,940 (CHIP)

Cause:
The Agency did not adequately develop or implement procedures to ensure that the various managed care MLR requirements were met.

Effect:
Failure to adequately develop and implement appropriate internal control procedures limits the Agency's ability to adequately monitor the program to ensure compliance.

Recommendation:
ALA staff recommend the Agency develop and implement control procedures for managed care MLR requirements for both the Dental and PASSE managed care programs to ensure the required audited financial reports are provided and that MLR calculations comply with federal regulations.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. Internal monitoring procedures will be developed to ensure that only allowable expenditures are included in dental managed care and PASSE MLR calculations. The Agency previously provided financial reporting templates to the actuary that determines capitation rates for managed care entities. Audited financial statements will be provided to the actuary going forward.

Finding Number:	**2022-026 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
	93.778 – Medical Assistance Program (Medicaid Cluster)
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2005AR5021; 05-2105AR5021; 05-2205AR5021 (Children's Health Insurance Program)**
	05-2105AR5MAP; 05-2205AR5MAP (Medicaid Cluster)
Federal Award Year(s):	**2020, 2021 and 2022**
Compliance Requirement(s) Affected:	**Allowable Costs and Cost Principles – Managed Care Medical Loss Ratio (PASSE and Dental)**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: 6/30/2023

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Finding Number:	**2022-027**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2205AR5021**
Federal Award Year(s):	**2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Noncompliance and Significant Deficiency**

Repeat Finding:
Not applicable

Criteria:
The Provider-Led Arkansas Shared Savings Entity (PASSE) program transitioned to a full-risk Managed Care Organization (MCO) model on March 1, 2019. The program covers services for behavioral health (BH) recipients and developmentally disabled (DD) recipients. To receive services through PASSE, an individual must have an independent assessment (IA) performed that designates him or her at the appropriate level of need to participate in the program.

The § 1915(c) Home and Community-Based Services Waiver, applicable to the DD population, requires that an IA be performed at least every three years. Appendix K flexibilities were granted by which an additional 12-month extension was allowed for the IAs effective beginning March 12, 2020.

§ 1915(i) of the Social Security Act, applicable to the BH population, which provides states the option to offer home and community-based services through the State's plan, requires that an IA be performed at least every 12 months. In addition, 42 CFR § 441.720(b) states that for reassessments, the IA of need must be conducted at least every 12 months and as needed when the individual's support needs or circumstances change significantly, in order to revise the service plan. Section 1135 flexibilities were granted by which an additional 12-month extension was allowed for the IAs effective beginning March 17, 2020.

Condition and Context:
ALA selected 40 PASSE recipients (all BH recipients) to determine if the following attributes had been met:

- An open eligibility segment for the recipient during the dates of service.
- A valid IA on file in effect for the dates of service.
- Appropriate amount paid in accordance with the actuarially determined rates.
- No disallowed fee-for-service claims paid for a recipient already covered by PASSE

Our review revealed an exception affecting payments for one BH recipient as detailed below:

- Sample item 36: The IA expired on May 3, 2022, and no other IA was completed prior to June 30, 2022. Payments for this recipient continued for dates of service from May 4, 2022 through June 30, 2022. Questioned costs totaled $2,054.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$2,054

(Known questioned costs greater than $25,000 are required to be reported. The auditor must also report known questioned costs when likely questioned costs are greater than $25,000.)

Cause:
The Agency did not adequately monitor the completion of IAs to ensure they were completed timely.

Finding Number:	**2022-027 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2205AR5021**
Federal Award Year(s):	**2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Managed Care (PASSE)**
Type of Finding:	**Noncompliance and Significant Deficiency**

Effect:
Gaps were revealed in the performance of the required IAs. As a result, payments were made outside the approved/updated dates of service.

Recommendation:
ALA staff recommend the Agency review and strengthen its independent assessment procedures to ensure they are completed timely and in accordance with federal regulations.

Views of Responsible Officials and Planned Corrective Action:
DHS disputes this finding. As noted by Legislative Audit, in accordance with the Families First Coronavirus Response Act (FFCRA), states must provide continuous coverage, through the end of the month in which the public health emergency period ends, to all Medicaid beneficiaries enrolled on or after March 18, 2020, regardless of any changes in circumstances or redeterminations at scheduled renewals that otherwise would result in termination. In this instance, DHS and its contractors responsible for scheduling and conducting assessments followed all established assessment procedures. But for the public health emergency, the Agency would have discontinued services until an assessment was completed.

Anticipated Completion Date: Complete

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Additional Comments from the Auditor:
The Families First Coronavirus Response Act (FFCRA) is applicable to all Medicaid and Medicaid expansion recipients. The deficiency above relates to payments coded to an ARKids B recipient. ARKids B recipients are not considered Medicaid or Medicaid expansion recipients.

Finding Number:	**2022-028**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Awarding Agency:	**U.S. Department of Health of Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 45 CFR § 75.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statues, regulations, and terms and conditions of the award.

The Agency is responsible for determining Children's Health Insurance Program (CHIP) recipients meet the eligibility criteria as specified in its approved State Plan. Eligibility requirements for CHIP are outlined in the Arkansas Medical Services Manual. The Manual contains specific CHIP policies and procedures and is in addition to the approved State Plan.

The State's ARKids First program includes three separate recipient aid categories under which children receive benefits. Placement in these categories is determined based on monthly household income and a Federal Poverty Level (FPL) percentage.

1. ARKids A (Medicaid) is funded through the Medical Assistance Program grant and provides coverage as follows:
   - Children under the age of 6 with household income up to 142% of the FPL.
   - Children aged 6 - 18 with household income up to 100% of the FPL.
2. ARKids A (MCHIP) is funded through the CHIP grant in accordance with the Affordable Care Act and provides coverage to children aged 6 - 18 with household income over 100% of the FPL up to 142% of the FPL.
3. ARKids B is funded through the CHIP grant and provides coverage to children up to the age of 19 with household incomes from 142% of the FPL up to 211% of the FPL. Once determined eligible, recipients remain eligible for a 12-month period, regardless of changes in household income.

Condition and Context:
The State received approval for a CHIP Public Health Emergency (PHE) state plan amendment that became effective on March 18, 2020, and, in accordance with CMS guidance, allowed CHIP cases to be extended through the end of the PHE even if the recipient was determined ineligible at the time of redetermination. The amendment also allowed certain eligibility requirements to be waived through the duration of the PHE and included the following:

- Waived requirements related to timely processing of applications and renewals.
- Delayed processing of renewals and extended deadlines for families to respond to renewal requests.
- Delayed action on closure for certain changes in circumstances for CHIP beneficiaries. However, the following circumstances for closure will be allowed during the PHE:
  - ❖ Recipient ceases to be a resident of the state.
  - ❖ Voluntary closure.
  - ❖ Eligibility was due to fraud, abuse or perjury, or death.
- Waived co-payments for COVID-19 testing and treatment for the duration of the PHE.

Finding Number:	**2022-028 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Awarding Agency:	**U.S. Department of Health of Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):
On January 6, 2021, the Agency received updated guidance from CMS that specifically stated if information is received and processed regarding an enrollee and the State determines the enrollee ineligible for ARKIDS B, the State is required to process the termination and transfer the individual to Medicaid or the Exchange. The guidance further stated that the PHE amendment does not grant the State authority to extend eligibility periods for those determined ineligible for coverage under ARKids B.

ALA staff selected 60 CHIP recipients for review to determine that eligibility criteria were met. Our review revealed that five recipients, with claims totaling $6,398, were no longer eligible for ARKids B as follows:

- Sample Item 10: For one ARKids B recipient, a March 2021 redetermination indicated that the maximum household income had been exceeded, and coverage should have been terminated effective April 1, 2021. Claims were paid for service dates subsequent to April 1, 2021 through June 30, 2022, totaling $1,023, with the federal portion totaling $863.
- Sample Item 17: For one ARKids B recipient, a July 2021 redetermination indicated that the maximum household income had been exceeded, and coverage should have been terminated effective August 1, 2021. Claims were paid for service dates subsequent to August 1, 2021 through June 30, 2022, totaling $510, with the federal portion totaling $431.
- Sample Item 21: For one ARKids B recipient, multiple eligibility determinations were made during the year ended June 30, 2022, and are summarized below:
  - In April 2021, the eligibility system processed the recipient's annual renewal and properly determined the individual eligible for the ARKids B category. This recipient should have remained in this category for 12 months, according to program criteria.
  - In November 2021, the Agency received documentation supporting a change in household income reported in July 2021. As noted in bullet #1, the recipient was eligible for ARKids B until March 31, 2022. However, a program eligibility specialist improperly determined the recipient eligible for ARKids A and closed the recipient's ARKids B case.
  - In March 2022, the system performed an automatic renewal. As no significant changes in eligibility requirements were identified, including income, the system again determined the recipient to be eligible under the ARKids B recipient aid category. However, further review indicated that the recipient's household income was below 100% FPL, and the recipient should have been placed in the ARKids A (Medicaid) category.

  Claims incorrectly paid from CHIP, instead of Medicaid, totaled $106, with the federal portion totaling $89.
- Sample Item 53: For one ARKids B recipient, a September 2021 redetermination indicated that the maximum household income had been exceeded and coverage should have been terminated effective October 1, 2021. Claims paid for service dates subsequent to October 1, 2021 through June 30, 2022, totaled $4,354, with the federal portion totaling $3,678.
- Sample Item 54: For one ARKids A (M-CHIP) recipient, a March 2021 redetermination indicated that household income fell below 100% FPL, and as a result, the recipient was no longer eligible for ARKids A (M-CHIP) and should have been placed in ARKids A (Medicaid). Claims incorrectly paid from the CHIP grant for dates of service subsequent to the redetermination through June 30, 2022, totaled $1,588, with the federal portion totaling $1,337.

Finding Number:	**2022-028 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Awarding Agency:	**U.S. Department of Health of Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Eligibility**
Type of Finding:	**Material Noncompliance and Material Weakness**

Statistically Valid Sample:
Not a statically valid sample

Questioned Costs:
$6,398

(Known questioned costs greater than $25,000 for a type of compliance requirement are required to be reported. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned [likely questioned costs], not just the questioned costs specifically identified. The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program.)

Cause:
Errors in the Arkansas Integrated Eligibility System (ARIES) system resulted in improper eligibility determinations. Additionally, discussion with Agency personnel indicated that top-level Agency management chose to continue allowing the ARKIDS B eligibility segments to remain open, even though information was provided that should have resulted in an ineligible determination. This is in direct conflict with CMS guidance issued on January 6, 2021, clarifying that ARKids B cases MUST be closed once deemed ineligible.

Effect:
Expenditures were not accurately reported to the federal awarding agency, were not paid from the appropriate grant award, and were not funded at the appropriate federal rate.

Recommendation:
ALA staff recommend the Agency design and implement internal controls over compliance to ensure that recipients are placed in the appropriate ARKids First category.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency will review the incorrect eligibility determinations and identify and implement any needed updates to the automatic renewal process.

Anticipated Completion Date: 6/30/2023

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Finding Number:	**2022-029**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-029**.

Criteria:
According to section 140.000, Provider Participation, any provider of health services must be enrolled in the Arkansas Medicaid Program prior to reimbursement for any services provided to Arkansas Medicaid beneficiaries. Enrollment is considered complete when a provider has signed and submitted the following forms:

- Application.
- W-9 tax form.
- Medicaid provider contract.
- PCP agreement, if applicable.
- EPSDT agreement, if applicable.
- Change in ownership control or conviction of crime form.
- Disclosure of significant business transactions form.
- Specific license or certification based on provider type and specialty, if applicable.
- Participation in the Medicare program, if applicable.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) states that the State Medicaid Agency must revalidate the enrollment of all providers at least every five years. Revalidation includes a new application; satisfactory completion of screening activities; and, if applicable, fee payment. Screening activities vary depending on the risk category of the provider as follows:

- The limited-risk category includes database checks.
- The moderate-risk category includes those required for limited plus site visits.
- The high-risk category includes those required for moderate plus fingerprint background checks.

Condition and Context:
From a population of 5,941 providers, ALA staff reviewed files of 40 providers to ensure sufficient, appropriate evidence was provided to support the determination of eligibility, including compliance with revalidation requirements. Our review revealed deficiencies with four of the provider files as follows:

Limited-risk category:

- Sample item 4: The Agency failed to provide documentation of the provider's W-9 form that covered the entire enrollment period. Questioned costs totaled $3,685.
- Sample item 17: The Agency failed to provide documentation of the provider's professional license and certification that covered the entire enrollment period. Questioned costs totaled $16,789.

Finding Number:	**2022-029 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Material Noncompliance and Material Weakness**

Condition and Context (Continued):

- Sample item 34: The Agency failed to provide documentation of the provider's certification that covered the entire enrollment period. Questioned costs totaled $67,590.
- Sample item 40: The Agency failed to provide documentation of the provider's certification that covered the entire enrollment period. Questioned costs totaled $63.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$88,127

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to the timing of implementation of the new procedures, deficiencies continued to exist during fiscal year 2022.

Effect:
Claims were processed and paid to providers that did not meet all the required elements and, therefore, were ineligible.

Recommendation:
ALA staff recommend the Agency review and strengthen controls to ensure required enrollment documentation is maintained to support provider eligibility.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with, in part, and disputes, in part, this finding. The Agency has obtained all licensure and certification documentation covering the audit period. DMS is in the process of automating inclusion of current provider licensure and certification documentation into the MMIS. DMS disputes the questioned costs as CMS has approved Arkansas' request to temporarily cease revalidation, including screening, of Medicaid providers.

Anticipated Completion Date: 8/15/2023

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Additional Comments from the Auditor:
Deficiencies are determined based on support provided by the Agency and reviewed by auditors during an iterative process performed during fieldwork. The deficiencies above are not specific to timely revalidation requirements, which are further described above, but to lack of documentation primarily related to licensure and certification.

Finding Number:	**2022-030**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions –** **Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-030**.

Criteria:
According to section 140.000, Provider Participation, any provider of health services must be enrolled in the Arkansas Medicaid Program prior to reimbursement for any services provided to Arkansas Medicaid beneficiaries. Managed Care Network providers must also be enrolled in the Arkansas Medicaid Program. Enrollment is considered complete when a provider has signed and submitted the following forms:

- Application.
- W-9 tax form.
- Medicaid provider contract.
- PCP agreement, if applicable.
- EPSDT agreement, if applicable.
- Change in ownership control or conviction of crime form.
- Disclosure of significant business transactions form.
- Specific license or certification based on provider type and specialty, if applicable.
- Participation in the Medicare program, if applicable.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) states that the State Medicaid Agency must revalidate the enrollment of all providers at least every five years. Revalidation includes a new application; satisfactory completion of screening activities; and, if applicable, fee payment. Screening activities vary depending on the risk category of the provider as follows:

- The limited-risk category includes database checks.
- The moderate-risk category includes those required for limited plus site visits.
- The high-risk category includes those required for moderate plus fingerprint background checks.

Condition and Context:
To determine if Managed Care Network providers met all necessary criteria to participate in the Medicaid program, ALA staff selected 40 provider files from a population of 2,708 for review. The providers selected participated in the Dental managed care program, commonly referred to as Healthy Smiles, and the Provider-Led Arkansas Shares Savings Entity, or PASSE, managed care program. ALA review revealed deficiencies with five of the provider files as follows:

Moderate-risk category:

- Sample item 15: The Agency did not provide documentation of the provider's licensure covering the entire enrollment period. Ineligible costs totaled $10,711 (PASSE).
- Sample item 17: The Agency did not perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the provider's certification that covered the entire enrollment period. Ineligible costs totaled $501 (PASSE).
- Sample item 23: The Agency did not provide documentation of the provider's certification that covered the entire enrollment period. Ineligible costs totaled $207,286 (PASSE).

Finding Number:	**2022-030 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Limited-risk category:

- Sample item 19: The Agency did not provide documentation of the required W-9 form that covered the entire enrollment period. Ineligible costs totaled $404 (PASSE).
- Sample item 30: The Agency did not provide any of the required documentation (contract, application, W-9 form, disclosure forms, or the background check) that covered the entire enrollment period. Ineligible costs totaled $55,092 (Dental).

Total ineligible costs identified above totaled $55,092 for Dental Managed Care and $218,902 for PASSE.

NOTE: Because these providers are participating in the managed care portion of CHIP, providers are reimbursed by the managed care organizations, not the Agency. The managed care organizations receive a predetermined monthly payment from the Agency in exchange for assuming the risk for the covered recipients.

These monthly payments are actuarially determined based, in part, upon historical costs data. Accordingly, the failure to remove unallowable cost data from the amounts utilized by the actuary would lead to overinflated future rates, which will be directly paid by the Agency.

In addition, due to the Coronavirus pandemic, the Center for Medicare and Medicaid Services (CMS), under section 1135(b)(1)(B) of the Social Security Act, approved Arkansas's request to temporarily cease revalidation, including screening requirements, of providers who are located in Arkansas or are otherwise directly impacted by the emergency. This was effective as of March 1, 2020, and will continue until the termination of the public health emergency, including any extensions.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to the timing of the implementation of the new procedures, deficiencies continued to exist during fiscal year 2022.

Effect:
Claims were processed and paid to providers that did not meet all the required criteria.

Recommendation:
ALA staff recommend the Agency strengthen controls to ensure required enrollment documentation is maintained to support provider eligibility.

Finding Number:	**2022-030 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.767 – Children's Health Insurance Program**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5021; 05-2205AR5021**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions –** **Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency has obtained all licensure and certification documentation covering the audit period. DMS is in the process of automating inclusion of current provider licensure and certification documentation and enrollment documentation into the MMIS.

Anticipated Completion Date: 8/15/2023

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Finding Number:	**2022-031**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Benefit Payments (ARWorks/ARHOME)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
During the year ended June 30, 2022, the Arkansas Department of Human Services (DHS) participated in the Arkansas Works, Section 1115(a) demonstration waiver program (now referred to as Arkansas Health and Opportunity for Me [ARHOME]). This program enables the State to provide premium assistance to adults who are eligible for Medicaid under the new adult group in the purchase of coverage from qualified health plans (QHPs) offered on the Arkansas Exchange.

Eligibility requirements dictate that individuals in the Adult Expansion category (newly eligible) be between the ages of 19 and 64. The State also pays actuarially determined estimated monthly Advanced Cost Sharing Reduction (ACSR) payments to cover co-insurance and deductibles. Effective January 1, 2022, recipients' incomes determine the FPL bracket placement, which determines the estimated ACSR payment. These estimated payments are reconciled after the end of the plan year based upon actual utilization data for the covered recipients for the plan year from the QHPs.

Section 1115 demonstration waiver programs must be budget neutral, which means that expenditures must not be more than federal spending without the demonstration. Budget neutrality costs for these programs include premiums, cost sharing reduction payments, and any additional wrap-around costs. Wrap-around costs are costs that are required to be provided, such as non-emergency transportation and Early Periodic Screening, Diagnostic and Treatment (EPSDT) services for those individuals under the age of 21, but not covered under the QHPs.

Additionally, terms included in the Dental managed care program, Healthy Smiles, specifically exclude participation of adults made newly eligible under the Patient Protection and Affordable Care Act.

Condition and Context:
ALA staff reviewed data for 40 beneficiaries to determine if the proper premium and ACRS payments were made on behalf of the beneficiary and to ensure that no disallowed fee-for-service payments were paid for a recipient already covered by a QHP. Our review revealed the following deficiencies regarding seven beneficiaries:

- For two beneficiaries, the FPL percentage was not calculated correctly. As a result, the ACSR payments for the months of April, May, and June 2022 were not in accordance with the Agency's planned methodology. New FPL thresholds were effective April 1, 2022, and implemented in the Arkansas Integrated Eligibility System (ARIES) but not applied to these cases because of the case status in ARIES. There are no associated questioned costs with these cases.
- Dental managed care payments were made for five recipients, all newly eligible under the Patient Protection and Affordable Care Act, which is in conflict with the Healthy Smiles Waiver that specifically excludes participation of those individuals. Questioned costs totaled $590.

Our review was expanded because of the error noted above regarding dental managed care payments made on behalf of newly eligible individuals. As a result, $4,083,072 in additional questioned costs were identified for over 49,000 recipients. In addition, we identified 25 recipients within the expanded review that were under the age of 19 and would not be eligible for any payments under the Adult Expansion category. Further review of these cases revealed the following:

Finding Number:	**2022-031 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Benefit Payments (ARWorks/ARHOME)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):

- The Agency asserted that the root cause of the deficiency for 13 of the 25 items was data integrity issues (incorrect dates of birth) in the system. Utilizing information available in the Medicaid Management Information System (MMIS) claims payment system and the ARIES eligibility system, ALA was able to verify this assertion for 4 of the 13 recipients.
- The root cause of the deficiency for the remaining 12 items was not identified by the Agency and could not be determined based upon our review of the MMIS and ARIES systems.
- For 7 of the 25 recipients, more than one eligibility segment was open at a point in time.
- The Agency was unable to identify in which eligibility system (CURAM or ARIES) the error originated. All eligibility cases were transferred into ARIES by June 30, 2021. ALA reviewed information in MMIS and ARIES in an attempt to determine the origination but found different scenarios as follows:
  1) There were cases in which it appeared the error originated in CURAM and continued upon transfer to ARIES.
  2) There were cases in which it appeared the error originated in CURAM but did not continue upon transfer to ARIES.
  3) There were cases in which the error originated in ARIES.

An absolute conclusion regarding the cause could not be determined, and further review is warranted by the Agency.

Finally, it was determined that although the Agency asserted that the dental managed care payments were provided to serve the purpose of the required EPSDT wrap-around services for those under age 21, they were not included in the budget neutrality calculations for the program. Further review by the Agency is required to determine the amount that should have been included in the budget neutrality calculations.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$4,083,662

Cause:
The Agency did not adequately develop or implement procedures to ensure that the correct ARWorks/ARHOME ACSR payment amounts were consistently paid or that there were no inappropriate fee-for-service payments made while recipients were enrolled in a QHP. In addition, support could not be provided to ensure that all eligible expenses were included in the required budget neutrality calculations and that Adult Expansion aid eligibility segments were only opened for recipients between the ages of 19 and 64.

Effect:
Incorrect ACSR payments were made. Improper dental managed care payments were also made, resulting in questioned costs totaling $4,083,662. Required budget neutrality calculations were inaccurate as all wrap-around expenses were not included. Adult Expansion eligibility segments were opened in error for recipients under the age of 19.

Finding Number:	**2022-031 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Benefit Payments (ARWorks/ARHOME)**
Type of Finding:	**Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency strengthen controls to ensure that ARWorks/ARHOME ACSR payments are made properly, that there are no disallowed fee-for-service payments for a recipient already covered by a QHP, that the budget neutrality calculations are complete and include all relevant wrap-around expenses, and that there are no Adult Expansion eligibility segments open for individuals under the age of 19.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. DMS will amend the Healthy Smiles waiver to reflect that ARHOME clients who are 19 or 20 will receive dental benefits through dental managed care. All other ARHOME clients will continue to be excluded from the Healthy Smiles waiver. Additionally, the Agency will implement systems changes to ensure that clients who are not 19- or 20-years old cannot enroll in dental managed care plans and that clients under 19 cannot be accepted from the ARIES system as an ARHOME enrollee.

Anticipated Completion Date: 6/30/2023

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Finding Number:	**2022-032**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
The Arkansas Independent Assessment (ARIA) tool was utilized by the Arkansas Department of Human Services (DHS) contractor, OPTUM, to collect information to identify recipients' physical dependency needs and to determine those who require services provided through the Personal Care state plan program. Independent assessments must occur at least annually, with the exception of recipients who are enrolled in the ARChoices Home and Community-Based (HCB) waiver program. Effective December 31, 2020, once initially performed, independent assessments must occur as needed for ARChoices recipients.

Once recipients are deemed eligible, Personal Care hours are determined utilizing the Task and Hour Standards (THS), which is the written methodology used by the DHS Registered Nurses (RNs) or their contractors as the basis for calculating the number of Personal Care hours that are reasonably and medically necessary. Prior authorization letters or completed ARChoices Person-Centered Service Plans (PCSP) are then sent to the providers to serve as notification that the Personal Care services are authorized.

A Personal Care Individualized Service Plan (Individualized Service Plan), signed by a supervisor or RN, must be prepared and maintained by the provider. The Individualized Service Plan must be in accordance with the number of Personal Care hours authorized on the THS, and services received must be in accordance with the Individualized Service Plan. Individualized Service Plans are effective for up to one year from the date of the last ARIA. Effective April 1, 2021, the annual review and renewal of the Individualized Service Plan was suspended through December 31, 2022.

Condition and Context:
ALA staff reviewed data for 40 beneficiaries to determine if an ARIA, a THS document, a Prior Authorization or ARChoices PCSP, and an Individualized Service Plan were in effect for all dates of service for which claims were paid and to ensure that services were provided in accordance with the beneficiary's THS and Individualized Service Plan and did not exceed the maximum amount allowed. Our review revealed the following deficiencies regarding 14 beneficiaries:

- <u>Sample item 5:</u> Claims totaling $2,540 were paid without an ARIA in place for dates of service beginning December 1, 2021 through February 5, 2022.
- <u>Sample item 7:</u> Claims totaling $1,147 were paid without an ARIA in place for dates of service beginning September 17, 2021 through November 17, 2021.
- <u>Sample item 8:</u> Claims totaling $1,915 were paid without an ARIA in place for dates of service beginning December 2, 2021 through January 25, 2022.
- <u>Sample item 10:</u> Claims totaling $148 were paid without an ARIA in place for dates of service beginning June 25, 2021 through July 3, 2021.
- <u>Sample item 11:</u> Claims totaling $763 were paid without an ARIA in place for dates of service beginning December 1, 2021 through December 21, 2021.
- <u>Sample item 16:</u> Claims totaling $3,021 were paid without a THS document in place for dates of service beginning June 14, 2021 through September 6, 2021. (ARChoices Recipient)

Finding Number:	**2022-032 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
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):

- Sample item 19: Claims totaling $11,551 were paid without an Individualized Service Plan in place for dates of service beginning June 14, 2021 through June 16, 2022. (ARChoices Recipient)
- Sample item 20: Claims totaling $792 were paid without an Individualized Service Plan in place for dates of service beginning November 16, 2020 through December 31, 2020.
- Sample item 21: Claims totaling $12,872 were paid without an Individualized Service Plan in place for dates of service beginning September 3, 2021 through June 17, 2022. (ARChoices Recipient)
- Sample item 24: Claims totaling $14,572 were paid without an ARIA in place for dates of service beginning June 14, 2021 through June 17, 2022. (ARChoices Recipient)
- Sample item 28: Claims totaling $7,280 were paid without an Individualized Service Plan in place for dates of service beginning June 17, 2021 through June 17, 2022. (ARChoices Recipient)
- Sample item 32: Claims totaling $1,582 were paid without an Individualized Service Plan in place for dates of service beginning February 1, 2022 through May 27, 2022.
- Sample item 33: Claims totaling $2,616 were paid without an Individualized Service Plan in place for dates of service beginning June 14, 2021 through August 12, 2021. (ARChoices Recipient)
- Sample item 35: Claims totaling $2,744 were paid without an Individualized Service Plan in place for dates of service beginning June 7, 2021 through August 11, 2021.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
In accordance with the Families First Coronavirus Response Act (FFCRA), states must provide continuous coverage, through the end of the month in which the emergency period ends, to all Medicaid beneficiaries enrolled on or after March 18, 2020, regardless of any changes in circumstances or redeterminations at scheduled renewals that otherwise would result in termination. As a result, questioned costs were not calculated for the claims paid without a valid Arkansas Independent Assessment (ARIA), Task and Hours Standards (THS), or Personal Care Individualized Service Plan.

Cause:
Providers submit requests to OPTUM, the contractor responsible for completing ARIAs, through another DHS contractor, Kepro, for all non-ARChoices recipients, while DHS RNs within the Office of Long Term Care submit requests for all ARChoices recipients. According to the Agency, delays in submitting the referrals to OPTUM along with scheduling conflicts experienced by OPTUM when contacting recipients for the assessments contributed to deficiencies related to missing ARIAs.

The Agency asserts that the deficiency related to the missing THS was an isolated incident in which a DHS RN, who is no longer employed with the Agency, failed to create a THS for the recipient tested.

Providers create and maintain Individualized Service Plans. Although the Agency could obtain them for additional oversight and review, current policy and practice do not require providers to submit the Individualized Service Plans to the Agency or the contractor.

Finding Number:	**2022-032 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Activities Allowed or Unallowed – Home and Community-Based Services (Personal Care)**
Type of Finding:	**Noncompliance and Material Weakness**

Effect:
Amounts paid were in excess of amounts authorized.

Recommendation:
ALA staff recommend the Agency review and strengthen its policies and procedures to ensure that an ARIA, a THS, and a valid and current Individualized Service Plan support all amounts paid.

Views of Responsible Officials and Planned Corrective Action:
DHS disputes this finding. As noted by Legislative Audit, in accordance with the Families First Coronavirus Response Act (FFCRA), states must provide continuous coverage, through the end of the month in which the public health emergency period ends, to all Medicaid beneficiaries enrolled on or after March 18, 2020, regardless of any changes in circumstances or redeterminations at scheduled renewals that otherwise would result in termination. Five sample items noted that claims were paid without an ARIA in place. In all five instances, DHS and its contractors responsible for scheduling and conducting assessment followed all established assessment procedures. But for the public health emergency, the Agency would have discontinued services until an assessment was completed. Legislative Audit also notes the Agency could not provide either a THS document or Individualized Service Plan for clients receiving personal care services through the ARChoices Program. While providers are required to create and maintain THS documents and Individualized Service Plans for each client, these documents are not required to be submitted as part of a prior authorization request. In order for clients to receive personal care services through the ARChoices Program, they must have an authorized Person-Centered Service Plan (PCSP). All clients reviewed as a part of Legislative Audit's sample had active PCSP's for the dates of service reviewed.

Anticipated Completion Date: Complete

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Additional Comments from the Auditor:
ALA is unable to identify what, specifically, the Agency disputes. Items are noted as deficient without associated questioned costs due to the Families First Coronavirus Response Act (FFCRA) requirements. As noted above, the review was performed to determine if there was an ARIA, a THS document, a Prior Authorization or ARChoices PCSP, and an Individualized Service Plan in effect. Only those items that were deficient are included in the Condition and Context portion of the finding.

Finding Number:	**2022-033**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medicaid Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-025**.

Criteria:
42 CFR § 430.30(c) requires submission of a quarterly statement of expenditures report (CMS-64) for the Medical Assistance Program (MAP) no later than 30 days after the end of each quarter. Amounts reported on the CMS-64 must be an accurate and complete accounting of actual expenditures.

Condition and Context:
ALA staff performed testing of expenditures reported on the CMS-64 for the quarters ending December 31, 2021, and March 31, 2022, to confirm accuracy and completeness with the expenditures recorded in the Agency's financial management system. ALA review revealed the following errors:

- From the December 31, 2021, CMS-64 report, 20 line items totaling $1,617,677,418 and representing 88.48% of MAP expenditures were selected. ALA identified an uncorrected error regarding the line item for "Medicaid Health Insurance Payments: Coinsurance and Deductibles," resulting in an understatement of the federal portion of expenditures totaling $26,144,906.

  According to the Agency, this was a special payout on December 31, 2021, that was not picked up by the DMS General Operations staff in week #27. As a result, it was not included on the quarterly payout by the category of service used to prepare the reporting workbooks.
- From the March 31, 2022, CMS-64 report, 21 line items totaling $1,724,737,110 and representing 84.33% of MAP expenditures were selected. ALA identified uncorrected errors affecting four line items, resulting in a net understatement of the federal portion of expenditures totaling $10,654,640. The line items affected were 1) Drug Rebate Offset – National Agreement, 2) Medicaid Health Insurance Payments: Managed Care Organizations, 3) Prepaid Ambulatory Health Plan, and 4) Non-Emergency Medical Transportation – Regular Payments.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$36,799,546

Cause:
The Agency failed to adequately review line item calculations for accuracy prior to submitting quarterly CMS-64 reports.

Effect:
Expenditure amounts reported on the quarterly statement of expenditures report (CMS-64) were understated for the Medical Assistance Program; therefore, the Agency claimed less federal funding for the expenditures than was allowable.

Finding Number:	**2022-033 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medicaid Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Reporting**
Type of Finding:	**Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency perform a thorough review of report calculations for accuracy prior to submitting the quarterly CMS-64 reports; review and verify the accuracy of the supporting documentation for all manual adjustments; and correct identified errors by entering prior-period adjustments on subsequent reports.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. DMS has developed and implemented an additional reconciliation process for the Quarterly NET Payout Report and has corrected a formula that is used to calculate program expenditures. The understatement of federal expenditures will be corrected through prior period adjustments on the CMS-64.

Anticipated Completion Date: 4/30/2023

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Finding Number:	**2022-034**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-032**.

Criteria:
According to section 140.000, Provider Participation, any provider of health services must be enrolled in the Arkansas Medicaid Program prior to reimbursement for any services provided to Arkansas Medicaid beneficiaries. Enrollment is considered complete when a provider has submitted the following forms:

- Application.
- W-9 tax form.
- Medicaid provider contract.
- PCP agreement, if applicable.
- EPSDT agreement, if applicable.
- Change in ownership control or conviction of crime form.
- Disclosure of significant business transactions form.
- Specific license or certification based on provider type and specialty, if applicable.
- Participation in the Medicare program, if applicable.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) states that the State Medicaid Agency must revalidate the enrollment of all providers at least every five years. Revalidation includes a new application; satisfactory completion of screening activities; and, if applicable, fee payment. Screening activities vary depending on the risk category of the provider as follows:

- The limited-risk category includes database checks.
- The moderate-risk category includes those required for limited, plus site visits.
- The high-risk category includes those required for moderate, plus fingerprint background checks.

Condition and Context:
From a population of 11,145, ALA staff reviewed files of 40 providers to ensure sufficient, appropriate evidence was provided to support the determination of eligibility, including compliance with revalidation requirements. Our review revealed deficiencies with three of the provider files as follows:

Moderate-risk category:

➢ Sample item 29: The Agency did not perform the additional screening requirement (site visit). In addition, the Agency did not provide documentation of the provider's licensure that covered the entire engagement period. Questioned costs totaled $5,061.

Finding Number:	**2022-034 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Limited-risk category:

- Sample item 6: The Agency failed to provide documentation of the provider's W-9 form that covered the entire enrollment period. Questioned costs totaled $30,276.
- Sample item 38: The Agency did not provide documentation of the provider's certification that covered the entire enrollment period. Questioned costs totaled $58,282.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$93,619

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to the timing of the implementation of the new procedures, deficiencies continued to exist during fiscal year 2022.

Effect:
Claims were processed and paid to providers that did not meet all the required elements and, therefore, were ineligible.

Recommendation:
ALA staff recommend the Agency strengthen controls to ensure required enrollment documentation is maintained to support provider eligibility.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs, in part, and disputes, in part, this finding.

Effective May 31, 2019, DMS established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider application documents, provider revalidation, site visits and fingerprint background requirements. The deficiency noted for the provider referenced in sample item 29 relates to non-compliance with site visit requirements pre-dating May 31, 2019. The provider was scheduled for a site visit after the implementation of the aforementioned procedures, but it was not conducted due to the suspension of site visits during the public health emergency, pursuant to an approved 1135 blanket waiver.

The Agency has obtained all enrollment and certification documentation covering the audit period for the other deficiencies. DMS is in the process of automating inclusion of current provider licensure and certification documentation into the MMIS.

Finding Number:	**2022-034 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Fee-for-Service)**
Type of Finding:	**Noncompliance and Material Weakness**

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

Anticipated Completion Date: 8/15/2023

Contact Person:
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Additional Comments from the Auditor:
Deficiencies are determined based on support provided by the Agency and reviewed by auditors during an iterative process performed during fieldwork.

Finding Number:	**2022-035**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-033**.

Criteria:
According to section 140.000, Provider Participation, any provider of health services must be enrolled in the Arkansas Medicaid Program prior to reimbursement for any services provided to Arkansas Medicaid beneficiaries. Managed Care Network providers must also be enrolled in the Arkansas Medicaid Program. Enrollment is considered complete when a provider has submitted the following forms:

- Application.
- W-9 tax form.
- Medicaid provider contract.
- PCP agreement, if applicable.
- EPSDT agreement, if applicable.
- Change in ownership control or conviction of crime form.
- Disclosure of significant business transactions form.
- Specific license or certification based on provider type and specialty, if applicable.
- Participation in the Medicare program, if applicable.

42 CFR § 455.414 (effective March 25, 2011, with an extended deadline of September 25, 2016, for full compliance) states that the State Medicaid Agency must revalidate the enrollment of all providers at least every five years. Revalidation includes a new application; satisfactory completion of screening activities; and, if applicable, fee payment. Screening activities vary depending on the risk category of the provider as follows:

- The limited-risk category includes database checks.
- The moderate-risk category includes those required for limited, plus site visits.
- The high-risk category includes those required for moderate, plus fingerprint background checks.

Condition and Context:
To determine if Managed Care Network providers met all necessary criteria to participate in the Medicaid program, ALA staff selected 40 provider files from a population of 5,902 for review. The providers selected participated in the Dental managed care program, commonly referred to as Healthy Smiles, and the Provider-Led Arkansas Shared Savings Entity (PASSE) managed care program. ALA review revealed deficiencies with three of the provider files as follows:

High-risk category:

- Sample item 23: The Agency did not provide documentation of the provider's accreditation that covered the entire engagement period. Ineligible costs totaled $111.

Finding Number:	**2022-035 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Condition and Context (Continued):
Moderate-risk category:

- Sample item 22: The provider's revalidation was due by July 29, 2019, but was never performed. In addition, the Agency did not provide documentation of the provider's accreditation that covered the entire engagement period. Finally, the Agency did not perform the additional screening requirement (site visit). Ineligible costs totaled $8.

Limited-risk category:

- Sample item 8: The provider's revalidation was due by September 25, 2016, but was never performed. In addition, the Agency did not provide documentation of the provider's signed disclosure forms or the standard background check performed by the Agency. Ineligible costs totaled $797.

All ineligible costs identified above were PASSE payments totaling $916.

NOTE: Because these providers are participating in the managed care portion of Medicaid, providers are reimbursed by the managed care organizations, not the Agency. The managed care organizations receive a predetermined monthly payment from the Agency in exchange for assuming the risk for the covered recipients.

These monthly payments are actuarially determined based, in part, upon historical costs data. Accordingly, the failure to remove unallowable cost data from the amounts utilized by the actuary would lead to overinflated future rates, which will be directly paid by the Agency.

In addition, due to the Coronavirus pandemic, the Center for Medicare and Medicaid Services (CMS), under section 1135(b)(1)(B) of the Social Security Act, approved Arkansas's request to temporarily cease revalidation, including screening requirements, of providers who are located in Arkansas or are otherwise directly impacted by the emergency. This was effective as of March 1, 2020, and will continue until the termination of the public health emergency, including any extensions.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
The Agency had asserted that, effective May 31, 2019, it established and implemented new procedures to improve the following areas of provider enrollment: maintenance of provider enrollment application documents, provider revalidation, site visits, and fingerprint background requirements. However, due to the timing of the implementation of the new procedures, deficiencies continued to exist during fiscal year 2022.

Effect:
Claims were processed and paid to providers that did not meet all the required elements.

Recommendation:
ALA staff recommend the Agency strengthen controls to ensure required enrollment documentation is maintained to support provider eligibility.

Finding Number:	**2022-035 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with, in part, and disputes, in part, this finding. The Agency has obtained all accreditation documentation for each provider covering the audit period. DMS is in the process of automating inclusion of current provider licensure and certification documentation into the MMIS.

The Agency disputes the two deficiencies in which it was noted that provider revalidation was not performed. In these two instances, the Agency relied upon screening of the providers performed by Medicare as permitted by 42 CFR §455.410(c)(1).

Anticipated Completion Date: Complete

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Additional Comments from the Auditor:
Deficiencies are determined based on support provided by the Agency and reviewed by auditors during an iterative process performed during fieldwork.

Finding Number:	**2022-036**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Medicaid Fraud Control Unit**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
A similar issue was reported in prior-year finding **2021-034**.

Criteria:
42 CFR § 433, Subpart F, establishes requirements for identifying overpayments to Medicaid providers and refunding the federal portion of identified overpayments to the federal awarding agency. The provisions apply to overpayments discovered by a state, by a provider and made known to the state, or through federal review.

Also, in accordance with 42 CFR § 433.320, an agency must refund the federal share of overpayments that are subject to recovery by recording a credit on its Quarterly Statement of Expenditures (form CMS-64). An agency must credit the federal share of overpayments on the earlier of (1) the CMS-64 submission due for the quarter in which the overpayment is recovered from the provider or (2) the quarter in which the one-year period following discovery, established in accordance with 42 CFR § 433.316, ends. A credit on the CMS-64 must be made whether or not the state has recovered the overpayment from the provider.

Finally, as stated in a CMS letter to the State Health Official, SHO #08-004, in accordance with Sections 1903(d)(2)(A) and (d)(3)(A) of the Social Security Act, states are required to return "the federal share of Medicaid overpayments, damages, fines, penalties, and any other component of a legal judgment or settlement when a State recovers pursuant to legal action under its State False Claims Act (SFCA)."

Condition and Context:
ALA performed procedures to verify overpayments identified by the Medicaid Fraud Control Unit (MFCU) were properly reported on the quarterly CMS-64 report. The following errors were discovered:

- Two payments representing restitution for a criminal conviction or settlement agreement, totaling $1,431, were not reported on the CMS-64 report. The federal share that should have been reported for MFCU related overpayments was $1,113.
- Unpaid restitution and fines balances from previous fiscal years, totaling $308,602, were not included on the CMS-64. The federal share that should have been reported was $240,154.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
$241,267

Cause:
Due to significant employee turnover, Agency accounts receivable staff did not have a complete understanding of the Medicaid reporting requirements regarding MFCU identified overpayments. As a result, supporting documents compiled for the MFCU overpayments were not properly prepared. In addition, records related to unpaid balances were not properly maintained for the Agency to adequately monitor past due balances and verify required report dates.

Effect:
The Agency failed to report all required restitution and other judgments on its CMS-64 reports.

Finding Number:	**2022-036 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Medicaid Fraud Control Unit**
Type of Finding:	**Noncompliance and Material Weakness**

Recommendation:
ALA staff recommend the Agency review and strengthen its accounts receivable procedures and provide adequate training to all individuals involved in collecting, recording, and reporting provider overpayments identified by MFCU.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The two restitution and fine payments were not reported due to a transition in the process for tracking overpayments. Both payments will be reported on the CMS-64 report. DMS is developing a process to track all unpaid restitution and fine balances associated with overpayments for which one year has lapsed since the date of discovery. All balances will be reported on the CMS-64 report.

Anticipated Completion Date: 4/30/2023

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Finding Number:	**2022-037**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Medicaid National Correct Coding Initiative (NCCI)**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
Effective October 1, 2010, states were required to incorporate National Correct Coding Initiatives (NCCI) methodologies, which promote correct coding, prevent coding errors, prevent code manipulation, reduce improper payments, and reduce the paid claims improper payment rate, into the Medicaid program, pursuant to the requirements of Section 6507 of the Affordable Care Act (section 1903(r) of the Act). The NCCI Medicaid Policy Manual and the NCCI Medicaid Technical Guidance Manual contain requirements for the implementation of the NCCI methodologies.

Section 2.0 of the NCCI Technical Guidance Manual requires states to implement and use in paying all applicable Medicaid claims the new quarterly Medicaid NCCI edit files on the first day of every calendar quarter corresponding to the effective date of the files. If the new quarterly Medicaid NCCI edit files are not implemented by the first day of the second month of the new calendar quarter, then the state must reprocess the claims with the new quarterly edits once implemented from the first day of the quarter until the day the edits were implemented.

Condition and Context:
ALA staff reviewed two quarters (July 1, 2021 – September 30, 2021 and January 1, 2022 – March 31, 2022) to ensure that NCCI edits were implemented in the Medicaid Enterprise System (MES) timely, no later than the first day of the calendar quarter for which the edits were applicable.

The review revealed that for the quarter beginning January 1, 2022, the NCCI edits were not implemented in the MES system until February 24, 2022. In addition, as of the fieldwork date of November 8, 2022, the claims for that quarter had not been reprocessed as required. Although the final amount of improper payments (claims) will not be known until the claims have been reprocessed, the Agency and its contractor estimated that $65,984 would likely be identified as improper payments.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
Unknown

Cause:
A process with multiple steps, and involving multiple entities, must occur so that the NCCI edits are implemented timely, no later than the first day of the calendar quarter. For this particular quarter, the Agency asserted that the final version of the NCCI edit files were not available until December 15, 2021, when CMS published them. Once published, the files were not provided to the Agency's MES contractor from the Office of Medicaid Inspector General until December 27, 2021. The Agency was not provided with the request for approval of the edits by its MES contractor until January 7, 2022, and although the Agency submitted its approval to the MES contractor on January 21, 2022, the edits were not implemented until February 24, 2022.

Finding Number:	**2022-037 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Human Services**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**93.778 – Medical Assistance Program (Medicaid Cluster)**
Federal Awarding Agency:	**U.S. Department of Health and Human Services**
Federal Award Number(s):	**05-2105AR5MAP; 05-2205AR5MAP**
Federal Award Year(s):	**2021 and 2022**
Compliance Requirement(s) Affected:	**Special Tests and Provisions – Medicaid National Correct Coding Initiative (NCCI)**
Type of Finding:	**Noncompliance and Material Weakness**

Effect:
The NCCI edits were not implemented timely, which resulted in an estimated $65,984 of improper claims payments.

Recommendation:
ALA staff recommend the Agency strengthen controls to ensure the quarterly NCCI edits are implemented timely, no later than the first day of the calendar quarter.

Views of Responsible Officials and Planned Corrective Action:
DHS concurs with this finding. The Agency has developed a process in collaboration with its MMIS vendor to ensure timely updates of NCCI edits. For the quarter beginning on January 1, 2022, the Agency reprocessed claims with the new quarterly edits on December 1, 2022.

Anticipated Completion Date: Complete

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ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
DEPARTMENT OF EDUCATION
FOR THE YEAR ENDED JUNE 30, 2022

Finding 1:
R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide states that "the bonded disbursing officer for each state agency, board, commission, or institution is responsible for…reporting any losses of state funds to the chief Fiscal Officer of the State and to the Division of Legislative Audit. Losses include…the apparent theft or misappropriation of state funds or property theft." The Arkansas Department of Education notified us of the following theft of state property:

- On September 7, 2022, an employee's laptop computer with a cost of $2,720 was stolen from the employee's personal vehicle while located at Two Rivers Bridge between approximately 4:30 and 7:30 p.m. Incident and police reports were filed.

Recommendation:
We recommend the Agency continue to monitor and strengthen controls related to the safeguarding of assets to prevent future occurrences of theft.

Agency Response:
Management agrees with the audit finding, as stated. As required, ADE notified ALA of a theft of state property in a letter dated September 15, 2022. ADE will continue to monitor and strengthen internal controls and procedures for safeguarding assets to prevent future occurrences of theft, and to comply with reporting requirements.

Finding 2:
The Agency is required to record amounts due for student loans, in accordance with Ark. Code Ann. §§ 19-2-304 and 6-81-1103.

The Arkansas Division of Higher Education (ADHE) oversees two state-funded student loan programs. Students who receive the loans may be eligible to have the loans forgiven if they meet certain criteria; students not meeting the criteria are placed in repayment status. The Agency maintains student loan subsidiary ledgers to track changes to total loan balances throughout the year. The subsidiary ledgers are then used to adjust loans receivables in AASIS during the fiscal year-end closing process.

Review of 44 individual student loan files revealed unauthorized and undocumented forgiveness of dental loans receivable, resulting in a loss to the State totaling $82,007, due to lack of management oversight as follows:

- Two instances of unauthorized forgiveness of dental loans resulted in a loss to the State totaling $44,958. Forgiveness was not warranted due to requirements not being met; specifically, recipients did not practice in the field of dentistry in Arkansas for one calendar year of uninterrupted service for each year a loan was received.
- One instance of undocumented forgiveness of dental loans resulted in a loss to the State totaling $37,049. Forgiveness was not warranted due to inadequate documentation of service requirement.

In addition, in one instance totaling $12,475, forgiveness of an outstanding student loan balance should have been granted in the preceding fiscal year due to documentation received on September 29, 2020, but the loan balance was not discharged as of June 30, 2022.

Recommendation:
We recommend the Agency continue to review the subsidiary ledgers to ensure receivables are accurately reported and strengthen procedures to ensure student loan files are maintained, regularly monitored, and updated. In addition, we recommend the Agency pursue recoupment of funds.

Agency Response:
Management agrees with the audit finding, as stated. In response, a written checklist has been developed for the loan forgiveness program to ensure the employee receives all necessary documentation before awarding funds, and an additional level of review of the documentation by a supervisor has been implemented. A more comprehensive review of outstanding approved awards has also been implemented to ensure that there are no instances of students being awarded a grant with the funding for that award months later. In addition, a revised paper document retention policy has been implemented to ensure records are available when scanned documents are illegible.

With the implementation of the new scholarship management system which will be active in Fiscal Year 2024, the loan forgiveness processes will become more automated and eliminate the likelihood of recurrence of this error.

Regarding recoupment of funds, the Division is following up with individuals regarding the unauthorized and undocumented loan forgiveness. If proper documentation is not provided by the individuals to meet the forgiveness criteria, notice of the amount due to the Division will be issued; if the balance is not paid the account will be placed with the Division's collection partner to attempt collection on the accounts.

Finding 3:
In accordance with Ark. Code Ann. § 6-81-605, the Teacher Opportunity Program (TOP) may provide reimbursements to employed teachers up to, but not in excess of, the cost of their student fees, books, and instructional supplies for additional education in science, technology, engineering, or mathematics fields; computer science; literacy or reading; prekindergarten education; or special education.

In addition, Ark. Code Ann. § 6-81-1606 states the State Teacher Education Program (STEP) shall be used to provide a federal student loan repayment for licensed teachers who graduated from a teacher education program after April 2004 and teaches in (1) a public school located in a critical geographical shortage area of the state or (2) a critical subject area. The amount of the loan repayment is $3,000 and an additional $1,000 for a minority teacher.

ALA staff reviewed 32 TOP and 32 STEP expenditures at the Division of Higher Education to determine if adequate documentation was maintained and payments were correctly calculated based on supporting documentation. The review revealed unauthorized and undocumented disbursements, resulting in a loss to the State totaling $4,994, due to lack of management oversight as follows:

- Eight TOP transactions resulted in an unauthorized net overpayment of $4,034 due to incorrectly calculated disbursements based on the supporting documentation located in the Division's electronic database.
- One STEP awardee's federal student loan balance was paid in full by the Division, resulting in an undocumented overpayment of $960, without ensuring that all requirements were met prior to processing the scholarship payment.

In addition, one STEP transaction resulted in an underpayment of $1,000 due to the Division's failure to review the award recipient's application for minority status prior to processing the scholarship payment.

Recommendation:
We recommend the Agency review each scholarship program's rules and regulations prior to the disbursement of funds, strengthen internal controls, and ensure adequate supporting documentation is on file for all transactions. In addition, we recommend the Agency pursue recoupment of these funds.

Agency Response:
Management agrees with the audit finding, as stated. Additional training has been implemented for employees overseeing the TOP and STEP programs; a checklist for each program has been developed to ensure all requirements are satisfied for applicants before an award is issued.

The new scholarship management system will require submission of the supporting documentation by the applicant when they initially apply; the process will also become more automated and eliminate the likelihood of these types of errors.

Regarding recoupment of funds, the Division is following up with individuals regarding the overpayments. Notice of the amount due to the Division will be issued; if the balance is not repaid, the account will be placed with the Division's collection partner to attempt collection on the accounts.

Finding 4:
Regulation R4-19-4-501 of the Department of Finance and Administration (DFA) Financial Management Guide states that good internal controls dictate daily deposits to the Treasury and/or a commercial bank account, and weekly deposits are allowable if minimal amounts of cash and/or checks are received. A receipt must be issued for each payment received in person. Testing of Treasury receipts and commercial bank deposits revealed the following deficiencies at the Division of Higher Education:

- Three checks, totaling $663,103, received by the Division were deposited ranging from 12 to 46 days after the receipt date.
- A receipt was not issued for one check, totaling $109, received in-house from management.

Recommendation:
We recommend the Agency strengthen internal controls by adhering to DFA's Financial Management Guide to ensure all revenues are receipted properly and deposited timely to reduce the risk of loss or theft of funds.

Agency Response:
Management agrees with the audit finding, as stated. Additional tracking protocols have been implemented by the Division for all checks received within each office. The Finance staff will review the logs weekly to track and inform management if there are any checks that have not been submitted for deposit. New receipt books have been purchased for the Division to ensure any checks received have appropriate receipt documentation.

State of Arkansas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Finding Number:	**2022-019**
State/Educational Agency(s):	**Arkansas Department of Education**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**84.425 – COVID 19: Education Stabilization Fund – CARES Act**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**S425C200051; S425C210051; S425D200039; S425D210039; S425U210039; S425W210004**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring**
Type of Finding:	**Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.303(a), a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the grant award.

In addition, 2 CFR § 200.332(f) states that all pass-through entities must verify that every subrecipient with federal expenditures totaling $750,000 or more receive a Single Audit as required by Uniform Guidance.

Finally, 2 CFR § 200.332(d)(1) and (2) state that the pass-through entity is responsible for reviewing subrecipient financial reports and audits and ensuring that the subrecipient has taken appropriate action on any deficiencies identified.

Condition and Context:
Historically, the Agency's internal auditor maintained an audit log that was used to record the receipt of annual audit reports from local educational agencies (LEAs), select nonprofit organizations, and private institutions of higher education and document whether corrective action was taken on any reported deficiencies, as applicable.

During fiscal year 2022, the Agency's internal auditor resigned. Because the Agency has been unable to fill the position, it transferred the audit log responsibility to another staff member, who resigned during fiscal year 2023. As a result, the audit log has not been consistently maintained; therefore, the Agency is not in compliance with the terms of the grant award.

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
Agency management did not ensure the audit log was maintained after the resignation of two staff members.

Effect:
Failure to monitor subrecipients could result in undetected noncompliance with program requirements.

Recommendation:
ALA staff recommend the Agency provide necessary training to multiple staff members to ensure full compliance with subrecipient monitoring requirements.

Finding Number:	**2022-019 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Education**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**84.425 – COVID 19: Education Stabilization Fund – CARES Act**
Federal Awarding Agency:	**U.S. Department of Education**
Federal Award Number(s):	**S425C200051; S425C210051; S425D200039; S425D210039; S425U210039; S425W210004**
Federal Award Year(s):	**2020 and 2021**
Compliance Requirement(s) Affected:	**Subrecipient Monitoring**
Type of Finding:	**Noncompliance and Material Weakness**

Views of Responsible Officials and Planned Corrective Action:

The Arkansas Department of Education (ADE) has reviewed the finding related to the 84.425 – Education Stabilization Fund, which will be included in the Statewide Single Audit. Management has designated two individuals within the Fiscal Services and Support unit to maintain the audit log and document the procedure to ensure compliance. The ADE Fiscal Services and Support unit will implement the audit log process for all local educational agencies (LEAs), and the Grants Coordinator will be responsible for select nonprofit organizations and private institutions of higher education. The Fiscal Services and Support unit will document the process to ensure continuity in the event of staffing changes. All documentation will be maintained on ADE's shared network drive to ensure that all documentation is readily available to the Finance division.

Anticipated Completion Date: 07/01/2023

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Finding:
As required by Section R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide, the Agency notified Arkansas Legislative Audit (ALA) of the following thefts of state property:

a) On September 29, 2020, a Bushmaster XM-15 rifle equipped with an Aimpoint Optic sight was stolen from a state vehicle parked at an employee's personal residence. Incident and police reports were filed. The value of the property taken was $1,166. (St. Francis County)

b) Between February 10 and February 11, 2021, a Stinger flashlight and a tactical vest (body armor) were stolen from a state vehicle parked at an employee's personal residence. Incident and police reports were filed. The value of the property taken was $855. (Garland County)

c) On April 18, 2022, the Agency discovered that catalytic converters were missing from two Arkansas Crime Information Center (ACIC) vehicles parked in ACIC parking. Incident and police reports were filed. The cost to repair vehicles was $521. (Pulaski County)

Recommendation:
We recommend the Agency continue to report losses of property when they occur.

Agency Response:
Corrective Action a): The Criminal Investigation Division (CID) of the Arkansas State Police (ASP) initiated an investigation into the theft and reported the serial number of the weapon as stolen in the ACIC database. It was determined during the investigation that the employee failed to properly secure the weapon in the correct gun rack. Disciplinary action was taken against the employee. The weapon has not been recovered at this time.

Corrective Action b): A police report of the theft was filed with the Garland County Sheriff's Office. No suspects have been identified in the theft and the stolen items have not been recovered.

Corrective Action c): A police report of the theft was filed with the Little Rock Police Department and the vehicles were repaired. The parking garage is accessible through badge entry or prepaid ticket. The owner of the parking garage has installed security cameras since the date of the theft.

Finding:
As required by Ark. Code Ann. § 19-4-1502, which is incorporated into the Department of Finance and Administration Financial Management Guide, the executive head of a state agency shall keep and maintain a record of all property of an agency. During our audit, 4 assets owned by the State Medical Board, 10 assets located within the northeast region, and 31 assets primarily at the central complex were selected for review. The Agency was unable to locate 1 asset at the State Medical Board and 1 asset from the northeast region. The unlocated assets have a combined historical cost of $24,054.

Recommendation:
We recommend the Agency strengthen controls and procedures to ensure compliance with state law regarding capital assets.

Agency Response:
Immediate Action: Regarding the Medical Board's 1 asset that could not be located, during the last week of August 2023, the Department of Health (DOH) Inventory Control Section reviewed the Board's assets/inventory listing and discovered that there were multiple listed items that could not be located, and the proper paperwork had not been filed with the Department of Finance and Administration (DFA) to remove them from the Board's inventory. On September 8, 2023, the Board along with assistance from Inventory Control submitted Credit for State Property Request forms and a letter to the DFA Deputy Director and Controller documenting a request to remove assets from their inventory list that could not be located. Also, the board provided documentation to DFA attesting to the items that had been turned in to Marketing & Redistribution (M&R) but not properly removed from their list of assets. This immediate action allowed for the Board's inventory listing to be current. Additionally, the Board has been instructed to remove items from their inventory when submitted to M&R in accordance with the Financial Management Guide Subchapter 15 – Property and Equipment Inventory.

Future Corrective Action: Effective with the Fiscal Year 2024 annual yearend inventory auditing procedures conducted by the DOH Inventory Control Section in June will include an on-site inventory test count to verify the accuracy of items. The Medical Board will be included in the FY24 test count along with other randomly selected DOH business areas. The results of the test count will be submitted to the DOH CFO by no later than July 7 each year.

Immediate Action: Regarding the DOH Northeast Region's 1 out of 10 assets not being located, the DOH Inventory Control Section contacted the local health unit that was recorded as having the missing item and determined that the item (a freezer) was not missing. The issue was that the serial number that was given to the Inventory Control Section was incorrect, which resulted in an erroneous number being listed on the assets list and, consequently, no asset coinciding with the serial number was able to be located. As of September 6, 2023, the correct serial number has been assigned to the freezer.

Future Corrective Action: Effective with the Fiscal Year 2024 annual yearend inventory auditing procedures conducted by the DOH Inventory Control Section in June will include an on-site inventory test count to verify the accuracy of items. Randomly selected programs and DOH business areas will be included in the annual test count. The results of the test count will be submitted to the DOH CFO by no later than July 7 each year. Department of Health leadership will monitor ongoing inventory tracking systems to certify that controls and procedures are in place to ensure compliance with state law regarding capital assets, specifically with the Financial Management Guide Subchapter 15 (Title 19, Chapter 4) – Property and Equipment Inventory.

Finding Number:	**2022-016**
State/Educational Agency(s):	**Arkansas Department of Health**
Pass-Through Entity:	**Not Applicable**
AL Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Material Noncompliance and Material Weakness**

Repeat Finding:
Not applicable

Criteria:
In accordance with 2 CFR § 200.302(b)(7), a non-federal entity must establish written procedures to implement and determine the allowability of costs in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements, as well as the terms and conditions of the federal award.

In addition, 2 CFR § 200.303(a) requires a non-federal entity to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the award. These controls should be in compliance with Green Book or COSO guidance.

Finally, 2 CFR § 200.317 states that when procuring property and services under a federal award, the State must follow the same policies and procedures it uses for procurements from its non-federal funds. The State will comply with 2 CFR §§ 200.321, 200.322, and 200.323 regarding contracting with small and minority businesses, domestic preferences for procurements, and procurement of recovered materials, respectively. In addition, every purchase order or other contract must include the clauses required by 2 CFR § 200.327, which include the following:

1) Contracts for more than the simplified acquisition threshold must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms and provide for such sanctions and penalties as appropriate.
2) Contracts in excess of $10,000 must address termination for cause and for convenience by the non-federal entity.
3) Include the equal opportunity clause.
4) Include a provision for compliance with the Davis-Bacon Act.
5) All contracts awarded in excess of $100,000 that involve the employment of mechanics or laborers must include a provision to compute the wages on the basis of a standard work week of 40 hours.
6) Include the Rights to Inventions.
7) Include the Clean Air Act.
8) Adhere to debarment and suspension rules.
9) Contractors that apply or bid for an award exceeding $100,000 must file the required certification regarding the Byrd Anti-Lobbying Amendment.

Condition and Context:
The Agency failed to establish documented control procedures for the suspension and debarment compliance requirement.

The Agency contracted with hospitals to provide staffed beds for COVID-19 patients. Discussion with Agency staff disclosed that a memorandum of agreement (MOA) and purchase order (PO) were provided to hospital administrators.

ALA reviewed 10 of the 15 contracts issued by the Agency to determine if the required contractual terms were included. Our review revealed that all 10 contracts did not include all required disclosures, specifically #1, #2, #7, and #9 from the above listing. In addition, the contracts did not contain a clause regarding domestic preferences.

Finding Number:	**2022-016 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Health**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Material Noncompliance and Material Weakness**

Statistically Valid Sample:
Not a statistically valid sample

Questioned Costs:
None

Cause:
Although the Agency had documented control procedures for the procurement piece of the compliance requirement area, it failed to document control procedures for the suspension and debarment compliance requirement area. Additionally, the Agency failed to ensure the contractual agreements met federal requirements.

Effect:
The Agency could potentially enter into agreements that violate federal or state regulations.

Recommendation:
ALA staff recommend the Agency establish and implement controls to ensure suspension and debarment requirements are met. Additionally, ALA staff recommend the Agency review federal regulations regarding contract requirements to ensure all applicable contract provisions are included in future contract documents.

Views of Responsible Officials and Planned Corrective Action:
During a peak time of the Coronavirus pandemic, the Arkansas Department of Health entered into memorandums of agreement (MOA) and purchase orders with hospitals to increase hospital bed capacity for COVID-19 patients throughout the state. We acknowledge that although the Department was in compliance with checking the suspension and debarment areas, we did not document our efforts appropriately and our existing policy does not include sufficient internal controls concerning this area.

Additionally, the Department acknowledges that it was not aware of all required disclosures listed within 2 CFR § 200.327 concerning the clauses that are required in every purchase order or other contract regarding contracting with small and minority businesses, domestic preference procurements, and procurements of recovered materials.

The following corrective action plan is being submitted for consideration and approval:

Finding Number:	**2022-016 (Continued)**
State/Educational Agency(s):	**Arkansas Department of Health**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

	Corrective Action	Important Dates	Method of Monitoring
1	The Arkansas Department of Health Procurement Support Branch will revise the current policy and procedures manual for contracts and subgrants to include the mandatory inclusion of the 9 clauses required by 2 CFR § 200.327 to be in all Agency contracts and subgrants. Please see the listing of the 9 required clauses below: 1) Contracts for more than the simplified acquisition threshold must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms and provide for such sanctions and penalties as appropriate. 2) Contracts in excess of $10,000 must address termination for cause and for convenience by the non-federal entity. 3) Include the equal opportunity clause. Include a provision for compliance with the Davis-Bacon Act. 4) All contracts awarded in excess of $100,000 that involve the employment of mechanics or laborers must include a provision to compute the wages on the basis of a standard work week of 40 hours. 5) Include the Rights to Inventions. 6) Include the Clean Air Act. 7) Adhere to debarment and suspension rules. 8) Contractors that apply or bid for an award exceeding $100,000 must file the required certification regarding the Byrd Anti-Lobbying Amendment.	June 2023 – Policy and Procedures will be updated and distributed to all ADH employees. July 1, 2023 – All contracts and subgrants will require the new clauses within each official document.	Each month, the ADH Procurement Branch Chief will submit a report to the Chief Financial Officer within the first 2 weeks of each month certifying the number of contracts and subgrants developed during the month and that the 9 clauses required by 2 CFR § 200.327 have been attached to each agreement and the that agreements have been monitored for compliance.

Finding Number: **2022-016 (Continued)**

State/Educational Agency(s):	**Arkansas Department of Health**
Pass-Through Entity:	**Not Applicable**
ALN Number(s) and Program Title(s):	**21.027 – COVID 19: Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)**
Federal Awarding Agency:	**U.S. Department of the Treasury**
Federal Award Number(s):	**SLFRP3627**
Federal Award Year(s):	**2021**
Compliance Requirement(s) Affected:	**Procurement and Suspension and Debarment**
Type of Finding:	**Material Noncompliance and Material Weakness**

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

	Corrective Action	Important Dates	Method of Monitoring
2	Upon being contacted by Arkansas Legislative Audit in January 2023 concerning a potential finding regarding the Arkansas Department of Health not verifying that all COVID-19 MOA recipients were not on the suspension and debarment listings, the Agency checked and confirmed that all vendors were not on the lists. Furthermore, to avoid future findings in this area, the Arkansas Department of Health Procurement Support Branch will add the requirement for all Agency buyers who develop contracts and subgrants for the Agency to begin taking screen shots when they have reviewed the suspension and debarment listings. They will print the screen shots a verification that they have check the listings and will include them within the hard files in the Procurement office.	March 2023 – Buyers within the ADH Procurement Support Branch will begin taking screen shots when they have reviewed the suspension and debarment listings for all contractors and subgrants.	Effective December 2023, a random sampling of ADH contracts and subgrants will be reviewed by the ADH Office of Finance to secure that screen shots of the suspension and debarment listings are on file for all agreements within the sampling. The findings of the sampling report will be submitted to the ADH Chief Financial Officer in January 2024. This monitoring effort will occur annually in December

Anticipated Completion Date: July 1, 2023 and March 31, 2023

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