

**ARKANSAS LEGISLATIVE AUDIT  
REPORT ON:  
DEPARTMENT OF CORRECTIONS  
FOR THE YEAR ENDED JUNE 30, 2024**

**Finding 1:**

In accordance with Ark. Code Ann. § 25-1-124, the Agency reported to Arkansas Legislative Audit unauthorized purchases on the Department's fuel credit card after an employee of the Division of Community Correction was observed purchasing fuel for personal use with a State-issued WEX fuel card. This information was forwarded to the Department's Internal Affairs section (DOC-IA), which investigated and identified numerous potentially fraudulent purchases between July 2022 and August 2024 totaling \$4,500. The employee who made these purchases was terminated in September 2024, and DOC-IA's investigation was forwarded to the Arkansas State Police.

**Recommendation:**

As Ark. Code Ann. § 19-4-1005 states, the responsibility for ensuring that only authorized expenditures are paid using state credit cards rests with the Agency, and as such, we recommend the Agency establish adequate internal controls over the review and payment of transactions charged to their department fuel cards.

**Agency Response:**

The Department of Corrections (DOC) first notified Legislative Audit by phone in March 2025 regarding the misappropriation of funds involving the improper use of a WEX fuel card by Stanley Smith. The WEX card used for these transactions was assigned to a state van that Mr. Smith operated daily to transport residents between headquarters and the Central Arkansas Community Correction Center.

The DOC Internal Investigation Unit was notified on August 30, 2024, of the matter and was completed on September 6, 2024. The result of the investigation was the termination of Mr. Smith on September 9, 2024. Upon completion of the internal investigation, the matter was referred to the Arkansas State Police for prosecution. Mr. Smith was booked on May 15, 2025 at Faulkner County Sheriff's Office and bonded out the next day. His pre-trial date is set for December 15, 2025, for fraudulent use of a credit card.

When the fleet was moved under the DOC Maintenance Section, there were only two employees working in the fleet section. With only two employees, it was extremely difficult to monitor a fleet, and WEX card transactions, of almost 830 vehicles across the DOC. A third position was added in the fleet section to help monitor the Wex card transactions daily; however, upon implementation of the new fleet telematics in the coming year, the DOC will be able to set parameters/limits on each Wex card for every vehicle.

The Fiscal Division was neither involved in nor aware of the internal investigation, which is why the matter was not reported immediately. A change to the DOC Internal Investigations policy has been initiated to provide that any matters involving Department funds will, when appropriate, be reported to the Fiscal Division upon completion of internal investigations.

**Finding 2:**

The ability of the Department of Corrections (DOC) to provide essential services to Arkansas corrections and law enforcement/criminal justice agencies relies heavily on the availability of an IT system partially supported by the Arkansas Division of Information Systems (DIS). Any number of events can interrupt the availability of those systems, including equipment failures, unforeseen natural disasters, or malicious cybersecurity attacks. When these events happen, DOC should have reliable backups of its systems and data, as well as a comprehensive plan to recover its most critical systems quickly.

DOC conducted a test of its disaster recovery plan in August 2022 for eOMIS (offender management software). Testing scheduled for fall of 2024 did not occur due to ongoing DIS projects. Testing the disaster recovery plan is vital to evaluating whether the plan would be effective in an actual disaster.

**Recommendation:**

DOC should design and test its disaster recovery plan to ensure systems and data can be restored within an acceptable period.

DOC should work with DIS to:

1. Determine the cause(s) of the inability to complete the disaster recovery test and implement necessary corrections or upgrades to ensure the backup facility and systems will operate adequately during future disaster recovery plan testing or actual disasters.
2. Conduct a disaster recovery plan test that includes eOMIS, after the cause(s) are identified and corrected.
3. Update and test the disaster recovery plan at least annually, document the results of testing, and identify corrective actions based on the results.

**Agency Response:**

In response to number one:

Department Chief Information Officer Clay Causey met with the Office of State Technology (OST) Unix Manager Ali Yavuzer, Chief Customer Relations Officer Donnie Matthews, and IT Administrator/Head of Data Centers Brian Fortson, and it was determined that the lack of a Disaster Recovery (DR) test for eOMIS in 2024 was due to several factors.

By 2024, OST had moved all DR testing to the new Lowell Data Center, which created two challenges that could not be resolved in time for testing:

1. The Lowell Data Center did not yet have the required Unix equipment needed for testing (part of the eOMIS solution runs on the Unix platform).
2. There was no ACI network fiber connection between the MAC Data Center, where eOMIS currently resides, and the Lowell Data Center.

The standard DR method is to perform a failover to Lowell, which, according to OST, has worked very well. However, the absence of Unix hardware at Lowell prevented testing. The eOMIS application is hosted on AIX (IBM's Unix) equipment, and this equipment was shipped to the Lowell Data Center on Wednesday, October 29th. The hardware is now online and ready for DR testing.

Another critical component—the lack of ACI network connectivity between MAC and Lowell—has also been addressed. The eOMIS equipment in the MAC Data Center has now been migrated to the new ACI network fabric used by Lowell and LR Data Centers.

To validate these changes, a failover test in the Training environment took place Tuesday, November 4, 2025. This allowed OST and DOC to install new ACI cards in the eOMIS equipment and test connectivity across the updated network fabric. Since a network change of this scale may reveal issues with routers, switches, or firewalls, running the test in the Training environment provided a safe, controlled setting with no impact on end users. Since the test was successful, we are ready to proceed with full DR testing.

In response to number two:

eOMIS Training environment test was successful. No issues were identified. The move of the eOMIS Production (PROD) and Query environments is imminent. Specific timing depends on availability of OST resources and eOMIS off-line time scheduling.

Once we have successfully moved PROD and Query to the ACI fabric and have an instance of each up in the Lowell Data Center, we will schedule a full DR test of both environments. This should be accomplished within two weeks of successful move of the Prod and Query environment.

As a reminder, daily restores of the eOMIS production database are performed and verified, and we remain confident in this process.

**ARKANSAS LEGISLATIVE AUDIT  
REPORT ON:  
DEPARTMENT OF HUMAN SERVICES  
FOR THE YEAR ENDED JUNE 30, 2024**

**Finding 1:**

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 Arkansas Legislative Audit (ALA) the apparent theft or misappropriation of public funds within five business days upon learning of the theft.

- The Agency notified ALA of the apparent theft of \$7,985 in public funds from the Disaster Supplemental Nutrition Assistance Program (DSNAP). By providing false or incomplete information to the Agency, 13 employees received disaster temporary food assistance benefits related to the March 31, 2023, tornadoes that impacted Pulaski County. The employment of the individuals was terminated, and the Agency referred all cases to the Pulaski County Prosecutor's Office. The improper payments have not been recovered.
- The Agency notified ALA of the apparent theft of \$5,837 in public funds from the Medicaid Program. By providing false information to the Agency, one employee received Medicaid benefits to which they were not entitled. The employment of the individual was terminated, and the Agency referred the case to the Pulaski County Prosecutor's Office. 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.

**Agency Response:**

DHS concurs with the finding. As of September 22, 2025, the Pulaski County Prosecutor's Office has obtained six convictions related to these cases with a total of \$3,320 in restitution awarded. Any losses not recovered through restitution may be eligible for recovery by the Agency through the Self-Insured Fidelity Bond Program. The Arkansas Governmental Bonding Board will review the findings of this audit when the prosecution of all individuals involved is resolved.

**Finding 2:**

R1-19-4-2004 of the State Financial Management Guide states that monies lost through improper redemption of checks shall be reported to 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.

On July 31, 2024, the Agency received an email notification from the Treasurer of State's Office stating that a state warrant issued on behalf of DHS, payable to the University of Arkansas at Little Rock (UALR), had been altered and cashed and that DHS would need to begin the affidavit process to get a new warrant issued to UALR. However, it was not until August 21, 2024, 15 business days later, that the Agency notified ALA of the theft of the \$609,609 warrant, in violation of Ark. Code Ann. § 25-1-124(b)(1)&(2). The payee line on the redeemed warrant was altered and replaced with the name of a private business, but the warrant amount and number remained unaltered. The Deputy Director and State Controller at the Department of Finance and Administration (DFA) became aware of the issue and notified the Federal Bureau of Investigation (FBI) on August 20, 2024. UALR completed the affidavit of forged warrant form on August 22, 2024, and the bank was notified of the altered warrant on August 23, 2024. The State's forgery claim was honored, and the funds were deposited into the Treasurer of State's account on November 13, 2024.

By not properly notifying ALA within five business days of learning of the theft, and by not diligently pursuing reimbursement of the claim timely, the Agency placed public funds at risk, which could result in a reimbursement claim not being honored by the financial institution.

**Recommendation:**

We recommend the Agency report any possible fraudulent activity to ALA and other applicable authorities within the timeframe specified by law.

**Agency Response:**

DHS concurs with the finding. The Agency has developed and implemented an internal control that requires finance staff to immediately notify the DHS Chief Financial Officer of any reports of forged warrants.

**Finding 3:**

Ark. Code Ann. § 19-4-1502 states that it is the responsibility of the executive head of each state agency to keep and maintain a record of all property of the agency belonging to the State of Arkansas. Policy P1-19-4-1503 of the State Financial Management Guide states that all items transferred, lost, stolen, destroyed, or sold must be promptly removed from the detail of capital assets. Additionally, the Agency's Capital Asset Policy 2000 states that Agency Divisions are to conduct an annual physical asset sighting.

While performing an observation of assets from a current capital asset listing dated April 16, 2025, we noted 5 of the 50 equipment items sampled, with a total purchase cost of \$58,962, could not be physically located for observation and/or properly identified for audit verification as follows:

- Three items could not be physically located; none of these items had been documented as lost, stolen, or obsolete prior to our sample testing.
- One item presented for observation had no identifying tag number maintained and/or no identifying serial number documented on the fixed asset listing of the Arkansas Administrative Statewide Information System (AASIS).
- One item was discovered as having been transferred to Marketing and Redistribution (M&R) in November 2023; however, the item remained on the fixed asset listing as a current, active item.

Additionally, 10 of the 50 items tested had documented dates in AASIS as being last inventoried two or more years ago (i.e., since the sample listing date of April 16, 2025).

During our review of asset acquisitions, deletions, and observations, we also noted the following:

- Two items were not capitalized at the correct amount.
- One item that was still on hand was removed from the AASIS fixed asset listing in error.
- One item sighted during observation did not match the description listed in the AASIS fixed asset listing.

Furthermore, we noted that the Agency paid approximately \$17,366 in error for sales tax levied on four vehicle purchases that were tax exempt under Ark. Code Ann. § 26-52-401(21)(A) and GR-37 of the Gross Receipts Tax Rules issued by DFA.

**Recommendation:**

We recommend the Agency strengthen controls over capital assets by performing annual physical sightings as well as ensuring management review AASIS asset information for accuracy and completeness. We further recommend the Agency review and follow Arkansas Code as well as the rules and policies issued by DFA.

**Agency Response:**

DHS concurs with the finding. Asset information has been updated in AASIS to reflect the status of the assets with noted deficiencies, and staff will be retrained on Agency asset management policies. The Agency will work with Department of Finance and Administration – Revenue Division to resolve the issues of the HDC's tax exempt status.

**State of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Finding Number:** 2024-014  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 93.558 – Temporary Assistance for Needy Families  
**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Federal Award Number(s):** 2301ARTANF and 2403ARTANF  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Reporting  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**  
Not applicable

**Criteria:**

In accordance with 2 CFR Part 170, recipients of federal grants are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) no later than the end of the month following the month in which the subaward was issued.

**Condition and Context:**

The Agency did not file any reports in state fiscal year 2024 for subrecipients with payments at or above \$30,000.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

None

**Cause:**

The Agency did not ensure staff were trained and knowledgeable regarding the requirements of Federal Funding Accountability and Transparency Act Subaward Reporting as described in 2 CFR Part 170.

**Effect:**

Failure to file Federal Funding Accountability and Transparency Act Subaward reports could result in the reduction or termination of future funding.

**Recommendation:**

ALA staff recommend the Agency provide necessary training to ensure full compliance with Federal Funding Accountability and Transparency Act Subaward reporting as described in 2 CFR Part 170.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. As of 2/25/25, DHS has reported all subrecipients with payments at or above \$30,000 for SFY24 and a documented procedure has been developed to address the reporting requirement.

**Anticipated Completion Date:** Completed

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-015  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 93.558 – Temporary Assistance for Needy Families  
**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Federal Award Number(s):** 2101ARTANF; 2201ARTANF; 2301ARTANF; 2403ARTANF  
**Federal Award Year(s):** 2021, 2022, 2023 and 2024  
**Compliance Requirement(s) Affected:** Reporting  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**  
Not applicable

**Criteria:**

In accordance with 45 CFR § 265.4, states are required to submit complete and accurate TANF financial reports within 45 days following the end of each quarter or be subject to a penalty.

**Condition and Context:**

ALA staff reviewed the submission dates for each of the quarterly reports submitted for the four quarters ending during the 2024 state fiscal year. Of the three reports that were required for the quarter ending September 30, 2023, all were submitted 30 days after the November 14, 2023, due date. Of the three reports that were required for the quarter ending June 30, 2024, all were submitted 120 days after the August 14, 2024, due date.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

None

**Cause:**

The Agency did not ensure that staffing was adequate to meet the reporting requirements for this grant.

**Effect:**

Failure to timely report grant expenditures could result in undetected noncompliance with program requirements and in potential penalties being assessed by the awarding agency.

**Recommendation:**

ALA staff recommend the Agency ensure that there is adequate staff to achieve full compliance with program reporting requirements.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. The timeliness of quarterly financial reports was impacted by the transition of the TANF program to DHS. The federal awarding agency did not permit the agency to file current TANF award reports until prior year's reports were submitted. DHS has now submitted all reports that are currently due and has one full-time staff working the TANF award and associated reports.

**Anticipated Completion Date:** Complete

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-016  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 93.558 – Temporary Assistance for Needy Families  
**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Federal Award Number(s):** 2301ARTANF and 2403ARTANF  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Subrecipient Monitoring  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**  
Not applicable

**Criteria:**

In accordance with 45 CFR § 75.352(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward, and that the subaward performance goals are achieved.

**Condition and Context:**

ALA staff reviewed the program monitoring documentation related to 18 grants awarded by the agency totaling \$19,770,361. Testing revealed that the pass-through entity did not have sufficient documentation necessary to ensure that the subaward performance goals were achieved for 7 of the 18 grants.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

None

**Cause:**

The Agency did not ensure staff were trained and knowledgeable regarding Uniform Guidance requirements for subrecipients.

**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.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. The agency has trained all TANF staff responsible for monitoring and has begun monitoring for all FFY2024 subgrants. Monitoring for all FFY2025 subgrants will begin after completion of monitoring for the FFY2024 subgrants.

**Anticipated Completion Date:** September 30, 2025

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-020  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 93.658 – Foster Care Title IV-E  
**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Federal Award Number(s):** 2301ARFOST; 2401ARFOST  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Reporting  
**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 statutes, regulations, and the terms and conditions of the award.

The Instructions for Completion of Form CB-496 provided by the federal awarding agency state, "Expenditures are considered made on the date the payment occurs, regardless of the date of receipt of the good or performance of the service."

Per the U.S. Department of Health and Human Services, the information reported on form CB-496, Title IV-E Programs Quarterly Financial Report, is reviewed by various components of the Administration for Children and Families (ACF) to award funds, determine the allowability of reported expenditures, and provide reports to Congress. Determinations regarding whether reported expenditures are eligible for federal funding under Title IV-E will be made in accordance with applicable federal statute, regulations, and policy.

**Condition and Context:**

The Agency's Division of Managerial Accounting staff prepare the required quarterly financial reports for the Title IV-E Foster Care federal program. The Agency uses the data from the DHS Cost Allocation system to track grant expenditures and provide information for reporting. The data within cost allocation is derived from expenditures posted to AASIS. The Agency's internal controls state that Managerial Accounting staff who are responsible for submitting the federal financial reports meet with staff from the Division receiving the grant to become familiar with the specifics of each grant award assigned and discuss and obtain approval of all financial reports prior to submission.

ALA completed a reconciliation between the CB-496 Title IV-E Foster Care Quarterly Financial Reports ended September 30, 2023, December 31, 2023, March 31, 2024, and June 30, 2024 and the data obtained from the DHS Cost Allocation system relating to the Title IV-E Foster Care Program. Testing revealed the Agency did not properly record expenditures on the CB-496 Title IV-E Foster Care Quarterly Financial Reports as follows:

- In one instance, for quarterly report ended September 30, 2023, the Agency failed to include Placement and Residential Licensing expenditures in the total administrative expenditures reported.
- In two instances, for quarterly reports ended December 31, 2023 and March 31, 2024, the Agency failed to report complete and accurate expenditures for training costs. For quarter ended December 31, 2023, no training expenditures were reported. For quarter ended March 31, 2024, the amount reported was for expenditures paid outside of the reporting period.
- In three instances, for quarterly reports ended December 31, 2023, March 31, 2024, and June 30, 2024, the Agency duplicated a portion of administrative expenditures. The expense was recorded both on lines 7 and 12a/12b of the report.
- In two instances, for quarterly reports ended March 31, 2024 and June 30, 2024, the Agency recorded a portion of administrative expenditures using data from the incorrect reporting period.
- In three instances, for quarters ended December 31, 2023 and March 31, 2024 (two report lines), the amount reported on the quarterly report did not match the Agency's supporting documentation.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-020 (Continued)  
**AL Number(s) and Program Title(s):** 93.658 – Foster Care Title IV-E

**Condition and Context (Continued):**

- In one instance, for quarterly report ended September 30, 2023, the current quarter claims reported on Line 7 (In-Placement Administrative Costs – Provider and Agency Management), and lines 12a/12b (Comprehensive Child Welfare Information System (CCWIS) Project Operational Costs) contained inaccurate amounts. The errors net and do not affect total costs reported for the quarter.
- In three instances, for quarterly reports ended December 31, 2024, March 31, 2024, and June 30, 2024, the Agency included non-Title IV-E Foster Care program code expenditures in the amount recorded as the CCWIS Project Operational Costs portion of administrative expenditures.

Errors noted above resulted in total understated expenditures of \$2,782,062 (federal portion \$2,182,579) for the quarterly reports for period ended September 30, 2023, December 31, 2023, March 31, 2024, and June 30, 2024.

ALA reviewed documentation supporting that managerial accounting staff obtained approval from the Division of Child and Family Services prior to submission of the quarterly CB-496 Title IV-E Foster Care financial reports. In one instance (quarter ended March 31, 2024), the documented review was dated after the report submission date. Additionally, the documented approval was not obtained by the proper division.

**Statistically Valid Sample:**

Not applicable

**Questioned Costs:**

None

**Cause:**

Per Agency written procedures, management has developed procedures for ensuring federal reports are accurate. A two-part review is required for the submitted quarterly reports. The Agency failed to properly complete the review of the quarterly reports prior to submission.

**Effect:**

Inaccurate data was submitted on the CB-496 Quarterly Title IV-E Foster Care Financial Report.

**Recommendation:**

ALA staff recommend the Agency strengthen controls over reporting to ensure that amounts reported are accurate, complete, and properly supported by the appropriate records and documentation to ensure compliance with federal laws and regulations. ALA staff also recommend the Agency continue to strengthen controls to ensure the quarterly CB-496 Title IV-E Foster Care Financial Report are properly reviewed prior to submission.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. Corrections have been made to the affected quarterly reports for SFY2024. New program codes for Placement and Residential Licensing expenditures were not included in prior reporting for Administrative Costs. Documented procedures for quarterly financial reporting will be revised to include more specific instructions for reporting expenditures and additional levels of review prior to report submission. Additional training on completion of quarterly financial reporting is being developed for DCFS Finance and Managerial Accounting-Grants Management staff.

**Anticipated Completion Date:** April 30, 2025

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-021  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 93.659 – Adoption Assistance  
**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Federal Award Number(s):** Various  
**Federal Award Year(s):** Various  
**Compliance Requirement(s) Affected:** Activities Allowed or Unallowed; Eligibility  
**Type of Finding:** Significant Deficiency

**Repeat Finding:**

A similar finding reported in prior-year finding **2023-016**.

**Criteria:**

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

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 statutes, regulations, and the terms and conditions of the award. These controls should be in compliance with Green Book or COSO guidance.
- Evaluate and monitor its compliance with the award.
- Take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings.

**Condition and Context:**

When an adoptive parent is no longer legally responsible for the support of the child (i.e., death of parent, termination of parental rights, child no longer receiving support from parent), the Adoption Unit must be notified in order to end the adoption subsidy. However, the notifications are not always timely, and the required information entered into the Children's Reporting and Information System (CHRIS) is delayed, resulting in payments made to parents past the subsidy end date. As a result, the Agency established internal control procedures to identify these types of payments, and the overpayment information is provided to the accounts receivable department for collection.

ALA obtained a report from Division of Children and Family Services (DCFS) staff that contained all subsidy overpayments identified by the Agency during state fiscal year (SFY) ended June 30, 2024. The report revealed subsidy overpayments for 29 clients with payments made to 23 providers. The total overpayments consisted of \$76,284 paid with federal funds and \$24,442 paid with state general revenue.

All overpayments identified by the Agency are unallowable uses of the federal program funds. It was noted during the prior two consecutive audits (SFY2020 and SFY2023) that the Agency did not have procedures in place to repay the federal portion of the overpayments identified to the federal awarding agency. As of the end of fieldwork for the SFY2024 audit, the Agency had not made efforts to establish procedures, nor had the Agency made efforts to repay the federal portion of the overpayments identified.

To test the operating effectiveness of controls over compliance, the auditor reperformed the application of the Agency's controls for overpayments. ALA reviewed documentation for five providers to ensure the overpayments were researched and properly submitted for collection and proper collection efforts were made by the accounts receivable department.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-021 (Continued)  
**AL Number(s) and Program Title(s):** 93.659 – Adoption Assistance

**Condition and Context (Continued):**

Reperformance of the application of the Agency's controls over overpayments revealed the following deficiencies:

- For three providers, the subsidy overpayment was recorded in the Agency's accounts receivable system (AROPTS) as "State Adoption" funding source category. This classification could result in the Agency applying any subsequently collected amounts to the State General Revenue account instead of the Federal Funding account when repayments are received.
- For two providers, the Notice of overpayments sent to the provider from the Accounts Receivable Unit incorrectly listed the overpayments as "Notice of Foster Care Overpayment." Additionally, the overpayment information on the Demand Notice and the Notice of Intent to Intercept State Income Tax Refund(s) did not reflect the correct balance for all subsidy payments identified as overpayments. The Agency's prior-year corrective action plan states the Accounts Receivable Unit in the Office of Finance has implemented systems changes that ensure all claims will generate a collections notice with the correct claims data. The Agency response to the prior-year finding was provided to DFA prior to the date this notice of overpayment was issued. It appears the Agency did not implement the corrective action plan as indicated.
- Two providers submitted multiple reimbursements totaling \$700 and \$6,800, respectively. From these amounts, reimbursements totaling \$2,500 were incorrectly coded to the Foster Care State General Revenue internal order and fund.
- Two payments for \$550 each were received from one provider and deposited in the Foster Care Trust Account as child support to offset the foster care board payment. The receivable balance was not properly reduced for this provider by \$1,100.

Further discussion with the Agency revealed that adjustments for these overpayments have not been made on the quarterly federal financial reports or communicated with the federal awarding agency.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

- \$ 706 – 2001ARADPT
- \$ 4,437 – 2101ARADPT
- \$ 16,049 – 2201ARADPT
- \$ 37,460 – 2301ARADPT
- \$ 17,632 – 2401ARADPT

**Cause:**

The internal control process for processing and collecting overpayments by the Accounts Receivable Unit is not adequate. Additionally, the adoption unit is not notified timely of events resulting in a subsidy ending.

**Effect:**

The federal awarding agency may require the State to pay back the overpaid funds.

**Recommendation:**

ALA staff recommend the Agency immediately update its internal control procedures document regarding the overpayment processes and provide relevant training to staff. Additionally, ALA staff recommend the Agency communicate with the federal awarding agency regarding proper procedures for repaying the unallowable costs.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-021 (Continued)  
**AL Number(s) and Program Title(s):** 93.659 – Adoption Assistance

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. The DHS Accounts Receivables Unit is developing documented procedures and controls addressing the process for entering adoption subsidy overpayments into the agency's accounts receivable system (AROPTS) and DCFS is updating documented procedures and training on reporting of collected overpayments to the Accounts Receivable Unit. System changes are also in process for AROPTS that will pull the adjusted balance for overpayments when a notice is being created.

**Anticipated Completion Date:** April 30, 2025

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-022  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 93.659 – Adoption Assistance  
**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Federal Award Number(s):** Various  
**Federal Award Year(s):** Various  
**Compliance Requirement(s) Affected:** Eligibility  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**

A similar finding was reported in prior-year finding **2023-015**.

**Criteria:**

Federal Adoption Assistance subsidy payments may be paid on behalf of a child only if all requirements are met, including the requirements below:

- In accordance with 45 CFR § 1356.40(b)(1), the adoption assistance agreement must be signed and in effect at the time of or prior to the final decree of adoption. The adoption assistance agreement is defined at 42 USC 675(3).
- The prospective adoptive parent(s) must satisfactorily have met a criminal records check, including a fingerprint-based check (42 USC § 671(a)(20)(A)). This involves a determination that such individual(s) have not committed any prohibited felonies in accordance with 42 USC § 671(a)(20)(A)(i) and (ii).

Additionally, per Division of Children and Family Services (DCFS) Policy, the official record of child welfare information for DCFS is maintained through the Children's Reporting Information System (CHRIS).

**Condition and Context:**

ALA staff reviewed 60 client adoption files to ensure sufficient, appropriate evidence was provided to support the Agency's determination of eligibility. The clients selected for testing had adoption legalization dates that spanned from April 2006 to May 2024. The review of the 60 client case files revealed deficiencies resulting in a total of \$151,567 in questioned costs paid with federal funds. The deficiencies are summarized below:

- One client file, with an adoption legalization date of June 26, 2018, contained a subsidy agreement that was signed and dated by the adoptive parent after the final decree of adoption. The subsidy agreement was signed by both adoptive parents on June 28, 2018. The adoptive parents received monthly subsidy payments from July 2018 through the present. Federal portion of questioned costs totaled \$23,976.
- One client file with an adoption legalization date of January 10, 2014 did not contain a signed subsidy agreement. The adoptive parents received monthly subsidy payments from January 2014 through the present. Federal portion of questioned costs totaled \$40,474.
- One client file, with an adoption legalization date of November 18, 2020, contained a subsidy agreement that was not legible, causing the signature and date signed by the adoptive parent to be unreadable. The Agency was unable to provide a legible copy of the signed subsidy. The adoptive parents received monthly subsidy payments from November 2020 through the present. The federal portion of questioned costs totaled \$16,317.

Additionally, the review of the household member compliance requirements revealed deficiencies as summarized below:

- One provider home, with an adoption legalization date of December 2, 2015, was an Interstate Compact on the Placement of Children (ICPC) placement. The Agency was unable to provide a copy of the required ICPC form provided by the state of Virginia documenting the compliance with eligibility provisions of the provider home, nor was the information maintained in CHRIS. The adoptive parents received monthly subsidy payments from December 2015 through the present. Federal portion of questioned costs totaled \$70,800.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-022 (Continued)  
**AL Number(s) and Program Title(s):** 93.659 – Adoption Assistance

**Statistically Valid Sample:**  
Not a statistically valid sample

**Questioned Costs:**

- \$ 2,505 – 1401AR1407
- \$ 3,487 – 1501ARADPT
- \$ 9,522 – 1601ARADPT
- \$ 10,788 – 1701ARADPT
- \$ 11,906 – 1801ARADPT
- \$ 14,638 – 1901ARADPT
- \$ 14,827 – 2001ARADPT
- \$ 19,791 – 2101ARADPT
- \$ 20,895 – 2201ARADPT
- \$ 21,093 – 2301ARADPT
- \$ 22,115 – 2401ARADPT

**Cause:**

DCFS did not maintain sufficient records to support the eligibility of federal adoption subsidy payments made on behalf of adopted children.

**Effect:**

DCFS did not have adequate documentation supporting the eligibility for federal adoption subsidy payments made on behalf of adopted children. The federal awarding agency may require recoupment.

**Recommendation:**

ALA staff recommend the Agency continue providing adequate communication with and training to appropriate personnel to ensure compliance with program requirements and retention of documentation.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with the finding. The agency updated its documented controls in March 2024 to require confirmation that agreements are signed by all parties before processing adoption subsidy packets and that all adoption files contain complete documentation. All findings occurred prior to the agency updating its documented controls.

**Anticipated Completion Date:** Complete

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-023  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 93.659 – Adoption Assistance  
**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Federal Award Number(s):** 2301ARADPT  
**Federal Award Year(s):** 2023  
**Compliance Requirement(s) Affected:** Reporting  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**  
Not applicable

**Criteria:**

In accordance with 45 CFR § 75.302, the auditee must provide an accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements.

Additionally, 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 statutes, regulations, and the terms and conditions of the award. These controls should be in compliance with Green Book or COSO guidance.
- Evaluate and monitor its compliance with the award.
- Take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings.

Per the U.S. Department of Health and Human Services, the information reported on form CB-496, Title IV-E Programs Quarterly Financial Report, is reviewed by various components of the Administration for Children and Families (ACF) to award funds, determine the allowability of reported expenditures, and provide reports to Congress. Determinations regarding whether reported expenditures are eligible for federal funding under Title IV-E will be made in accordance with applicable federal statute, regulations, and policy.

**Condition and Context:**

Managerial Accounting prepares the required quarterly financial reports for the Adoption Assistance federal program. The Agency uses the data from the DHS Cost Allocation system to track grant expenditures. The Agency's cost allocation system is used to provide information for reporting. The data within cost allocation is derived from expenditures posted to AASIS.

ALA completed a reconciliation between the CB-496 Adoption Assistance Quarterly Financial Reports ending September 30, 2023, December 31, 2023, March 31, 2024, and June 30, 2024 and the data pulled from the DHS Cost Allocation system relating to the Adoption Assistance Program. Testing revealed the Agency did not properly record all administrative expenditures on the CB-496 Adoption Assistance Quarterly Financial Reports as follows:

- Quarter ended September 30, 2023 – Administrative cost under reported in the amount of \$113,921.

**Statistically Valid Sample:**  
Not applicable

**Questioned Costs:**  
None

**Cause:**

Per Agency written procedures, management has developed procedures for ensuring federal reports are accurate. A two-part review is required for the submitted quarterly reports. The Agency failed to properly complete the review of the quarterly reports prior to submission.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-023 (Continued)  
**AL Number(s) and Program Title(s):** 93.659 – Adoption Assistance

**Effect:**

Inaccurate data was submitted on the CB-496 Quarterly Adoption Assistance Financial Report.

**Recommendation:**

ALA staff recommend the Agency strengthen controls over reporting to ensure that amounts reported are accurate, complete, and properly supported by the appropriate records and documentation to ensure compliance with federal laws and regulations. ALA staff also recommend the Agency continue to strengthen controls to ensure the quarterly CB-496 Adoption Assistance Financial Report is properly reviewed prior to submission.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. Corrections have been made to the affected quarterly reports for SFY2024. New program codes for Placement and Residential Licensing expenditures were not included in prior reporting for Administrative Costs. Documented procedures for quarterly financial reporting will be revised to include more specific instructions for reporting expenditures and additional levels of review prior to report submission. Additional training on completion of quarterly financial reporting is being developed for DCFS Finance and Managerial Accounting-Grants Management staff.

**Anticipated Completion Date:** April 30, 2025

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-024  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** N/A  
**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):** 05-2305AR3002, 05-2305AR5021, 05-2405AR5021  
05-2305AR5MAP, 05-2405AR5MAP  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Eligibility  
**Type of Finding:** Significant Deficiency

**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 statutes, regulations, and the 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.

**Condition and Context:**

The Agency has established system controls to identify Medicaid and CHIP recipients who are no longer eligible for the programs due to death or incarceration.

To identify unreported deceased recipients, monthly recipient data is “matched” to Arkansas Department of Health vital records data. Results of recipients “matched” to death records are uploaded to Arkansas Integrated Eligibility System (ARIES), where an ARIES task is created to alert the Division of County Operations (DCO) that the recipient may be deceased. DCO staff are to complete the task by determining whether the recipient is, in fact, deceased; enter the date of death to the case file; and close any open aid segments.

ALA selected for review 4 months from state fiscal year 2024 to ensure the death data matches were performed, and the Agency performed the follow-up review for identified matches. Per ALA review, the matches were not completed for any of the selected months, and the Agency received the data match files for only 5 months of the state fiscal year.

To identify incarcerated recipients, recipient data is “matched” to Arkansas Department of Correction inmate data. Resulting “matches” are submitted to ARIES, where an ARIES task will be created to alert DCO staff that the recipient may be incarcerated; therefore, the State may no longer receive FFP for payments made on his/her behalf. Should DCO determine the individual is incarcerated, the recipient’s case will be suspended pending release or closed if determined the individual is no longer eligible to receive benefits. Incarcerated data matches are performed daily for state workdays only.

ALA selected 25 state workdays from state fiscal year 2024 for review to ensure the daily incarceration matches were performed, and the Agency performed the follow-up review for identified matches. Per ALA review, the daily incarceration match was not completed for 1 of the selected dates. Additionally, ALA selected up to 5 matches from the remaining selected dates, depending on the total number of matches for that date, for further review to ensure DCO completed work on the ARIES task. ALA noted the Agency failed to timely perform the follow-up review for 4 of 113 ARIES tasks created from the match results.

**Statistically Valid Sample:**

Not a statistically valid sample.

**Questioned Costs:**

Unknown

**State of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Finding Number:** 2024-024 (Continued)  
**AL Number(s) and Program Title(s):** 93.767 – Children’s Health Insurance Program  
93.778 – Medical Assistance Program  
(Medicaid Cluster)

**Cause:**  
Per DCO, match results were not uploaded to ARIES due to system issues that have since been corrected.

**Effect:**  
Closure or suspension of cases may have been delayed for deceased and/or incarcerated individuals. This delay may have allowed improper payments, including monthly capitation payments, to be made.

**Recommendation:**  
ALA staff recommend the Agency closely monitor data match processes to ensure the matches are being completed as designed and ARIES tasks stemming from these match results are worked in the system timely.

**Views of Responsible Officials and Planned Corrective Action:**  
DHS concurs with this finding. DCO has implemented controls that monitor the automated matching process with the Arkansas Department of Health and Arkansas Department of Corrections. These additional controls include a pre-cycle review of the matching process prior to execution, additional checkpoints during the execution of the matching process, monitoring, validating completion of the matching jobs to check for excepted results, and additional communication and coordination among systems, business teams, and other cabinet agencies.

**Anticipated Completion Date:** Complete

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

<b>Finding Number:</b>	<b>2024-025</b>
<b>State/Educational Agency(s):</b>	<b>Arkansas Department of Human Services</b>
<b>Pass-Through Entity:</b>	<b>Not Applicable</b>
<b>AL Number(s) and Program Title(s):</b>	<b>93.767 – Children’s Health Insurance Program</b>
<b>Federal Awarding Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Federal Award Number(s):</b>	<b>05-2305AR3002 and 05-2305AR5021</b>
<b>Federal Award Year(s):</b>	<b>2023</b>
<b>Compliance Requirement(s) Affected:</b>	<b>Special Tests and Provisions – Provider Eligibility (Fee-for-Service)</b>
<b>Type of Finding:</b>	<b>Material Noncompliance and Material Weakness</b>

**Repeat Finding:**

A similar issue was reported in prior-year finding **2023-026**.

**Criteria:**

According to the Arkansas Medicaid Provider Manual 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 base 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. Section 141.100 of the Arkansas Medicaid Provider Manual states that revalidation includes a new application; satisfactory completion of screening activities; and, if applicable, fee payment. In accordance with 42 CFR § 455.450, 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-risk plus site visits.
- The high-risk category includes those required for moderate-risk plus fingerprint background checks.

**Condition and Context:**

From a population of 6,309 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. ALA review revealed deficiencies with three of the provider files as follows:

Moderate-risk category:

- Sample item 32: The provider’s revalidation was due by September 25, 2016, and every five years afterwards but was not completed until April 2, 2024. As a result, any amounts paid to the provider with dates of service from September 26, 2016 through February 29, 2020, and May 12, 2023 through April 1, 2024, are considered questioned costs. Questioned costs totaled \$37,430 (federal) and \$8,801 (state).  
In accordance with the CMS 1135 waiver, revalidations, site visits, and fingerprint background checks were paused from March 1, 2020 through May 11, 2023, as result of the Public Health Emergency (PHE). In addition, revalidations due during the PHE could be extended to November 11, 2023. However, this provider’s revalidation was due prior to March 1, 2020; therefore, the extension is not applicable. Amounts paid to the provider for dates of service during the PHE are not included in the questioned costs noted above.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-025 (Continued)  
**AL Number(s) and Program Title(s):** 93.767 – Children’s Health Insurance Program

**Condition and Context (Continued):**

Limited-risk category:

- Sample item 15: The provider’s revalidation was due by June 1, 2024, but was not completed until June 21, 2024. As result, amounts paid to the provider with dates of service from June 1 through June 20, 2024, are considered questioned costs. Questioned costs totaled \$3,287 (federal) and \$801 (state).
- Sample item 21: The provider’s revalidation was due by January 13, 2021, but was not completed until December 13, 2023. As a result, amounts paid to the provider with dates of service from November 12, 2023 through December 12, 2023, are considered questioned costs. Questioned costs totaled \$10 (federal) and \$2 (state).

In accordance with CMS 1135 waiver flexibilities, revalidations, site visits, and fingerprint background checks were paused from March 1, 2020 through May 11, 2023, as result of the PHE. In addition, revalidations due during the PHE, which this one was, could be extended to November 11, 2023. Amounts paid to the provider for dates of service during the PHE and extension are not included in the questioned costs noted above.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

\$40,727 (Federal)  
\$9,604 (State)

**Cause:**

The Agency has 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. Although testing results support that improvements have been made since the new procedures were implemented, deficiencies continued to exist during fiscal year 2024.

**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 that required revalidations are performed timely and that required enrollment documentation is maintained to support provider eligibility.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with the finding. For Sample Item 32, the agency’s revalidation date was set for March 27, 2024, and the provider submitted their application for revalidation prior to that date. System updates and monitoring controls have been implemented to ensure correct revalidation dates are entered in MMIS.

For Sample Item 15, the provider submitted a revalidation application prior to their scheduled termination date. Since there was an active application in the system, the provider was not terminated. The revalidation was successfully completed.

For Sample Item 21, the provider submitted their revalidation application on October 16, 2023, which was prior to the November 11, 2023 deadlines. Multiple follow-ups and requests for additional information from the provider resulted in completion of the revalidation after the deadline date.

**State of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Finding Number:** 2024-025 (Continued)  
**AL Number(s) and Program Title(s):** 93.767 – Children’s Health Insurance Program

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

**Anticipated Completion Date:** Complete

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**State of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Finding Number:** 2024-026  
**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):** 05-2405AR5ADM  
**Federal Award Year(s):** 2024  
**Compliance Requirement(s) Affected:** Allowable Costs/Cost Principles  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**  
Not applicable

**Criteria:**

45 CFR § 75.413(a) defines direct costs as “those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.” Additionally, this regulation states, “costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect Facilities and Administrative (F&A) costs.”

**Condition and Context:**

ALA noted the Agency utilized a contractor to perform work in the Agency’s Managerial Accounting section. Costs associated with this work were improperly recorded as a direct cost to the Medicaid program, while other costs incurred by Managerial Accounting were appropriately allocated to the various DHS divisions and programs through the Agency’s cost allocation system. Per Agency management, only 68% of Managerial Accounting costs should be allocated to the Medicaid program, not the 100% that was charged.

Costs paid for contractor’s work in the Managerial Accounting section totaled \$392,000. Based on the Agency’s assertion that 68% of this cost should have been allocated to the Medicaid program, ALA determined costs totaling \$125,440 were incorrectly charged to Medicaid.

**Statistically Valid Sample:**  
Not a statistically valid sample

**Questioned Costs:**  
Federal – \$62,720  
State – \$62,720

**Cause:**

Per management, the Agency chose to assign the costs of the work performed for Managerial Accounting to the Medicaid program because Medicaid represents the largest share of funding to the Agency, which suggests a lack of internal controls over the appropriate coding of expenditures benefiting multiple programs or activities of the Agency.

**Effect:**

The Agency improperly used federal funds awarded through the Medical Assistance Program (MAP) grant award for expenditures benefitting other state or federal programs, resulting in noncompliance with federal laws and regulations.

**Recommendation:**

ALA staff recommend the Agency establish and implement additional controls to ensure that expenditures benefitting multiple state or federal programs are properly allocated across all programs or activities.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-026 (Continued)  
**AL Number(s) and Program Title(s):** 93.778 – Medical Assistance Program  
(Medicaid Cluster)

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding and that cost allocation is the most appropriate means for funding this work. DHS has implemented corrective action effective July 1, 2024, to change payment for Managerial Accounting services from 100% Medicaid funding to a cost allocation methodology. Future contracts and contract extensions executed by the Office of Finance will be evaluated by the DHS Chief Financial Officer to determine the nature of work performed for each contract and specify the appropriate method of allocating costs for services.

**Anticipated Completion Date:** Complete

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-027  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** N/A  
**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):** 05-2305AR5MAP; 05-2405AR5MAP  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Eligibility  
**Type of Finding:** Noncompliance and Material Weakness

**Repeat Finding:**

A similar issue reported in prior-year finding **2023-028**.

**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 statutes, regulations, and the 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 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.

ALA review revealed the following deficiencies:

- The Agency failed to appropriately suspend and reinstate benefits for 16 incarcerated juveniles. As a result, payments totaling \$71,536 were made for dates of service within the incarceration periods for 11 juveniles. The federal and state portions of these payments totaled \$52,632 and \$18,904, respectively.
- The Agency failed to appropriately suspend Medicaid benefits for 9 incarcerated juveniles in DYS custody, which resulted in payments totaling \$50,307 for dates of service during the juveniles’ incarceration periods. The federal and state portions of these payments totaled \$36,577 and \$13,730, respectively.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-027 (Continued)  
**AL Number(s) and Program Title(s):** 93.778 – Medical Assistance Program  
(Medicaid Cluster)

**Condition and Context (Continued):**

- Although the Agency appropriately suspended benefits for 4 incarcerated juveniles, the Agency failed to properly reinstate benefits after their incarceration ended. Additionally, the Agency paid claims, totaling \$1,164, for dates of service within the incarceration period for 2 of these juveniles. The federal and state portions of these payments totaled \$902 and \$262, respectively.
- Although the Agency appropriately suspended and reinstated benefits for 9 incarcerated juveniles, payments totaling \$6,978 were made for dates of service within the juveniles' incarceration periods. The federal and state portions of these payments totaled \$5,293 and \$1,685, respectively.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

Federal – \$95,404  
State – \$34,581

**Cause:**

The Agency failed to properly monitor Medicaid 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 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 benefits are properly suspended when eligible juveniles are incarcerated and properly reinstated when moved to private facilities or released from DYS custody, based on guidance set forth in the Medical Service Policy Manual and in compliance with federal regulations.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. Since June 2023, DYS has made multiple changes to improve monitoring of suspension and reinstatement of Medicaid eligibility for incarcerated juveniles. For juveniles with SSI Medicaid, the Social Security Administration (SSA) is responsible for suspending Medicaid coverage. All incarcerations for cases noted in the findings involving SSI Medicaid were reported timely to SSA by the agency. DYS closely monitors these cases and continues to send closure requests to SSA until the cases are closed out. SSI cases account for 76% of the total questioned costs noted in the finding. The Division of Medical Services (DMS) implemented an MMIS change in September 2024 that automatically updates member profiles to accurately reflect incarceration dates. This change will resolve the remaining deficiencies noted in the finding. All payments noted as questioned costs were capitated payments made for the PASSE, Dental Managed Care, and NET programs. The agency currently has a reconciliation process for all three programs that identifies payments made after the member's incarceration date that should be recouped. Any uncollected overpayments noted in the findings will be recouped as part of the next reconciliation process.

**Anticipated Completion Date:** Complete

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-028  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** N/A  
**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):** 05-2305AR5MAP; 05-2405AR5MAP  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Eligibility  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**

A similar issue was reported in prior-year finding **2023-029**.

**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 statutes, regulations, and terms and conditions of the award.

States are required to establish eligibility requirements in accord with 42 CFR Part 435 and are required to cover some categorically eligible recipients, including individuals who are receiving SSI payment or who have lost SSI eligibility due to receiving SSA benefits as a disabled adult child and newborns whose mother was on Medicaid at the time of the child's birth. Newborn coverage is to extend through the month of the child's first birthday. Also, 42 CFR § 435.914 requires the State to maintain documentation supporting the eligibility determination in the beneficiary's case record.

**Condition and Context:**

ALA selected 60 active Medicaid recipient identification numbers to determine if eligibility determinations and redeterminations were made in accordance with the State Plan.

ALA review revealed the following deficiencies:

- Payments were made for one recipient with a date of death of September 11, 2019. Per review, the individual's Medicaid eligibility case was properly closed in the eligibility system, but the date of death did not cross over to the Medical Management Information System (MMIS). ALA confirmed all claims paid for dates of service after death were recouped as of December 30, 2024. No questioned costs are noted.
- The Agency was unable to provide documentation to support one recipient's initial eligibility determination for the Newborn category, including documentation of initial application or documentation showing the recipient's mother was eligible under Medicaid. Per review, payments totaling \$73 were made on behalf of the recipient. The federal and state portions of these payments totaled \$54 and \$19, respectively.
- The Agency extended coverage for one recipient enrolled in the Newborn category for one month past the one-year requirement. Upon renewal determination, the Agency determined the child was no longer eligible for Medicaid under another category. Per review, payments totaling \$13 were made for dates of service after the month of the child's first birthday. The federal and state portions of these payments totaled \$9 and \$3, respectively.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

Federal – \$63

State – \$22

(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.)

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-028 (Continued)  
**AL Number(s) and Program Title(s):** 93.778 – Medical Assistance Program  
(Medicaid Cluster)

**Cause:**

Date of death documented in the previous eligibility system did not properly migrate to the Medicaid Management Information System (MMIS) claims payment system. Per Division of County Operations (DCO), the cause of recipient's death not properly migrating to MMIS is unknown at this time. For one newborn case, documentation that should have been included in the case record in the previous eligibility system was not maintained in the archival database for that system. For the remaining newborn case, Arkansas Integrated Eligibility System (ARIES) improperly allowed a coverage period that extended beyond the end of the month of the child's first birthday.

**Effect:**

Failure to properly determine and end Medicaid eligibility may result in improper payments.

**Recommendation:**

ALA staff recommend the Agency design and implement internal controls over compliance to ensure that eligibility determinations are appropriate and dates of death are properly recorded in both the eligibility and claims payment systems.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. The first two deficiencies occurred prior to implementation of the agency's current integrated eligibility system (ARIES). The date of death for the beneficiary did not cross over from the prior eligibility system to MMIS. The agency has implemented a process to monitor and address when eligibility updates do not cross over successfully from the ARIES system to MMIS.

For the second case, the missing documentation was likely the result of a failure to scan or appropriately index the document in the prior eligibility system. The agency will continue its practice of reviewing a sample of eligibility cases for accuracy.

For the third case, the coverage did not close properly at the end of the month due to a system defect. The correction for this defect was deployed in ARIES on 3/31/24.

**Anticipated Completion Date:** Complete

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**State of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Finding Number:** 2024-029  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**ALN 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):** 05-2305AR5MAP; 05-2405AR5MAP  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Special Tests and Provisions – Medicaid Recovery Audit Contractors (RACs)  
**Type of Finding:** Material Noncompliance and Material Weakness

**Repeat Finding:**

A similar issue was reported in prior-year finding **2023-031**.

**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 statutes, regulations, and the terms and conditions of the award.

In addition, 42 CFR § 455.502 established the Medicaid Recovery Audit Contractor (RAC) program as a measure for States to promote the integrity of the Medicaid program. States must enter into contracts with one or more eligible Medicaid RACs to carry out the activities described at 42 CFR § 455.506, which includes reviewing claims submitted by providers or other individuals for which payment has been made to identify underpayments and overpayments, and recoup overpayments. Under 42 CFR § 455.516, a State may seek to be excepted from some or all Medicaid RAC contracting requirements by submitting a written justification to CMS requesting CMS review and approval through the State Plan Amendment (SPA) process.

**Condition and Context:**

ALA made inquiries to determine if there were any internal controls in place for which testing could be performed. It was determined that there were no internal controls in place at the Agency that pertained to the Medicaid RAC program.

In addition, ALA performed testing to determine if the State had established a Medicaid RAC with an eligible contractor that was conducting the required Medicaid RAC activities in accordance with the approved state plan, including any exceptions. The results of ALA testing revealed that, although there was no SPA in place that authorized an exception for the State to not have a Medicaid RAC in place, there were no contracts in place with any RACs for the year ended June 30, 2024.

Documentation provided to ALA indicates the Agency submitted a request to CMS on October 3, 2024, for a full exemption from the requirement that the State enter a contract with a Medicaid RAC. As of October 3, 2024, the Agency indicated that it anticipated an effective date of February 1, 2025, provided the Agency receives all required approvals by that time.

**Statistically Valid Sample:**

Not a statistically valid sample.

**Questioned Costs:**

None

**Cause:**

The Agency did not adequately develop internal control procedures for its staff to ensure compliance with federal regulations related to the Medicaid RAC program.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-029 (Continued)  
**ALN Number(s) and Program Title(s):** 93.778 – Medical Assistance Program  
(Medicaid Cluster)

**Effect:**

Failure to implement appropriate procedures for internal controls led to the Agency's noncompliance with federal regulations pertaining to the Medicaid RAC program.

**Recommendation:**

ALA staff recommend the Agency continue to take the necessary steps to comply with federal regulations pertaining to the Medicaid RAC program.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. CMS approved DHS's Medicaid State Plan Amendment (SPA) requesting exemption from the RAC requirement. The waiver was approved on February 28, 2025, with an effective date of February 1, 2025. The exemption is effective for two years from the effective date of the SPA.

**Anticipated Completion Date:** Complete

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-030  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** N/A  
**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):** 05-2305AR5MAP, 05-2405AR5MAP  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Special Tests and Provisions – Medicaid Fraud Control Unit  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**  
Not applicable

**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. One payment representing restitution for a criminal conviction or settlement agreement, totaling \$197,427, was not reported on the CMS-64 report. The federal share that should have been reported for MFCU-related overpayments was \$142,148.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

Federal Portion – \$142,148  
State Portion – \$55,279

**Cause:**

The Agency did not have proper internal controls over the recording and reporting of the collection of overpayments by MFCU.

**Effect:**

The Agency failed to report all required restitution and other judgements on its CMS-64 reports

**Recommendation:**

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

**State of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Finding Number:** 2024-030 (Continued)  
**AL Number(s) and Program Title(s):** 93.778 – Medical Assistance Program  
(Medicaid Cluster)

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. All MFCU overpayment collections are received by DHS through an agency bank account dedicated to refunded overpayments. All transactions in that account are compiled into a monthly receivables report that is used for quarterly reporting overpayments to CMS. The overpayment that was not included in the report was wired to the Arkansas State Treasury and the funds were moved to an AASIS fund. Because the funds were not received through the dedicated refund account, the overpayment was missed in the monthly report. For all future collections completed through electronic transfer of funds, the person or entity making the refund will be provided with ACH/EFT information for dedicated refund account.

**Anticipated Completion Date:** Complete

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**State of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Finding Number:** 2024-031  
**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):** 05-2305AR5MAP; 05-2405AR5MAP  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Special Tests and Provisions – Provider Eligibility (Fee for Service)  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**

A similar issue was reported in prior-year finding **2023-030**.

**Criteria:**

According to the Arkansas Medicaid Provider Manual 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 base 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. Section 141.100 of the Arkansas Medicaid Provider Manual states that revalidation includes a new application; satisfactory completion of screening activities; and, if applicable, fee payment. In accordance with 42 CFR § 455.450, 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-risk plus site visits.
- The high-risk category includes those required for moderate-risk plus fingerprint background checks.

**Condition and Context:**

From a population of 11,471, 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. ALA's review revealed deficiencies with three of the provider files as follows:

Limited-risk category:

- Sample item 15: The provider's revalidation was due by September 25, 2016, and every five years afterwards but was not completed until October 19, 2023. As a result, any amounts paid to the provider with dates of service from September 26, 2016 through February 29, 2020, and May 12, 2023 through October 18, 2023, are considered questioned costs. Questioned costs totaled \$15,393 (federal) and \$5,529 (state).

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-031 (Continued)  
**AL Number(s) and Program Title(s):** 93.778 – Medical Assistance Program  
(Medicaid Cluster)

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

- Sample item 15 (Continued):  
In accordance with the CMS 1135 waiver, revalidations, site visits, and fingerprint background checks were paused from March 1, 2020 through May 11, 2023, as result of the Public Health Emergency (PHE). In addition, revalidations due during the PHE could be extended to November 11, 2023. However, this provider's revalidation was due prior to March 1, 2020; therefore, the extension is not applicable in this case. Amounts paid to the provider for dates of service during the PHE are not included in the questioned costs noted above.
- Sample item 21: The provider's revalidation was due by September 14, 2023, but was not completed. In addition, the provider did not submit a dated W-9, and licensure expired on March 31, 2023. On October 2, 2023, the Agency terminated the provider. As a result, any amounts paid to the provider with dates of service from July 1, 2023 through June 30, 2024, are considered questioned costs. Questioned costs totaled \$1,517 (federal) and \$555 (state).
- Sample item 40: The Agency failed to provide documentation of the provider's certification that covered a portion of the engagement period. As a result, amounts paid to the provider with dates of service for December 7, 2023 through April 21, 2024, are considered questioned costs. Questioned costs totaled \$126,761 (federal) and \$49,296 (state).

**Statistically Valid Sample:**  
Not a statistically valid sample

**Questioned Costs:**  
\$143,671 (Federal)  
\$55,380 (State)

**Cause:**  
The Agency 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. Although testing results support that improvements have been made since the new procedures were implemented, deficiencies continued to exist during fiscal year 2024.

**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 that required revalidations are performed timely and required enrollment documentation is maintained to support provider eligibility.

**Views of Responsible Officials and Planned Corrective Action:**

DMS concurs with this finding. For Sample Item 15, DMS has implemented an automated process to notify providers of pending revalidations and to terminate them when revalidation is not completed within five years.

For Sample Item 21, DMS has implemented automated processes utilizing data transfers from licensing boards that will now terminate providers when their license lapses. In addition, DMS is developing a mechanism to obtain information provided on W-9's by utilizing an electronic process through the provider portal during enrollment. This provider was terminated on 10/2/23.

For Sample Item 40, DMS has coordinated with Division of Provider Services and Quality Assurance (DPSQA) to interface with their certification tracking system and to provide additional notifications to providers when their certification period is nearing expiration. Notifications are being sent 30 days prior to the lapse of certification. DMS confirmed with DPSQA that there were no adverse events that lead to the termination of the provider's certification.

**State of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Finding Number:** 2024-031 (Continued)  
**AL Number(s) and Program Title(s):** 93.778 – Medical Assistance Program  
(Medicaid Cluster)

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

**Anticipated Completion Date:** June 30, 2025

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**State of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Finding Number:** 2024-032  
**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):** 05-2305AR5MAP; 05-2405AR5MAP  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Special Tests and Provisions – Provider Eligibility (Managed Care Organizations)  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**  
Not applicable.

**Criteria:**

According to the Arkansas Medicaid Provider Manual 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 base 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. Section 141.100 of the Arkansas Medicaid Provider Manual states that revalidation includes a new application; satisfactory completion of screening activities; and, if applicable, fee payment. In accordance with 42 CFR § 455.450, 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-risk plus site visits.
- The high-risk category includes those required for moderate-risk 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 for review from a population of 6,186. The providers selected participated in the Dental managed care program, commonly referred to as Healthy Smiles, and the Provider-Led Arkansas Shared Savings Entity, or PASSE, managed care program. ALA review revealed deficiencies with two of the provider files as follows:

Moderate-risk category:

- Sample item 17: The provider failed to revalidate timely. Revalidation was due by May 19, 2024, but was not completed until July 15, 2024. Ineligible costs totaled \$2,280.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-032 (Continued)  
**AL Number(s) and Program Title(s):** 93.778 – Medical Assistance Program  
(Medicaid Cluster)

**Condition and Context (Continued):**

Limited-risk category:

- Sample item 22: The Agency failed to provide a W-9 dated prior to February 7, 2024. Ineligible costs totaled \$4,455.

Ineligible costs identified above totaled \$6,735 for PASSE. There were no ineligible costs identified for Dental Managed Care.

**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, because of the COVID-19 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 were located in Arkansas or otherwise directly impacted by the emergency. This was effective as of March 1, 2020, and continued through the expiration of the public health emergency (PHE), on May 11, 2023. State Agencies were given six additional months to complete revalidations that were due during the PHE.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

Unknown

**Cause:**

The Agency 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. Although testing results support that improvements have been made since the new procedures were implemented, deficiencies continued to exist during fiscal year 2024.

**Effect:**

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

**Recommendation:**

ALA staff recommend the Agency review and strengthen controls to ensure that required revalidations are performed timely and required enrollment documentation is maintained to support provider eligibility.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. For Sample Item 17, the screening activities associated with the revalidation were completed prior to the revalidation date through the Provider Enrollment, Chain, and Ownership System (PECOS). The provider submitted their revalidation application timely, but during the revalidation process the agency requested corrections and clarifications of administrative and tax information. This delayed the final component of the screening, the site visit, until July 15, 2024.

For Sample Item 22, DMS confirms there was no W-9 dated prior to February 7, 2024. The primary function of the W-9 form is to confirm the providers name, address, and tax information. This information was already listed in MMIS during the date in question. The W-9 submitted by the provider on April 4, 2024, confirmed the accuracy of the information in MMIS that the provider has used since its initial enrollment on July 20, 1981. DMS is developing a mechanism to obtain information provided on W-9's by utilizing an electronic process through the provider portal during enrollment.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-032 (Continued)  
**AL Number(s) and Program Title(s):** 93.778 – Medical Assistance Program  
(Medicaid Cluster)

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

**Anticipated Completion Date:** June 30, 2025

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**ARKANSAS LEGISLATIVE AUDIT  
REPORT ON:  
DEPARTMENT OF EDUCATION  
FOR THE YEAR ENDED JUNE 30, 2024**

**Finding 1:**

According to Act 237 of the Regular Session of 2023 (the LEARNS Act), the Division of Elementary and Secondary Education shall administer the Arkansas Children's Educational Freedom Account Program. Educational Freedom Accounts (EFA) are state-funded accounts used to cover approved educational expenses, including private school tuition, curriculum, tutoring, etc.

During our review, we discovered that the Agency did not have controls in place to review students with EFA for duplicate enrollment in a public school. Based on analysis of EFAs that disbursed funds to EFA providers in state fiscal year 2024, we identified 239 students with potential duplicate enrollment in a public school during the 2023-2024 school year, which could result in duplicate funding to either the public school in the 2024-2025 school year or to the EFA provider in the 2023-2024 school year, depending on where the student attended. A test of 34 of the 239 EFA students revealed 28 instances of duplicate enrollment.

**Recommendation:**

We recommend the Agency implement internal controls to ensure EFA students are included in a duplicate enrollment review process.

**Agency Response:**

The Arkansas Department of Education (ADE) concurs with the finding. ADE is committed to ensuring the integrity of the Educational Freedom Accounts (EFA) program by preventing duplicate funding for students simultaneously enrolled in public schools. The agency has implemented internal controls and an enhanced verification process to mitigate related future occurrences. The process includes, but is not limited to, additional controls that allow more precise cross-referencing between EFA recipients and public-school enrollment records, the continuance of quarterly enrollment verification checks prior to funding distribution cycles, and enhanced communication between public-school districts and EFA providers thus reducing risk of duplicate funding. In addition, ADE aims to establish an automated data-matching system to streamline the enrollment verification process and improve efficiencies moving forward.

Anticipated Completion Date: August 1, 2025

**Finding 2:**

Ark. Const. art. 16, § 12, states, "Except as provided in Arkansas Constitution, Article 19, § 31, no money shall be paid out of the treasury until the same shall have been appropriated by law; and then only in accordance with said appropriation." Act 572 of the 2023 Regular Session authorized a \$10,000,000 appropriation in fund center BG2 for the Merit Teacher Incentive grants to Local Education Agencies (LEAs).

In addition to the \$9,999,654 disbursed from the Merit Teacher Incentive appropriation, the Agency used \$1,908,434 in unexpended funds appropriated for the National Board of Professional Teaching Standards financial incentives (fund center 438) to pay the remaining Merit Teacher Incentives on June 21, 2024. The initial appropriation of \$10,000,000 was an estimated amount and did not include fringe benefits.

Appropriations are established so that funds can be used for authorized purposes. These funds were appropriated for one purpose but used for another purpose, in violation of Ark. Const. art. 16, § 12.

**Recommendation:**

We recommend the Agency ensure compliance with laws and regulations related to budgeting.

**Agency Response:**

The Arkansas Department of Education (ADE) concurs with the finding. The LEARNS Act (Act 237 of 2023) created a Merit Teacher Incentive Program to be paid from the Public School Fund. The National Board for Professional Teacher Standards line item is another teacher incentive program within the Public School Fund. ADE fully paid its obligation under the National Board Teaching Incentive Program and used the remaining appropriation for the new Learns Teacher Incentive Program.

The agency has federal appropriation earmarked in FY25 to pay additional Merit Teacher Incentives, if needed. Additionally, Act 146 of 2024 contains special language allowing two (2) appropriation transfer requests with the approval of the Chief Fiscal Officer of the State and either the Arkansas Legislative Council or Joint Budget Committee. ADE may request a transfer of appropriation from the National Board Incentive Program to the new Merit Incentive Program in subsequent years, as needed.

**Finding 3:**

ADE Rules govern National Board for Professional Teaching Standards (NBPTS) incentive payments based on teacher certification dates and school/school district poverty levels. Annual incentive payments may be \$2,500, \$5,000, or \$10,000. Specifically, ADE Rule 5.2.1 allows for a teacher who is working full-time in a public school, that is not a high-poverty school or a high-poverty charter school, to receive a yearly incentive payment of \$2,500 for no more than five school years.

A review of 48 NBPTS incentive payments for eligible NBCTs identified 1 instance where an eligible NBCT that was not in a high poverty school or district was paid \$5,000 rather than \$2,500 which resulted in an overpayment of \$2,500 due to agency error.

**Recommendation:**

We recommend the Agency comply with program rules, recoup the overpayment, and determine if other overpayments have occurred.

**Agency Response:**

The Arkansas Department of Education (ADE) concurs with the finding. Act 937 of the 2017 Regular Session indicates that all candidates who registered for the National Board certification prior to January 1, 2018, are qualified to receive a \$5,000 bonus, regardless of whether or not the school is located within a high poverty district. There was an error made pertaining to the certification registration date for this individual.

Additional safeguards have now been put into place, including a Statement of Assurances by the Superintendent pertaining to certification data for all candidates.

2024 Certification data was matched against Child Nutrition data to verify high poverty schools or districts for all candidates receiving the \$5,000 bonus. No other errors were noted. Other candidates receiving the \$5,000 bonus were the result of certification registration dates prior to January 1, 2018. 2024 Certification registration dates for all candidates are being reviewed for accuracy and will be reviewed for all future payments.

ADE is in the process of contacting the individual to recoup the repayment of the overage.

Anticipated Completion Date: December 2025

**Finding 4:**

Section P1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide requires the bonded disbursing officer of an agency to report any losses of state funds to the State Chief Fiscal Officer and to the Arkansas Legislative Audit (ALA). Losses include apparent unauthorized disbursements of state funds or the apparent theft or misappropriation of state funds or property. A report shall be made within 5 business days of the date the employee learns of the loss.

The Board of Trustees for the Arkansas School for the Blind and Visually Impaired and the Arkansas School for the Deaf was informed on July 18, 2023, that one Gator utility vehicle valued at \$9,947 was stolen. The Agency notified law enforcement of the incident but did not report the theft to the State Chief Fiscal Officer or Arkansas Legislative Audit as required.

**Recommendation:**

We recommend the Agency continue to monitor and safeguard assets to prevent further occurrences of theft and comply with P1-19-4-2004.

**Agency Response:**

The Arkansas School for the Deaf and Blind (ASDB) concurs with the finding. Guidelines within P1-19-4-2004 have been reviewed with relevant staff pertaining to the timely filing of reporting requirements and recovery attempts of any potential losses discovered. Monthly meetings have been implemented to ensure compliance. Additionally, ASDB has instituted twenty-four hour security detail, with over one hundred and fifty cameras installed on campus.

Anticipated Completion Date: Completed

**State of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Finding Number:** 2024-004  
**State/Educational Agency(s):** Arkansas Department of Education  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 10.558 – Child and Adult Care Food Program  
**Federal Awarding Agency:** U.S. Department of Agriculture  
**Federal Award Number(s):** 6AR300321  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**  
Not applicable

**Criteria:**

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.

7 CFR § 226.11(a) states that a state agency may develop a policy under which centers are reimbursed for meals served in accordance with provisions of the Child and Adult Care Food Program in the calendar month preceding the calendar month in which the agreement is executed, or the state agency may develop a policy under which centers receive reimbursement only for meals served in approved centers on and after the effective date of the Program agreement. If the state agency's policy permits centers to earn reimbursement for meals served prior to the execution of a Program agreement, reimbursement must not be received by the center until the agreement is executed.

**Condition and Context:**

ALA discussion with Health and Nutrition Unit (HNU) staff indicated that applications for new and renewing applicants are completed online through the Special Nutrition Program (SNP) database. Supporting documentation is uploaded by the providers and reviewed by staff and program manager prior to application approval. The Agency allows retroactive reimbursements for new applicants after application approval only if the following requirements are met prior to the submission of a complete application:

- Proper documentation required by the Program is maintained.
- Provider attends training.

HNU staff are responsible for the notation of eligible months for reimbursement in the database. The notation triggers the edit check to allow or prevent reimbursement claims.

ALA reviewed 17 new applicants during state fiscal year 2024 to determine if all requirements were met prior to the payment of retroactive claims. This review revealed that four providers who did not meet the requirements for a retroactive claim were reimbursed a combined total of \$10,823.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

\$10,823

**Cause:**

HNU staff did not ensure providers' application reflected only eligible months for reimbursement prior to approval.

**Effect:**

Providers submitted claims for months in which eligibility requirements were not met.

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-004 (Continued)  
**AL Number(s) and Program Title(s):** 10.558 – Child and Adult Care Food Program

**Recommendation:**

ALA staff recommend the Agency promptly develop, document, and implement procedures for internal control over compliance to ensure retroactive reimbursements are processed only for eligible program participants.

**Views of Responsible Officials and Planned Corrective Action:**

The Arkansas Department of Education (ADE), Division of Elementary and Secondary Education (DESE), Health and Nutrition Unit (HNU), concur with the finding. The HNU implemented a new application and payment system that began in 2024. During implementation and subsequent operations, several issues with data transfers between the old and new system were identified and now corrected. The HNU Application and Finance staff will receive training to ensure that all criteria are met prior to the retroactive payment of claims.

**Anticipated Completion Date:** April 1, 2025

**Contact Person:**

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**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-005  
**State/Educational Agency(s):** Arkansas Department of Education  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 10.558 – Child and Adult Care Food Program  
**Federal Awarding Agency:** U.S. Department of Agriculture  
**Federal Award Number(s):** 6AR300321  
**Federal Award Year(s):** 2023 and 2024  
**Compliance Requirement(s) Affected:** Cash Management  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**

A similar issue was report in prior year finding **2023-002**.

**Criteria:**

In accordance with 2 CFR § 200.303(c), a non-federal entity must evaluate and monitor its compliance with statutes, regulations, and the terms and conditions of federal awards.

In addition, 2 CFR § 200.400(a) and (b) state that the non-federal entity is responsible for efficient and effective administration of the federal award through the application of sound management practices and assumes responsibility for administering federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the federal award.

**Condition and Context:**

The Agency receives the following separate grant awards for reimbursement payments to meal providers and sponsoring organizations:

- 1) Child Nutrition Program (CNP) Block Consolidated (ALN 10.555).
- 2) CNP Child and Adult Care Food Program (CACFP) Cash in Lieu (ALN 10.558).
- 3) CNP CACFP Sponsor Administrative (ALN 10.558).

Previous correspondence between ALA and the federal awarding agency indicated that each grant award has a designated purpose, and funds are not to be used interchangeably among the grant awards.

All expenditures are assigned a cost center and WBS element to identify the applicable federal program and cost category within AASIS, the State's accounting system. The Agency's Health and Nutrition Unit (HNU) staff are responsible for ensuring expenditures are properly coded in AASIS, and the federal finance staff utilize expenditure transactions in AASIS to complete cash draws for direct costs to the program. Expense corrections are completed and processed in AASIS by federal finance staff as needed.

According to the Agency, corrective action was taken to ensure the accuracy of data from August 1, 2023 through January 31, 2024.

ALA review of 10 cash draws to determine if funds were drawn from the appropriate grant revealed the following:

- Sponsor Administrative expenditures (ALN 10.558) totaling \$65,173 were inappropriately drawn from the CNP Block Consolidated grant (ALN 10.555).
- As a result of expense corrections, Child Care and Development Block grant (ALN 93.575) expenditures were erroneously coded as CACFP expenditures and inappropriately drawn from the CNP Block Consolidated grant (ALN 10.555) and CNP CACFP Cash in Lieu (ALN 10.558), totaling \$53,095 and \$1,940, respectively.

Note: Sponsor Administrative expenditures were appropriately drawn from the CNP CACFP Sponsor Administrative grant (ALN 10.558) beginning March 12, 2024. Additionally, on October 14, 2024, after auditor inquiry, federal finance staff completed fund transfers in AASIS to correct the coding of Child Care and Development Block grant expenditures.

**Statistically Valid Sample:**

Not a statistically valid sample

**State of Arkansas**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

**Finding Number:** 2024-005 (Continued)  
**AL Number(s) and Program Title(s):** 10.558 – Child and Adult Care Food Program

**Questioned Costs:**  
\$120,208

**Cause:**  
CACFP sponsor administrative and child care expenditures were not properly coded in AASIS, causing funds to be drawn from the incorrect grant award.

**Effect:**  
Funds were drawn for unallowable expenditures (based on the purpose of each grant).

**Recommendation:**  
ALA staff recommend the Agency establish and document procedures that specifically address the proper coding of expenditures in AASIS.

**Views of Responsible Officials and Planned Corrective Action:**

The Arkansas Department of Education (ADE), Division of Elementary and Secondary Education (DESE), Health and Nutrition Unit (HNU), concur with the finding. The HNU Finance staff implemented procedures for meal claim payment requests which include an initial and final review of all requests to be conducted by two (2) staff. The review process includes, but is not limited to, ensuring expenditures are assigned correct codes related to the appropriate funding source within the appropriate grant year, mitigating the Child Nutrition Program (CNP), Child and Adult Care Food Program (CACFP) Sponsor Administrative expenditure errors going forward. When the request is determined to be compliant, the Associate Director of Finance and Training approves payments before being forwarded to the ADE Finance team for payment.

**Anticipated Completion Date:** March 15, 2025

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**ARKANSAS LEGISLATIVE AUDIT  
REPORT ON:  
DEPARTMENT OF HEALTH  
FOR THE YEAR ENDED JUNE 30, 2024**

**Finding 1:**

According to Department of Finance and Administration (DFA) Financial Management Guide policy P1-19-4-805, the AASIS balance at month-end must be reconciled to the bank account statements monthly. While performing reconciliations testing, we documented two instances in which the reconciliation did not agree with the book/bank balance, even though they were "reviewed and approved" by supervisors. These instances reveal that employees did not follow established internal controls. After we questioned the Agency, correct reconciliations were produced, but the new reconciliations did not include timely signoffs or dates. Failure to ensure that reconciliations are completed timely and properly reviewed could lead to a financial misstatement.

**Recommendation:**

We recommend the Agency strengthen oversight and adhere to existing internal controls.

**Agency Response:**

An internal escalation protocol will be established to ensure reconciliation discrepancies are addressed and resolved within five business days of detection.

**Finding 2:**

According to DFA Travel Policy, travel reimbursements are to be paid for actual expenses only, and alcoholic beverages are not reimbursable. According to a Department of Health Internal Audit Memo, an employee falsified or altered travel receipts from July 1, 2023, through June 19, 2024, for meals and lodging, resulting in fraudulent overpayments of \$1,537. This amount includes \$135 for alcohol that was reimbursed in full or in part with 34 meals. The employee resigned from the Department of Health on June 20, 2024.

**Recommendation:**

We recommend the Agency strengthen controls related to travel reimbursements and recover overpayments.

**Agency Response:**

Self-reported after a thorough investigation and the employee was terminated. Travel training for ADH staff has been implemented quarterly. Travel supervisors will update travel fraud training biannually.

**Finding 3:**

According to Ark. Code Ann. § 19-11-229(b)(1), contracts exceeding an estimated purchase price of \$75,000 shall be awarded by competitive sealed bidding unless a determination is made in writing by the agency procurement official or the State Procurement Director that this method is not practicable and advantageous and specifically states the reasons that this method is not practicable and advantageous.

While conducting capital asset additions testing, we noted one item, costing approximately \$117,000, that was not awarded by competitive sealed bidding. According to Agency staff, evidence of proper purchase does not exist.

**Recommendation:**

We recommend the Agency strengthen controls to ensure all assets are properly acquired in compliance with Arkansas procurement laws.

**Agency Response:**

Staff will be reminded of the documentation that is needed for a Competitive Bid (CB) and Invitation for Bid (IFB) whenever we process those types of solicitations to ensure that all required documents are present before the contract is created in AASIS. The Procurement Branch Chief or Procurement Manager will also verify that all required documents are present before the process moves forward.