



UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

OMB Circular A-133 Audit of Federal Awards

Year ended June 30, 2009

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

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UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through program or cluster title	CFDA No.	Pass through entity identifying number	Federal program expenditures	Payments to subrecipients
Research and Development Cluster:				
U.S. Department of Agriculture:				
Grants for Agricultural Research, Special Research Grants – Passed through from University of Arkansas AR	10.200	UA AES 90883-0;0143-40008-01	\$ (253)	—
Total for U.S. Department of Agriculture			(253)	—
U.S. Department of Defense:				
Federal Contract – Passed through from Defense Threat Reduction Agency (DTRA)	12.XXX	HDTRA1-07-C-0028	390,585	—
Federal Contract – Passed through from HM Jackson Foundation for the Advancement of Military Medicine	12.XXX	HU0001-07-0009	306,083	—
Basic and Applied Scientific Research – Passed through from the University of Illinois	12.300	N00014-06-1-0100	56,130	—
Military Medical Research and Development	12.420		883,667	—
Total for U.S. Department of Defense			1,636,465	—
U.S. Department of Justice:				
Juvenile Accountability Incentive Block Grants – Passed through from Arkansas Department of Human Service	16.523	4600009836	880	—
Total for U.S. Department of Justice			880	—
National Aeronautics and Space Administration:				
NASA – Passed through from Baylor College of Medicine	43.XXX	NRA 03-OBPR-04/NRA 03-OBPR-06	373,121	—
NASA – Passed through from Arkansas Space Grant Consortium	43.XXX	UAMS18034/18070	16,917	—
Total for National Aeronautics and Space Administration			390,038	—
National Science Foundation:				
Biological Sciences	47.074		291,620	—
Office of Experimental Program to Stimulate Competitive Research – Passed through from ASTA (Arkansas Science and Technology Authority)	47.081	EPS-0710890	346	—
Total for National Science Foundation			291,966	—
U.S. Department of Education:				
Fund for the Improvement of Postsecondary Education – Passed through Arkansas Department of Human Service:	84.186	4600010400	171,249	—
Total for U.S. Department of Education			171,249	—
U.S. Department of Health and Human Services:				
Innovations in Applied Public Health Research – Passed through from Radiation Monitoring Devices, Inc	93.061	BETA IMAGING	53,542	—
Innovations in Applied Public Health Research – Passed through from University of North Carolina – Chapel Hill	93.061	1 P01 TP000296-01	148,349	—
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		64,473	9,980
Environmental Health	93.113		228,532	—
Rural Health Research Centers – Passed through from Western Interstate Comm. for Higher Ed	93.155	# : 44.00.61	14,494	—
Research Related to Deafness and Communication Disorders – Passed through from Louisiana St Univ Health Sciences Center	93.173	5R01CD007876	3,996	—
Research Related to Deafness and Communication Disorders – Passed through from Multimedia Technology Developers, Inc	93.173	1 R41 DC008232-01A2	9,651	—
Research Related to Deafness and Communication Disorders	93.173		174,064	—
Telehealth Network Grants	93.211		255,307	—
Research and Training in Complementary and Alternative Medicine – Passed through from Mt Sinai Medical Center	93.213	1 U01AH001156	322	—
Research on Healthcare Costs, Quality and Outcomes	93.226		5	—
Mental Health Research Grants – Passed through from Dartmouth College	93.242	7 R34MH078898-03	19,163	—
Mental Health Research Grants – Passed through from University of Colorado	93.242	1 R01 MH075831-01A2	12,710	—
Mental Health Research Grants	93.242		1,020,183	143,337
Substance Abuse and Mental Health Services – Projects of Regional and National Significance – Passed through from Arkansas Department of Human Services	93.243		157,509	—
Substance Abuse and Mental Health Services – Projects of Regional and National Significance – Passed through from Arkansas Department of Human Services	93.243		162,097	—
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		4,929	—
Alcohol Research Programs – Passed through from University of Colorado	93.273	SPO 58694	96,014	—
Alcohol Research Programs	93.273		1,073,477	17,841
Drug Abuse and Addiction Research Programs – Passed through from Baylor College of Medicine	93.279	5600246138	483,661	—
Drug Abuse and Addiction Research Programs – Passed through from Dartmouth College	93.279	7R21AA01 71 43-02; D #415	80,549	—
Drug Abuse and Addiction Research Programs – Passed through from InterVexion Therapeutics, LLC	93.279		126,289	—

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through program or cluster title	CFDA No.	Pass through entity identifying number	Federal program expenditures	Payments to subrecipients
Drug Abuse and Addiction Research Programs – Passed through from University of Vermont	93.279		\$ 12,601	—
Drug Abuse and Addiction Research Programs – Passed through from Washington University	93.279	317583	113,239	—
Drug Abuse and Addiction Research Programs	93.279		7,360,697	689,452
Mental Health National Research Service Awards for Research Training	93.282		101,396	—
Centers for Disease Control and Prevention – Investigations and Technical Assistance – Passed through from University of Alabama – Birmingham	93.283	UARK 2001-31	1,093	—
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283		360,444	17,818
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		651,284	55,026
Minority Health and Health Disparities Research	93.307		1,567,135	223,497
Trans-NIH Research Support – Passed through from Medical College of Wisconsin	93.310	5 U19 AI067734-03	14,060	—
Trans-NIH Research Support	93.310		249,768	141,212
Nursing Research	93.361		1,103,862	72,330
National Center for Research Resources – Passed through from Health Partners Research Foundation	93.389	1 R21 RR025279-01	28,467	—
National Center for Research Resources – Passed through from University of Arkansas – Fayettevill	93.389		115,263	—
National Center for Research Resources	93.389		5,212,808	2,608,466
Cancer Cause and Prevention Research – Passed through from University of California – San Francisco	93.393		7,035	—
Cancer Cause and Prevention Research – Passed through from University of Utah	93.393	10002577-01	35,397	—
Cancer Cause and Prevention Research	93.393		140,258	79,839
Cancer Detection and Diagnosis Research	93.394		391,235	35,522
Cancer Treatment Research – Passed through from EMMES Corporation	93.395	U01CA121947	151,273	—
Cancer Treatment Research – Passed through from Nat Surgical Adjuvant Breast & Bowel Prc	93.395	TFED35-034	158,397	—
Cancer Treatment Research – Passed through from Southwest Oncology Group	93.395	SWOG 05013/05027	35,296	—
Cancer Treatment Research – Passed through from University of Alabama – Birmingham	93.395	1 R01 CA135075-01	35,918	—
Cancer Treatment Research – Passed through from Washington University	93.395	WU-07-28	12,780	—
Cancer Treatment Research – Passed through from Yale University	93.395		9,960	—
Cancer Treatment Research	93.395		5,485,075	531,794
Cancer Biology Research – Passed through from University of Alabama – Birmingham	93.396	8 RCA103054A	6,626	—
Cancer Biology Research	93.396		626,542	—
Cancer Research Manpower	93.398		179,027	—
Cardiovascular Diseases Research – Passed through from University of Arkansas – Fayettevill	93.837	SA0805257	22,077	—
Cardiovascular Diseases Research	93.837		501,358	7,705
Lung Diseases Research	93.838		417,024	155,815
Blood Diseases and Resources Research – Passed through from University of Iowa	93.839	2 P01 HL046925-11	224,406	—
Blood Diseases and Resources Research	93.839		813,226	—
Arthritis, Musculoskeletal and Skin Diseases Research – Passed through from Columbia University	93.846	5 R01 AR051187-04	38,873	—
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		805,989	—
Diabetes, Digestive, and Kidney Diseases Extramural Research – Passed through from University of Kentucky Research Foundation	93.847	UKRF 3048032300-01-486	59,910	—
Diabetes, Digestive, and Kidney Diseases Extramural Research – Passed through from University of Oxford	93.847	R002692/CN003	36,759	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		2,004,145	259,349
Digestive Diseases and Nutrition Research – Passed through from University of Nebraska at Lincoln	93.848	2R01DK063945B	46,924	—
Digestive Diseases and Nutrition Research – Passed through from University of Vermont	93.848	5 R01 DK056746-07	219,049	—
Digestive Diseases and Nutrition Research – Passed through from Wake Forest University	93.848	5 U01 DK57136	31,890	—
Digestive Diseases and Nutrition Research	93.848		667,838	—
Kidney Diseases, Urology and Hematology Research – Passed through from University of Alabama – Birmingham	93.849	U01CA121947	20,747	—
Kidney Diseases, Urology and Hematology Research	93.849		895,275	—
Extramural Research Programs in the Neurosciences and Neurological Disorders – Passed through from University of Alabama – Birmingham	93.853	5 U01 NS041588-08	20,777	—
Extramural Research Programs in the Neurosciences and Neurological Disorders – Passed through from Yale University	93.853	A06657 5 R01 NS053865-02	7,265	—
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		2,585,665	93,162
Allergy, Immunology and Transplantation Research – Passed through from Western Regional Center for Excellence	93.855	5 U54 AI057156-04	91,656	—
Allergy, Immunology and Transplantation Research	93.855		2,436,440	100,450
Microbiology and Infectious Diseases Research – Passed through from University of Medicine/Dental, New Jersey	93.856	1 R01 AI4 9352 01A2	13,270	—
Microbiology and Infectious Diseases Research – Passed through from University of Alabama – Birmingham	93.856	HHSN266200400073C	82,651	—
Microbiology and Infectious Diseases Research	93.856		402,336	25,444
Biomedical Research and Research Training – Passed through from Mayo Clinic	93.859	2U01 GM61388-06	213	—
Biomedical Research and Research Training – Passed through from U. of TX Medical Branch – Galvestor	93.859	PGM060338B; 07-015	38,627	—

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through program or cluster title	CFDA No.	Pass through entity identifying number	Federal program expenditures	Payments to subrecipients
Biomedical Research and Research Training	93.859		\$ 1,131,004	212,924
Child Health and Human Development Extramural Research	93.865		767,998	—
Aging Research – Passed through from Duke Clinical Research	93.866		175,385	—
Aging Research – Passed through from Polisher Research Institute	93.866	5 R01 AG027778-02	19,749	—
Aging Research – Passed through from University of Kentucky	93.866	RAG028925A	96,242	—
Aging Research	93.866		3,980,115	32,652
Vision Research	93.867		996,243	—
Medical Library Assistance	93.879		(2,986)	—
Grants for Training in Primary Care Medicine and Dentistry	93.884		73,491	—
Health Care and Other Facilities	93.887		566,306	—
International Research and Research Training	93.989		289,044	—
Federal Contract – Passed through from Case Western Reserve University	93.XXX		39,723	—
Federal Contract – Passed through from Cleveland Clinic Foundation	93.XXX		(1,127)	—
Federal Contract – Passed through from EMMES Corporation	93.XXX	HHS-N-260-2005-00007-C	18,938	—
Federal Contract – Passed through from Jaeb Center for Health Research	93.XXX		1,532	—
Extramural Research Programs in the Neurosciences and Neurological Disorders – Passed through from University of Medicine/Dental, New Jersey	93.853		26,212	—
Total U.S. Department of Health and Human Services			<u>49,018,511</u>	<u>5,513,615</u>
Total Research and Development Cluster			<u>51,508,856</u>	<u>5,513,615</u>
Research and Development American Recovery and Reinvestment Act (ARRA) Cluster:				
U.S. Department of Health and Human Services:				
Trans-NIH Recovery Act Research Support	93.701		63,111	—
Total U.S. Department of Health and Human Services			<u>63,111</u>	<u>—</u>
Total ARRA Research and Development Cluster			<u>63,111</u>	<u>—</u>
Head Start Cluster:				
U.S. Department of Health and Human Services:				
Head Start (classroom)	93.600		7,071,032	—
Head Start (other)	93.600		98,769	1,775
Total U.S. Department of Health and Human Services			<u>7,169,801</u>	<u>1,775</u>
Total for Head Start Cluster			<u>7,169,801</u>	<u>1,775</u>
Student Financial Aid Cluster:				
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007		50,000	—
Federal Family Education Loans	84.032		32,259,631	—
Federal Work-Study Program	84.033		8,805	—
Federal Perkins Loan Program – Federal Capital Contributions	84.038		2,012,612	—
Federal Pell Grant Program	84.063		972,182	—
Total U.S. Department of Education			<u>35,303,230</u>	<u>—</u>
U.S. Department of Health and Human Services:				
Nurse Faculty Loan Program (NFLP)	93.264		40,311	—
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Student:	93.342		5,160,308	—
Nursing Student Loans	93.364		267,064	—
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		200,083	—
Total U.S. Department of Health and Human Services			<u>5,667,766</u>	<u>—</u>
Total Student Financial Aid Cluster			<u>40,970,996</u>	<u>—</u>
Non Research:				
U.S. Department of Agriculture:				
Child and Adult Care Food Program – Passed through from Arkansas Department of Human Services	10.558	Q0027	473,439	—
Rural Business Opportunity Grants – Passed through from Delta Regional Authority	10.773		127,832	—
Total U.S. Department of Agriculture			<u>601,271</u>	<u>—</u>

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through program or cluster title	CFDA No.	Pass through entity identifying number	Federal program expenditures	Payments to subrecipients
U.S. Department of Defense:				
Military Medical Research and Development	12.420	W81XWH-08-1-0751	\$ 25,062	—
Total U. S. Department of Defense			<u>25,062</u>	<u>—</u>
U.S. Department of Justice:				
Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	16.203	2004-WP-BX-0001	25,099	—
Juvenile Justice and Delinquency Prevention – Allocation to States – Passed through from Arkansas Department of Human Service	16.540		58,839	—
Violence Against Women Formula Grants – Passed through from Arkansas Department Finance & Administration	16.588	2006-WF-AX-0045	61,631	—
Total U. S. Department of Justice			<u>145,569</u>	<u>—</u>
U.S. Department of Transportation:				
State and Community Highway Safety – Passed through from Arkansas State Police	20.600	OP-2008-03-07-01	194,623	—
Total U.S. Department of Transportation			<u>194,623</u>	<u>—</u>
Environmental Protection Agency:				
Lead Educational Outreach and Baseline Assessment of Tribal Children’s Exposure and Risks Associated With Lead	66.718	AB – 83405701 – 0	131,724	41,554
Total for Environmental Protection Agency			<u>131,724</u>	<u>41,554</u>
U.S. Department of Energy:				
Office of Science Financial Assistance Program	81.049	ACC: DE-FG02-06CH11379	504,272	—
Total for U.S. Department of Energy			<u>504,272</u>	<u>—</u>
U.S. Department of Education:				
Fund for the Improvement of Postsecondary Education	84.116		337,031	—
Fund for the Improvement of Education	84.215		168,584	8,489
Safe and Drug-Free Schools and Communities_State Grants – Passed through from Arkansas Department of Human Services	84.186		46,262	—
Parental Information and Resource Centers – Passed through from Jones Center for Families	84.310		376,170	—
Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities – Passed through from University of Arkansas at Little Rock	84.333	PACE 3, 211157	3,275	—
Total for U.S. Department of Education			<u>931,322</u>	<u>8,489</u>
U.S. Department of Health and Human Services:				
Special Programs for the Aging Title IV and Title II Discretionary Projects – Passed through from Arkansas Department of Health	93.048	4600015935	26,490	—
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		151,509	2,544
Model State-Supported Area Health Education Centers	93.107		503,185	—
Maternal and Child Health Federal Consolidated Programs	93.110		652,004	33,443
Environmental Health	93.113		2,426	—
Nursing Workforce Diversity	93.178		337,953	—
Disabilities Prevention	93.184		311,562	—
Health Education and Training Centers	93.189		(39)	—
Urban Indian Health Services – Passed through from Arkansas Department of Health	93.193	5 VF1 CE001111-02	365,554	56,718
Research and Training in Complementary and Alternative Medicine	93.213		24,368	—
Family Planning Services – Passed through from Arkansas Department of Health	93.217		(8,628)	—
Grants for Dental Public Health Residency Training – Passed through from Arkansas Department of Health	93.236	4600014524	481	—
State Rural Hospital Flexibility Program – Passed through from Arkansas Department of Health	93.241	4600014850	(157)	—
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		828,882	540,637
Poison Control Stabilization and Enhancement Grants	93.253		199,626	—
Drug Abuse and Addiction Research Programs	93.279		16,153	—
Centers for Disease Control and Prevention – Investigations and Technical Assistance – Passed through from Arkansas Department of Health	93.283	4500772230	16	—
Centers for Disease Control and Prevention – Investigations and Technical Assistance – Passed through from St. Louis University	93.283		54,462	—
Centers for Disease Control and Prevention – Investigations and Technical Assistance – Passed through from Arkansas Department of Health	93.283	4600016089	17,470	—
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283		10,081	—
Subtotal	93.283		<u>82,029</u>	<u>—</u>

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through program or cluster title	CFDA No.	Pass through entity identifying number	Federal program expenditures	Payments to subrecipients
Advanced Education Nursing Traineeships	93.358		\$ 55,780	—
Nurse Education, Practice and Retention Grants	93.359		(435)	—
Nursing Research	93.361		100,954	—
Cancer Cause and Prevention Research	93.393		865,392	—
Child Care and Development Block Grant – Passed through from Arkansas Department of Human Services	93.575		394	—
Child Care Mandatory and Matching Funds of the Child Care and Development Fund – Passed through from Arkansas Department of Human Services	93.596		1,599	—
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,856	—
Subtotal	93.596		<u>3,455</u>	<u>—</u>
Developmental Disabilities Basic Support and Advocacy Grants – Passed through from Arkansas Department of Human Services	93.630		170,796	—
University Centers for Excellence in Developmental Disabilities Education, Research, and Services	93.630		474,122	—
Children's Justice Grants to States	93.643		151,708	—
Social Services Block Grant – Passed through from Arkansas Department of Human Services	93.667		(1,034)	—
Social Services Block Grant – Passed through from Arkansas Department of Human Services	93.667		1,272	—
Subtotal	93.667		<u>238</u>	<u>—</u>
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations – Passed through from Arkansas Department of Human Services	93.779	4600016477	175,098	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		18,654	—
Kidney Diseases, Urology and Hematology Research	93.849		133,337	—
Biomedical Research and Research Training	93.859		29,369	—
Child Health and Human Development Extramural Research – Passed through from Mathematical Policy	93.865	HHSP233200600003T; 233-02-0086	6,483	—
Aging Research	93.866		(37)	—
Grants for Training in Primary Care Medicine and Dentistry	93.884		1	—
Rural Health Care Services Outreach and Rural Health Network Development Program – Passed through from Mid Delta Community Consortium	93.912	6 D60RH08532-01-01	112,391	—
Special Projects of National Significance – Passed through from Arkansas Department of Health	93.928		6,018	—
Assistance Programs for Chronic Disease Prevention and Control – Passed through from Arkansas Department of Health	93.945		19,533	—
Block Grants for Prevention and Treatment of Substance Abuse – Passed through from Arkansas Department of Human Services	93.959		445,503	—
Geriatric Education Centers	93.969		372,054	129,997
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems – Passed through from Friends of Congressional Glaucoma Caucus	93.988		411	—
Preventive Health and Health Services Block Grant – Passed through from Arkansas Department of Health	93.991		66,110	—
Federal Contract	93.XXX	HHSN27300200197P	10,000	—
Federal Contract – Passed through from University of Kentucky	93.XXX	N02-CO-01241 HHSN261200	106,453	—
Federal Contract – Passed through from Decision Point, Inc.	93.XXX	1 H79 T116616-05	63,085	—
Federal Contract – Passed through from Xtria LLC	93.XXX	1053-008-45-01	7,004	—
Federal Contract – Passed through from Houston Academy of Med. – Texas Med Ct	93.XXX	N01-LM-6-3505	6,049	—
Federal Contract – Passed through from ICF	93.XXX	28HT00413	21,832	—
Federal Contract – Passed through from Ekagra Software Technologies	93.XXX	EKG-05-2008-01	80,916	—
Total for U.S. Department of Health and Human Services			<u>6,996,066</u>	<u>763,339</u>
Total for Non Research Federal Expenses			<u>9,529,909</u>	<u>813,382</u>
Total			\$ <u>109,242,673</u>	<u>6,328,772</u>

See accompanying independent auditors' report.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(1) Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Expenditures are recognized as they are incurred, except for multi-year services, which are recognized fully in the year paid.

(2) Relationship to Financial Statements

The following is a reconciliation of federal financial assistance revenue as reported in the University's financial statements to the schedule of expenditures of federal awards:

Total grants revenue as reported in the financial statements	\$ 78,465,200
Federal Family Education Loan Program	32,259,631
Federal Perkins Loan Program	2,012,612
Health Professions Student Loans	5,160,308
Nursing Student Loans	267,064
Nonfederal grant revenue	<u>(8,922,142)</u>
Federal expenditures per accompanying Schedule	<u><u>\$ 109,242,673</u></u>

(3) Loans and Loan Guarantees

Federal awards expended under the following loan programs were determined based on the value of new loans made during the year, plus the balance of loans from previous years, for which the federal government imposes continuing compliance requirements, plus any interest subsidies, cash, or administrative cost allowance received.

Federal Perkins Loan Program	\$ 2,012,612
Health Professions Student Loans	5,160,308
Nursing Student Loans	267,064
Federal Family Education Loan Program	<u>32,259,631</u>
	<u><u>\$ 39,699,615</u></u>

(4) Units of Service for CFDA 10.558 – Child and Adult Care Food Program (Unaudited)

As provided by the Head Start Program Office, the units of service (meals served) for the year ended June 30, 2009, are as follows:

	Units of service
Breakfasts Served	<u>98,102</u>
Lunches Served	128,400
Snacks Served	<u>105,692</u>
	<u><u>332,194</u></u>



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

The Board of Trustees
The University of Arkansas:

We have audited the financial statements of the University of Arkansas for Medical Sciences (the University) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated October 15, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated October 15, 2009.

This report is intended solely for the information and use of management, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 15, 2009



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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

The Board of Trustees
The University of Arkansas:

Compliance

We have audited the compliance of the University of Arkansas for Medical Sciences (the University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2009. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the requirements governing loan originations on Federal Perkins loans and servicing of student loan programs which include (i) maintaining contact with and billing borrowers; (ii) collecting loan payments; and (iii) processing deferment and cancellation requests and payments of all student loan programs. Those requirements govern functions performed by Educational Computer Systems, Inc. (ECSI). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ECSI's compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2009 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ECSI's compliance with such requirements.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-01 through 09-07 and 09-09.

Internal Control over Compliance

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

Requirements governing loan originations on Federal Perkins Loans and servicing of student loan programs, which include (i) maintaining contact with and billing borrowers; (ii) collecting loan payments; and (iii) processing deferment and cancellation requests and payments of all student loan programs as described in the Compliance Supplement are performed by ECSI. Internal control over compliance related to such functions for the year ended June 30, 2009 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of ECSI's internal control over compliance related to such functions.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-03, 09-04, 09-05, 09-06, and 09-07 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended June 30, 2009, and have issued our report thereon dated October 15, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 9, 2009, except for the paragraph related to the Schedule of Expenditures of Federal Awards, which is dated October 15, 2009

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Section I – Summary of Auditors’ Results

Consolidated Financial Statements

Type of auditors’ report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiency identified that is not considered to be a material weakness? yes none reported

Noncompliance material to consolidated financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiency identified that is not considered to be a material weakness? yes no

Type of auditors’ report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program
84.007, 84.032, 84.033, 84.038, 84.063, 93.264, 93.342, 93.364, 93.925	Student Financial Aid – Cluster
93.600	Head Start
Various	Research and Development – Cluster

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

No matters were reported.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Section III – Federal Award Findings and Questioned Costs

Finding # : 09-01 – Equipment and Real Property Management; Activities Allowed/Allowable Costs

Type of Finding : Noncompliance and Control Deficiency

CFDA Title : Head Start

CFDA Number : 93.600

Federal Award Number : 06CH7001/11

Federal Award Year : November 1, 2008 to October 31, 2009

Federal Agency : U.S. Department of Health and Human Services

Criteria or Specific Requirement

Per Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart C Post-Award Requirements, Sec. 34 Equipment, the recipient's property management standards for equipment acquired with Federal funds and federally owned equipment shall include all of the following:

- (1) Equipment records shall be maintained accurately and shall include the following information:
 - (i) A description of the equipment.
 - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
 - (iii) Source of the equipment, including the award number.
 - (iv) Whether title vests in the recipient or the Federal Government.
 - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
 - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
 - (vii) Location and condition of the equipment and the date the information was reported.
 - (viii) Unit acquisition cost.
 - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Condition Found

During our testwork, we noted two exceptions out of three sample items (100% of population) as follows:

Two of the assets purchased were recorded in the incorrect general ledger account. The assets were recorded in an "Other Services" expense account instead of an equipment expense account. Because they were recorded in the incorrect account, indirect costs were calculated on the amount of the assets. The cost of the two assets was \$9,620.

One of the two assets recorded incorrectly was also not capitalized correctly. The asset has not been recorded in the SAP fixed asset system.

Questioned Cost (including how computed)

The amount of the asset recorded in the incorrect general ledger account was not excluded from the indirect costs calculation. The Head Start grant has an indirect cost rate of 21%. Indirect costs of \$2,020 were recorded on the grant. (\$9,260 Total Cost x 21% indirect cost rate).

Possible Asserted Effect

The U.S. Department of Health and Human Services has the right to wholly or partly suspend or terminate the current grant award, condition a future grant or elect not to provide future grant funds, and/or withhold further awards for the program when there is reason to believe through periodic monitoring or review that the University is not in compliance with the requirements established.

Cause

These exceptions should have been identified through the fixed asset reconciliation process, physical inventories, and management review of purchases to ensure that assets purchased were received and properly set up as a capital asset in the SAP system, or properly removed from SAP.

Recommendations

We recommend that management perform a detailed reconciliation of asset additions on a monthly basis so that corrections are identified and made in a timely manner. Assets not capitalized when acquired will be identified and recorded in the proper period during this process. We also recommend that management perform a more thorough review of expense accounts in order to identify expense items that are incorrectly recorded.

Views of Responsible Officials

The purchase order process is the originating point for general ledger coding. Head Start routinely processes hundreds of transactions during a typical grant year. The two assets at issue were non-routine in nature, and the incorrect coding of the general ledger account was not detected by Head Start fiscal personnel or by the UAMS Procurement Department in their role as purchase order issuer.

Head Start fiscal procedures already include reviewing transaction coding and making corrections when necessary. Nevertheless, the current system will be strengthened as a result of Head Start performing a more detailed review of the nature of transactions at the start of the purchase order process before finalizing the general ledger coding.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Also, current procedures utilized by Head Start include scrutinizing the composition of general ledger account balances, and making adjustments when necessary. However, even more scrutiny by Head Start personnel will be placed on the review of the account balances in the future.

It should be noted that the general ledger coding of the two assets at issue was corrected in the October 2009 financial statements, with corresponding entries made to correct the amount of indirect costs charged to the grant.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Finding # : 09-02 – Activities Allowed/Allowable Costs
Type of Finding : Noncompliance and Control Deficiency
CFDA Title : Head Start
CFDA Number : 93.600
Federal Award Number : 06CH7001/10 & 06CH7001/11
Federal Award Year : November 1, 2007 to October 31, 2008 and November 1, 2008 to October 31, 2009
Federal Agency : U.S. Department of Health and Human Services

Criteria or Specific Requirement

Facilities and Administration Costs should not be charged as direct costs to a grant.

Condition Found

During our testing of expenses charged after the end of the grant period and expenses posted to the grant as adjustments, we noted that expenses for Telephone Recharge and Vehicle Maintenance Recharge included fees added to the actual expense that are administrative in nature. These fees are included in the definition of general administration expenses and should not be included as direct costs of the grant.

For the Telephone Recharge expense, a Chancellor’s Fee of \$5.50 per phone is added to the actual telephone expense. Head Start has 68 phones. Additionally, equipment maintenance was also charged for the telephones. For the Vehicle Maintenance Recharge expense, a 5% vehicle control fee is added to the actual expenses incurred for fuel, car tags, etc.

Questioned Cost (including how computed)

The amount of the Chancellor’s Fee for the Telephone Recharge for FY09 would approximate \$4,488 (\$5.50/phone for 68 phones for 12 months). The amount for the equipment approximates \$2,856 \$3.50/phone for 68 phones for 12 months). The amount of the vehicle control fee added to the Vehicle Maintenance Recharge expense is approximately \$583 (Total FY09 Recharge expense \$12,244.94/1.05). Additionally, 21% of indirect costs on these charges approximate \$1,665.

The total questioned costs are \$9,592.

Possible Asserted Effect

The U.S. Department of Health and Human Services has the right to wholly or partly suspend or terminate the current grant award, condition a future grant or elect not to provide future grant funds, and/or withhold further awards for the program when there is reason to believe through periodic monitoring or review that the University is not in compliance with the requirements established.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Cause

After UAMS implemented Policy #8.3.17 on June 3, 2008, departments that prepare recharge entries could no longer post expenses directly to a grant project. The entries are posted to the cost center associated with the grant. The Grants Administrator is responsible for transferring the costs from the cost center to the grant. When the entries were made for transferring the cost to the grant, the additional fees were included in the entry amount.

Recommendations

We recommend that management verify the fees included in all recharge entries and ensure that entries to transfer costs to the grant do not include any fees that would be classified as Facilities and Administrative in nature.

Views of Responsible Officials

As stated in the description of the cause of this error, a new process to allow review of administrative costs charged to projects was implemented 7/1/08. Up to that time these campus fees were not charged to grants. Due to an oversight this was not properly communicated to the recharged units or to the departments transferring these expenses at the time the policy was implemented. The internal charges did not include a breakdown of the expense which would have identified and prevented these ineligible expenses from being posted to a federal grant. We will remove these amounts from the grant year ended 10/31/08 and will submit the revised FSR by 12/31/09. The current grant year has also been corrected. The FSR for that year will be submitted by the due date of 1/29/10.

We will verify that these types of expenses are not included in costs transferred to the grants from internal recharge centers by requesting a copy of the rate structure from these centers.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Finding # : 09-03 Special Tests and Provisions – Return of Title IV Funds
Type of Finding : Noncompliance and Significant Deficiency
CFDA Title : Student Financial Assistance Programs
CFDA Number : 84.007; 84.032; 84.033; 84.038; 84.063; 93.342; 93.364
Federal Award Number : N/A
Federal Award Year : July 1, 2008 through June 30, 2009
Federal Agency : U.S. Department of Education
U.S. Department of Health and Human Services

Criteria or Specific Requirement

Timing of Return of Title IV Funds

For students who do not enroll: If (1) a student does not register for the period of enrollment for which the loan was made; (2) a registered student withdraws or is expelled prior to the first day of classes; or (3) if the institution does not disburse FFEL loan proceeds to a student or parent in accordance with the time frames required in 34 CFR Section 668.167(b), the institution must return the funds to the lender within 10 business days after the date the funds were required to be disbursed.

For students who withdraw during a semester: Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (34 CFR Section 668.22). Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR Section 668.173(b)).

Condition Found

During our testing of the 10 business day rule for return of Title IV funds we noted funds for one College of Nursing student who enrolled less than half time for the Fall semester; therefore, becoming ineligible to receive Title IV funds, were returned 20 business days after the receipt of the funds (10 days non-compliance).

During our testing of the 45 day rule for return of Title IV funds, we noted two instances where funds were not returned to the lender within the required 45 day time period. The two students were both enrolled in the College of Medicine. For one student funds were returned 222 days after the student withdrew (180 days non-compliance) and for the other student funds were returned 73 days after the student was dismissed (28 days non-compliance).

Questioned Cost (including how computed)

Known questioned cost is calculated as \$72.55. The calculation was based on the average interest rate for each quarter. We applied the average interest rate to the total number of days in noncompliance for each student and the amount that was returned. We then annualized the amount over 365 days.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Possible Asserted Effect

The U.S. Department of Education has the right to withdraw funding when there is reason to believe through periodic monitoring or review that the University is not in compliance with the requirements established.

Cause

Per discussions with the Director of Financial Aid for the College of Medicine, the two College of Medicine exceptions were overlooked during the Fall semester as the Director took on additional duties due to the uncertain lending market at that time. Since then, additional staff has been hired to assist the Director.

The exception noted for the College of Nursing student was processed under the prior Student Financial Aid Director before changes in controls were implemented to ensure funds were returned timely.

Recommendations

We recommend the Director of Financial Services and the Director of Financial Aid for the College of Medicine develop written policies on processes to ensure Title IV funds are returned within the required time periods.

Views of Responsible Officials

Time frames were identified and reviewed by management to secure the proper award/disbursement dates. A calendar was placed on the common H drive for all staff to access the award/disbursement dates. All registrars were notified of current compliance regulations regarding student enrollment and withdrawal status. Emphasis was placed on the compliance timing issues and verified by establishing spreadsheets and reviewing sign off procedures. These controls were established when the University restructured the Student Financial Aid Office in November 2008. The Student Financial Services finding for the College of Nursing student occurred during the Fall Semester prior to the implementation of new controls and procedures. The College of Medicine Director of Financial Aid has reviewed and updated procedures and processes to more closely track enrollment changes. In addition these changes are recorded in a spreadsheet accessible by all staff within the Financial Aid office to ensure funds are returned within the required time frame.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Finding # : 09-04 Special Tests and Provisions – Disbursement To or On Behalf of Students

Type of Finding : Noncompliance and Significant Deficiency

CFDA Title : Student Financial Assistance Programs

CFDA Number : 84.032; 84.038; 84.063; 93.342; 93.364

Federal Award Number : N/A

Federal Award Year : July 1, 2008 through June 30, 2009

Federal Agency : U.S. Department of Education
U.S. Department of Health and Human Services

Criteria or Specific Requirement

The earliest an institution may disburse SFA funds (other than FWS) (either by paying the student directly or crediting the student’s account) is 10 days before the first day of classes of the payment period for which the disbursement is intended. There are two exceptions to this rule. First, institutions may not disburse or deliver the first installment of FFEL or Direct Loans to first year undergraduates who are first time borrowers until 30 days after the student’s first day of classes, unless the institution has low default rates (less than 10%). The second exception applies to a student who is enrolled in a clock hour educational program or a credit hour program that is not offered in standard academic terms. The earliest the institution may disburse funds is the later of 10 days before the first day of classes for the payment period or, except for certain circumstances under the FFEL and Direct Loan programs, the day the student completed the previous payment period (34 CFR Section 668.164).

Loan funds provided by electronic fund transfer or master check may not be requested earlier than 13 days before the first day of classes for any subsequent payment period for a first-year, first-time Stafford Loan borrower or for any payment period for all other FFEL borrowers (34 CFR Section 668.167).

Loan funds must be disbursed within 3 business days of receipt if the lender provided the funds by EFT or master check or 30 days if the lender provided the funds by check payable to the borrower or copayable to the borrower and the institution (34 CFR Sections 668.162, 668.164, 668.167(b), 682.603, and 682.604(d)).

Condition Found

Of the 40 students tested, we noted ten instances where financial aid funds were posted to students' accounts more than 10 days prior to the first day of class. The ten exceptions represent eight students. Of the exceptions, five were for Stafford loans and five were for PELL. Of the eight students, two were enrolled in the College of Medicine and six were enrolled in the College of Nursing.

Questioned Cost (including how computed)

None

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Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Possible Asserted Effect

The Department of Education has the right to withdraw funding when there is reason to believe through periodic monitoring or review that the University is not in compliance with the requirements established.

Cause

The exceptions noted for the students in the College of Medicine, the term affected was Fall 2008. During the prior year audit, it was discovered that the Director of Financial Aid for COM was using the date of registration instead of the first day of class to calculate the 10 day rule. After the audit, the Director of Financial Aid for COM revised her disbursement procedures to ensure funds were not applied to student accounts before 10 days prior to the first day of class. In our testing we noted that the Spring disbursements for COM students were all within 10 days.

For non-College of Medicine, we were unable to obtain an explanation for the CON students who received disbursements before 10 days prior to the first day of class.

Recommendations

We recommend the Director of Student Financial Services implement procedures within the Financial Aid Office to ensure disbursements to students' accounts do not occur before 10 days prior to the first day of class for each semester.

Views of Responsible Officials

The Director of Financial Aid for the College of Medicine has revised the disbursement procedures as of December 2008 to ensure funds are not applied to the student's accounts before 10 days prior to the 1st day of class. Pell awards were posted to the College of Nursing students' accounts 10 days prior to the 1st day of class but funds were not received nor disbursed to the students 10 days prior to the 1st day of class. A calendar is on the H Drive for SFS Staff to view and verify disbursement dates. The Student Financial Services Director is also working with IT to run Pell awards in OASIS in batch format. The batch file would be checked and verified by SFS Staff prior to releasing to IT to ensure correct amounts and posting dates.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Finding # : 09-05 Verification
Type of Finding : Noncompliance and Significant Deficiency
CFDA Title : Student Financial Assistance Programs
CFDA Number : 84.007, 84.032,84.038, 84.063, 93.342
Federal Award Number : N/A
Federal Award Year : July 1, 2008 through June 30, 2009
Federal Agency : U.S. Department of Education

Criteria or Specific Requirement

The 2008-09 Verification Worksheet requires a student selected for verification to complete and sign the worksheet and submit the completed worksheet and other required forms to the financial aid administrator.

Loan funds for students selected for verification may not be disbursed to the student until verification has been completed. (34 CFR 668.58).

Condition Found

During our testing of Verification Compliance, we noted for one College of Nursing student, the student completed the verification worksheet; however, the back side of the worksheet, which includes the student's signature, was not scanned into the electronic student file and the paper file was destroyed. Because of this, we were unable to verify that the student had signed the verification worksheet.

Of the students selected for testing, three of the 30 were College of Medicine students. During our review of the COM students' files, we found that in all three cases loan funds were disbursed to the students' accounts before the verification process was complete.

Questioned Cost (including how computed)

None.

Possible Asserted Effect

The U.S. Department of Education has the right to withdrawal of funding when there is reason to believe through periodic monitoring or review that the University is not in compliance with the requirements established.

Cause

For the non-COM Student Financial Aid Office, the backside of the form was overlooked and not scanned.

The verification completed date used for testing is the date the Financial Aid Officer signs or initials the completed verification worksheet. Because the director of Student Financial Aid for COM does not signed and date the verification worksheet, the date utilized for testing was the date per the notification letters to the students indicating their verification process was complete.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recommendations

We recommend the Director of Student Financial Services implement a review process to ensure student files scanned in electronic format include all information that is maintained in the paper files. We recommend the Student Financial Aid office maintain paper files of the year under audit until the audit has been completed and issued.

We also recommend the Director of Student Financial Aid for COM students initial and date the completed verification worksheets for each student selected for verification and ensure aid funds are not disbursed to students before the verification process is complete.

Views of Responsible Officials

The Student Financial Services Office Director contacted the College of Nursing student and the student furnished a copy of the signed back page of the verification worksheet. A random sample of scanned files was spot checked prior to shredding. The sample size of scanned files checked will be increased in the future prior to shredding. The College of Medicine Director of Financial Aid will send a letter to the student confirming completion of verification prior to posting any loan disbursements in OASIS. This will ensure sufficient documentation prior to release of funds.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Finding # : 09-06 – Allowable Costs

Type of Finding : Noncompliance and Significant Deficiency

CFDA Title : Research & Development Cluster

CFDA Number : 93.848; 93.847; 93.393; 12.XXX

Federal Award Number : 5R37DK036823-25; 5R21DK074024-02; 5U01 CA114607-04;
HU0001-07-1-0009

Federal Award Year : Various

Federal Agency : Department of Defense, Department of Health and Human Services

Criteria or Specific Requirement

Direct costs charged to a grant must be actual costs, incurred during the grant year and supported by appropriate documentation. F&A costs should not be charged on equipment purchases. Administrative costs should not be charged directly to a grant unless a grant is classified as “major”.

Condition Found

During our testing of the Research and Development (R&D) Cluster, we noted that various nonallowable costs were charged to R&D grants. Below are nonallowable costs that were noted:

- During our testing of adjustments, we noted a reclassification of molecular modeling and analysis fees to an R&D grant from a cost center totaling \$24,700. No supporting documentation was provided.
- During our testing of adjustments, we noted a reclassification of cell phone charges to an R&D grant for three months of service. The related individuals identified as the users of the cell phones had varying percentages of effort charged to that grant. A portion of these costs were deemed nonallowable.
- During our testing of adjustments, we noted that an expense of \$149 was posted for office supplies. The grant identified was not a major grant and therefore should not have administrative costs charged to it.
- During our testing of expenditures, we noted that a piece of equipment was purchased but classified as research supplies. This resulted in F&A costs being inappropriately charged to this grant.

Questioned Cost (including how computed) \$54,303

- The amount of the direct costs deemed to be nonallowable related to the reclassification of molecular modeling and analysis fees was \$24,700 and the related F&A costs at 44% was \$10,868 resulting in a total of \$35,568.
- The amount of the cell phone charges deemed to be nonallowable was \$1,239 and the related F&A costs at 21% was \$260 resulting in a total of \$1,499.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- The amount of the toner cartridge charged to office supplies of \$149 and the F&A costs associated with it at 45% of \$67 for a total \$216.
- The amount of the F&A costs charged on an equipment purchase of \$40,522. The total F&A costs were \$17,020.

Possible Asserted Effect

The Department of Defense and the Department of Health and Human Services through any primary grantees, if applicable, have the right to wholly or partly suspend or terminate the current grant award, condition a future grant or elect not to provide future grant funds, and/or withhold further awards for the program when there is reason to believe through periodic monitoring or review that the University is not in compliance with the requirements established.

Cause

Direct costs were inappropriately charged to these programs.

Recommendation

We recommend that management ensure that any costs transferred or charged to a grant have adequate supporting documentation and comply with grant requirements and UAMS policies and procedures. Additionally, we recommend that all costs have the appropriate level of management review prior to posting. We also recommend that entries be posted to remove these costs from the R&D program.

Views of Responsible Officials

Management concurs with the recommendation and is in the process of updating the expenditure control policy to formalize the requirements necessary to allow cost transfers.

Once it was confirmed that no support was available for the expenses identified in item one, the expenses and associated F&A costs were removed from this grant.

For the second item the expenses will be removed and the Financial Status Report will be revised before 12/31/09. In the future these charges will be posted to a department account or charged according to usage to the proper accounts.

For the third item the Department Administrator stated this was an error missed during the monthly review of expenses posted to grants. The expenses were immediately removed and all grants in the department were reviewed to ensure no other such expenses were accidentally charged to grants. The Department implemented a new process to add an additional review of request to purchase to be sure the correct account is charged.

For item number 4, the Grant Administrator for the department which charged the equipment to a supply code left the university. The error was found by the new Grant Administrator while reviewing the activity that occurred while the position was vacant. The error was found and corrected but the correction was posted in the current fiscal year (FY10) instead of FY09.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Finding # : 09-07 – Period of Availability
Type of Finding : Noncompliance and Significant Deficiency
CFDA Title : Research & Development Cluster
CFDA Number : 93.389; 93.307
Federal Award Number : 5P20RR016460-07; 5P20RR020146-04; 5P20MD002329-02 REVISED
Federal Award Year : Various
Federal Agency : Department of Health and Human Services

Criteria or Specific Requirement

Direct costs should only be charged during the period of the grant year. Goods purchased must be received prior to the end of the grant year in order to be charged to the grant.

Condition Found

During our testing of expenditures charged to grant programs, we noted that an expense was posted for software maintenance. The invoice was composed of two parts, including one that totaled \$11,000 for the next three years.

Additionally, during the testing of expenses charged after the end of the grant period, we noted that expenses for goods received were charged to the program after the end of the grant year even though the items had not been received until after the end of the grant year.

Questioned Cost (including how computed) \$23,347

The amount of the three year maintenance agreement of \$11,000 and the F&A costs associated with it at 42% of \$4,620 total the \$15,620.

The amount of questioned costs for the items charged that were not received until after the end of the grant year are \$5,347 and the associated F&A charges of \$2,380 for a total of \$7,727.

Possible Asserted Effect

The Department of Health and Human Services has the right to wholly or partly suspend or terminate the current grant award, condition a future grant or elect not to provide future grant funds, and/or withhold further awards for the program when there is reason to believe through periodic monitoring or review that the University is not in compliance with the requirements established.

Cause

Prepayment of maintenance contracts causes these types of issues to arise. The requirement to pay them at the beginning of the period covered increases the possibility that the cost will be charged to an inappropriate period. For the goods not received by grant year-end, management did not verify the receipt date for goods purchased prior to recording the expense on the grant.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recommendation

We recommend that management ensure that any maintenance contracts be reviewed prior to posting by appropriate levels of management to ensure that the period charged is correct. Additionally, we recommend that management verify that goods are received prior to the end of the grant year before charging those costs to the program. Finally, we recommend that entries be posted to reclassify any costs to future periods and remove any unallowed costs from the grants.

Views of Responsible Officials

The maintenance expenses for the P20 awards identified will be moved to the proper year of the awards or to the appropriate departmental cost center and any Financial Status Reports affected will be revised to reflect the correction. The Department Administrators have been informed of the timing issue involved with these expenses. The Grants Management Certification Program will also stress this in the upcoming training sessions.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Finding # : 09-08 Equipment and Real Property Management
Type of Finding : Control Deficiency
CFDA Title : Research and Development Cluster
CFDA Number : 93.389
Federal Award Number : 5P20RR020146.04
Federal Award Year : July 1, 2008 through June 30, 2009
Federal Agency : Department of Health and Human Services

Criteria or Specific Requirement

Asset records for assets purchased with Federal funds should include the acquisition date and cost, percentage of Federal participation in the cost, location, condition, and any ultimate disposition data including the date of the disposal and sales price or method used to determine current market value.

Per UAMS Administrative Guide 5.2.02, departments requesting the return of any material or equipment to vendors must go to the Support Services Distribution website and complete an Outgoing Shipment Form.

Condition Found

For one asset selected for testing, the asset record did not include the grant number, inventory tag number or location of the asset.

For one asset selected for testing, the location of the asset listed in the asset record was incorrect. We also noted that the original asset was returned to the vendor for repairs and a replacement was being used by the researcher. The inventory tag number was attached to the original equipment. The vendor determined that the original equipment could not be repaired and allowed the researcher to keep the replacement equipment. The researcher had not notified Property Services of the return or the replacement.

Questioned Cost (including how computed)

None

Possible Asserted Effect

A misappropriation or loss of equipment purchased with Federal funds could occur when there is noncompliance with controls implemented to account for and safeguard the equipment.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Cause

For the first exception noted, when assets are purchased on a grant the requisitioner is responsible for coding the purchase with a “Z” to indicate the purchase will be made with Federal funds. Property Services monitors all purchases coded with a “Z” to properly identify the assets in the asset system. The purchase in question was coded with a “P” causing a breakdown in the control process. The asset was set up in the asset system by Property Services; however, when the asset was delivered and tagged by Property Services the asset record was not updated with the location or inventory tag number.

For the second asset noted, the department failed to provide the proper location of the equipment when the equipment was delivered. In addition, the researcher failed to complete an Outgoing Shipment Form for the returned equipment as required by UAMS Administrative Guide 5.2.02. The researcher also failed to notify Property Services that the original equipment was replaced and needed to be tagged.

Recommendation

We recommend departmental personnel responsible for ordering equipment ensure purchase requisitions are coded with a “Z” when the asset is purchased with Federal funds. We recommend Property Services implement procedures to ensure asset records are properly updated when an asset is received and tagged.

We also recommend departmental personnel responsible for equipment review and comply with UAMS Administrative Guides to ensure equipment is properly accounted for and the proper forms are completed when equipment is returned to or replaced by a vendor.

Views of Responsible Officials

Because it was recognized that there was a potential for errors in choosing the correct purchasing code an additional report has been developed to allow the asset accounting staff to review all purchases regardless of price or codes used. The report was rolled out in April 2009. In addition the Procurement Office has been instructed to review all general ledger codes prior to converting a requisition to a purchase order.

The University’s Grant Management Certification Program will stress this issue in the upcoming training programs and reminders will be added to the bi-monthly newsletter and the weekly e-mail.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Finding # : 09-09 Equipment and Real Property Management
Type of Finding : Non-Compliance and Control Deficiency
CFDA Title : Research and Development Cluster
CFDA Number : 93.887
Federal Award Number : 1 C76HF09175-01-00
Federal Award Year : July 1, 2008 through June 30, 2009
Federal Agency : Department of Health and Human Services

Criteria or Specific Requirement

Per OMB Circular A-133, Equipment and Real Property Management, real property shall be used for the originally authorized purpose as long as needed for that purpose. With written approval from the Federal awarding agency, the real property may be used in other federally sponsored projects or programs that have purposes consistent with those authorized for support by the Federal awarding agency. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Per the award notice for grant G1-34304-01, telemedicine equipment purchased under this grant will be added at these exact locations, Delta AHEC, Jonesboro AHEC, Batesville AHEC, Harris Hospital, Fort Smith AHEC, Fayetteville AHEC, Centers for Children Northwest AR, St. Mary’s Medical Center, Arkansas Children’s Hospital, UAMS, Arkansas State Hospital, Conway Regional Medical Center, and St. Vincent Hospital.

Per UAMS Administrative Guide 5.4.01, all UAMS property located off-campus must be recorded on the Property Located Off-Campus Form. All UAMS property located at sites other than officially designated UAMS lands and facilities shall be considered off-campus for the purpose of this policy. Property located off-campus may be used only as an extension of regular UAMS business and not for any other purpose. Approval for use of UAMS property off-campus must be obtained in writing from the Department Director, and responsibility for such property will reside with the UAMS employee utilizing the property. Property Located Off-Campus Forms must be updated annually.

Condition Found

During our testing of equipment purchased with Federal funds on grant G1-34304-01, we found that off campus forms had not been completed for the items located at non-UAMS facilities. We also found two assets were located at facilities that were not authorized by the grant.

Questioned Cost (including how computed)

None

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Possible Asserted Effect

A misappropriation or loss of equipment purchased with Federal funds could occur when there is noncompliance with controls implemented to account for and safeguard the equipment.

Cause

The equipment purchased under this grant is mobile video conferencing systems that are used in various locations around the State. Because the equipment is mobile, it is easily moved from one office or location to another for use in the telemedicine program. Prior to September 2009, the inventory records had not been properly maintained to properly track the systems purchased under this grant over the past year. In September 2009, a new project coordinator was hired to update and maintain the equipment database for the telemedicine program. The new project coordinator is in the process of locating and updating the equipment records.

Based on discussions with program staff, the equipment located in one of the unauthorized locations is mainly used to communicate with the State government official and health care committee members on issues related to the purpose of the grant. However, the location was not specifically listed in the grant and approval was not obtained. The other exception noted is located in a conference room in an administrative building across from the main UAMS campus. Again, the location of the equipment was not specifically listed in the grant and approval was not obtained.

Because of the exceptions noted above, we obtained a complete listing of the equipment purchased under the grant and noted the location of each telemedicine system. We found that in addition to the two unauthorized locations noted above, one other piece of equipment, that was not included in the sample tested, is located in an unauthorized clinic. We also noted that there were five telemedicine systems maintained in a storeroom that have not been deployed to the locations specified in the grant. One of the systems to be deployed is scheduled to go to Texarkana, which is not an authorized location per the grant award.

Recommendation

We recommend the program coordinator document the locations of equipment purchased under grant G1-34304-01 and provide the locations to the Property Services Department. We recommend the Property Services Department update the asset records with the current locations. We recommend the program coordinator complete Property Located Off-Campus Forms for all equipment not currently located at UAMS.

We also recommend the grant manager obtain approval from the granting agency for the equipment maintained at unauthorized locations or transfer the equipment to an appropriate location as allowed by the grant. We recommend equipment currently maintained in a storeroom be deployed as soon as possible to the specified locations per the grant award.

Views of Responsible Officials

All equipment purchased for the grant listed above have been inventoried, locations updated with the Property Services Department and off campus forms completed. The Grant Manager has contacted HRSA and received confirmation that the equipment can be moved to whatever locations meet the purpose of the grant which was "to expand clinical and educational services in an established and successful telemedicine program serving high-risk pregnant women, their providers, and other rural patients seeking specialty care in Arkansas."