



UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

OMB Circular A-133 Audit Report

Year ended June 30, 2010

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, 2010

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 Commerce:				
Measurement and Engineering Research and Standards Passed through from John Hopkins University	11.609	60NANB10D008	\$ 29,599	—
Total for U.S. Department of Commerce			29,599	—
U.S. Department of Defense:				
Federal Contract – Passed through from Defense Threat Reduction Agency (DTRA)	12.XXX	HDTRA1-07-C-0028	212,527	—
Federal Contract – Passed through from HM Jackson Foundation for the Advancement of Military Medicine	12.XXX	HU0001-07-1-0009/ HU0001-09-1-0005	551,732	—
Federal Contract – Passed through from the University of Tennessee	12.XXX	W81XWH-08-1-0312	60,967	—
Basic and Applied Scientific Research – Passed through from the University of Illinois	12.300	N00014-06-1-0100	67,714	—
Military Medical Research and Development	12.420		751,851	—
Basic Scientific Research	12.431		33,975	—
Total for U.S. Department of Defense			1,678,766	—
National Aeronautics and Space Administration:				
Miscellaneous NASA Programs Passed through Baylor College of Medicine	43.XXX	NPFR00403	22,329	—
Miscellaneous NASA Programs Passed through University of Arkansas at Little Rock	43.XXX	Arkansas Space Grant Consortium	25,204	—
Total for National Aeronautics and Space Administration			47,533	—
National Science Foundation:				
Biological Sciences	47.074		444,390	—
Office of Experimental Program to Stimulate Competitive Research – Passed through from ASTA (Arkansas Science and Technology Authority	47.081	EPS-0710890	788	—
ARAA – Trans-NSF Recovery Act Research Support	47.082		435,186	—
Total for National Science Foundation			880,364	—
U.S. Department of Education:				
Safe and Drug-Free Schools and Communities_State Grants – Passed through from Arkansas Department of Human Services	84.186	4600010400	7,475	—
Total for U.S. Department of Education			7,475	—
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	2,335	—
Innovations in Applied Public Health Research – Passed through from University of North Carolina – Chapel Hill	93.061	1 P01 TP000296-01	210,611	—
Environmental Health	93.113		58,985	—
Environmental Health – Passed through from Louisiana State University Health Sciences Center	93.113	5 R01 ES004344	9,160	—
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		157,665	—
Research Related to Deafness and Communication Disorders	93.173		101,087	—
Research Related to Deafness and Communication Disorders – Passed through from Louisiana State University Health Sciences Center	93.173	5R01CD007876	60,636	—
Telehealth Network Grants	93.211		37,338	—
Mental Health Research Grants	93.242		883,727	118,099
Mental Health Research Grants – Passed through Dartmouth College	93.242	7 R34MH078898/R01MH086939	21,767	—
Mental Health Research Grants – Passed through Emory University	93.242	S472580/S472606	64,526	—
Mental Health Research Grants – Passed through University of Colorado	93.242	R01 MH075831	20,017	—
Mental Health Research Grants – Passed through University of Massachusetts	93.242	6121802/RFS2011038	42,563	—
Mental Health Research Grants – Passed through Benton County Drug Court	93.243	H79TI021525	40,866	—
Alcohol Research Programs – Passed through from University of Colorado	93.273	SPO 58694	3,700	—
Alcohol Research Programs	93.273		1,137,584	11,810
Drug Abuse and Addiction Research Programs – Passed through from Baylor College of Medicine	93.279	5600246138	289,255	—
Drug Abuse and Addiction Research Programs – Passed through from Dartmouth College	93.279	7R21AA01 71 43-02; D #415	19,157	—
Drug Abuse and Addiction Research Programs – Passed through from InterVexion Therapeutics, LLC	93.279	R42DA017596	158,550	—
Drug Abuse and Addiction Research Programs – Passed through from University of Vermont	93.279	R01DA024691	30,146	—
Drug Abuse and Addiction Research Programs – Passed through from Washington University	93.279	317583	65,272	—
Drug Abuse and Addiction Research Programs	93.279		6,707,261	540,114
Mental Health National Research Service Awards for Research Training	93.282		22,493	—
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283		334,431	11,566
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		831,139	62,612
Minority Health and Health Disparities Research	93.307		1,585,926	170,602
Trans-NIH Research Support	93.310		432,405	247,481
Trans-NIH Research Support – Passed through from Duke Clinical Research	93.310	U19AI087798	142,158	—

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/pass-through program or cluster title	CFDA No.	Pass through entity identifying number	Federal program expenditures	Payments to subrecipients
Nursing Research	93.361		\$ 644,999	69,191
National Center for Research Resources – Passed through from Health Partners Research Foundation	93.389	URICA A07-129	45,989	—
National Center for Research Resources – Passed through from University of Arkansas – Fayetteville	93.389	SA0903010/5P20RR015569	70,531	—
National Center for Research Resources	93.389		9,512,112	2,430,540
Cancer Cause and Prevention Research – Passed through from University of California at San Francisco	93.393	8 R1CA51323A	6,904	—
Cancer Cause and Prevention Research – Passed through from University of Alabama at Birmingham	93.393	000351425-001	19,854	—
Cancer Cause and Prevention Research – Passed through from University of Utah	93.393	10002577-01	86,097	—
Cancer Cause and Prevention Research	93.393		168,838	—
Cancer Detection and Diagnosis Research	93.394		563,202	68,455
Cancer Treatment Research – Passed through from EMMES Corporation	93.395	U01CA121947	175,572	—
Cancer Treatment Research – Passed through from Nat Surgical Adjuvant Breast & Bowel Project	93.395	TFED35-034	154,608	—
Cancer Treatment Research – Passed through from Southwest Oncology Group	93.395	SWOG 05013/05027	23,058	—
Cancer Treatment Research – Passed through from University of Alabama – Birmingham	93.395	5 R01 CA135075-03	44,669	—
Cancer Treatment Research – Passed through from University of Michigan	93.395	U10 CA32102	28,928	—
Cancer Treatment Research – Passed through from Yale University	93.395	R01CA122728	11,097	—
Cancer Treatment Research	93.395		5,494,920	430,441
Cancer Biology Research	93.396		468,125	—
ARAA – Trans-NIH Recovery Act Research Support	93.701		5,028,955	210,830
ARAA – Trans-NIH Recovery Act Research Support – Passed through InterVexion Therapeutics, LLC	93.701	DA028915-01	86,177	—
ARAA – Trans-NIH Recovery Act Research Support – Passed through Wright State University	93.701	RDA028467A	20,180	—
Cardiovascular Diseases Research – Passed through from University of Arkansas – Fayetteville	93.837	SA0805257	20,212	—
Cardiovascular Diseases Research	93.837		1,738,995	48,004
Lung Diseases Research	93.838		37,611	14,336
Blood Diseases and Resources Research – Passed through from University of Iowa	93.839	P01 HL046925/1000719618	246,935	—
Blood Diseases and Resources Research	93.839		1,092,991	—
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		986,706	—
Diabetes, Digestive, and Kidney Diseases Extramural Research – Passed through from Rhode Island Hospital	93.847	7011929	7,933	—
Diabetes, Digestive, and Kidney Diseases Extramural Research – Passed through from University of Vermont	93.847	R01DK056746	21,513	—
Diabetes, Digestive, and Kidney Diseases Extramural Research – Passed through from University of Oxford	93.847	R002692/CN003	(3,702)	—
Diabetes, Digestive, and Kidney Diseases Extramural Research – Passed through from Wake Forest University	93.847	5 U01 DK57136	34,509	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		2,208,634	56,258
Digestive Diseases and Nutrition Research – Passed through from University of Nebraska at Lincoln	93.848	2R01DK063945B	11,688	—
Digestive Diseases and Nutrition Research – Passed through from University of Vermont	93.848	5 R01 DK056746-07	201,375	—
Digestive Diseases and Nutrition Research	93.848		460,649	—
Kidney Diseases, Urology and Hematology Research – Passed through from University of Alabama – Birmingham	93.849	U01DK063788	17,064	—
Kidney Diseases, Urology and Hematology Research	93.849		1,162,592	—
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		2,800,620	87,746
Extramural Research Programs in the Neurosciences and Neurological Disorders – Passed through from University of Alabama – Birmingham	93.853	00302285-006; U01 NS041588	21,896	—
Extramural Research Programs in the Neurosciences and Neurological Disorders – Passed through from Yale University	93.853	R01 NS053865; A07542	7,698	—
Extramural Research Programs in the Neurosciences and Neurological Disorders – Passed through from Columbia University	93.853	R01NS048125	1,400	—
Allergy, Immunology and Transplantation Research – Passed through from Duke Clinical Research	93.855	161802/155346/148037/1405146	222,973	—
Allergy, Immunology and Transplantation Research – Passed through from University of California at San Diego	93.855	PO 103605957	7,147	—
Allergy, Immunology and Transplantation Research	93.855		2,119,699	60,246
Microbiology and Infectious Diseases Research – Passed through from University of Alabama – Birmingham	93.856	HHSN266200400073C	137,607	—
Microbiology and Infectious Diseases Research	93.856		738,746	12,840
Biomedical Research and Research Training – Passed through from University of Texas Medical Branch – Galveston	93.859	PGM060338B; 07-015	34,899	—
Biomedical Research and Research Training	93.859		1,817,625	233,528
Population Research	93.864		610,182	—
Child Health and Human Development Extramural Research	93.865		538,391	42,233
Aging Research	93.866		4,462,530	117,270
Aging Research – Passed through from Polisher Research Institute	93.866	5 R01 AG027778-02	23,999	—
Aging Research – Passed through from University of Kentucky	93.866	RAG028925A	83,267	—
Vision Research	93.867		1,076,482	—
Grants for Training in Primary Care Medicine and Dentistry	93.884		138	—
Health Care and Other Facilities	93.887		21,200	—
International Research and Research Training	93.989		305,632	—
Federal Contract – Passed through from Case Western Reserve University	93.XXX	HHSN266200700022C/CDC200-2009-32598	58,416	—
Federal Contract – Passed through from Cleveland Clinic Foundation	93.XXX	N01-CN-25140	23,255	—

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/pass-through program or cluster title	CFDA No.	Pass through entity identifying number	Federal program expenditures	Payments to subrecipients
Federal Contract – Passed through from EMMES Corporation	93.XXX	HHS-N-260-2005-00007-C	\$ 17,115	—
Federal Contract – Passed through from JAEB Center for Health Research	93.XXX	CTA	322	—
Federal Contract – Passed through from University of Oklahoma	93.XXX	PSC27469-83	1,000	—
Total U.S. Department of Health and Human Services			<u>59,503,519</u>	<u>5,044,202</u>
Veteran’s Administration:				
Federal Contract – Passed Through from VA Medical Center – Iowa City	—	ICVARF-031	35,878	—
Total for Veteran’s Administration			<u>35,878</u>	<u>—</u>
Total Research and Development Cluster			<u>62,183,134</u>	<u>5,044,202</u>
Head Start Cluster:				
U.S. Department of Health and Human Services:				
Head Start (classroom)	93.600		7,186,970	—
Head Start (other)	93.600		66,010	31,991
Head Start (classroom) – Passed through Head Start/Body Start National Center for Physical Development and Outdoor Play	93.600	Play Space Award	5,000	—
ARRA – Head Start	93.708		414,137	—
ARRA – Early Head Start	93.709		331,411	—
Total U.S. Department of Health and Human Services			<u>8,003,528</u>	<u>31,991</u>
Total for Head Start Cluster			<u>8,003,528</u>	<u>31,991</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		34,501,999	—
Federal Perkins Loan Program	84.038		1,829,396	—
Federal Pell Grant Program	84.063		1,450,580	—
Federal Direct Student Loans	84.268		385,456	—
Total U.S. Department of Education			<u>38,217,431</u>	<u>—</u>
U.S. Department of Health and Human Services:				
Nurse Faculty Loan Program (NFLP)	93.264		20,155	—
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342		5,173,036	—
Nursing Student Loans	93.364		276,850	—
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		143,431	—
Total U.S. Department of Health and Human Services			<u>5,613,472</u>	<u>—</u>
Total Student Financial Aid Cluster			<u>43,830,903</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	535,723	—
Rural Business Opportunity Grants – Passed through from Delta Regional Authority	10.773	RW-0082	175,307	—
Total U.S. Department of Agriculture			<u>711,030</u>	<u>—</u>
U.S. Department of Commerce:				
Special American Business Internship Training Program	11.114		(22,121)	—
Economic Adjustment Assistance	11.307		2,400	—
Total U.S. Department of Commerce			<u>(19,721)</u>	<u>—</u>
U.S. Department of Defense:				
Federal Contract	12.XXX		(15)	—
Military Medical Research and Development	12.420		26,946	—
Total U. S. Department of Defense			<u>26,931</u>	<u>—</u>

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

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 Justice:				
Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	16.203	2004-WP-BX-0001	\$ (21)	(21)
Juvenile Accountability Block Grants – Passed through Arkansas Department of Human Services	16.523	4600016271/4600018995	70,041	—
Violence Against Women Formula Grants – Passed through from Arkansas Department Finance & Administration	16.588	2006-WF-AX-0045	52,922	—
Total U. S. Department of Justice			<u>122,942</u>	<u>(21)</u>
U.S. Department of Transportation:				
State and Community Highway Safety – Passed through from Arkansas State Police	20.600	OP-2008-03-07-01/OP-2010-03-07-01	171,713	—
Total U.S. Department of Transportation			<u>171,713</u>	<u>—</u>
Environmental Protection Agency:				
National Community-Based Lead Outreach and Training Grant Program	66.718		86,747	38,024
Federal Contract	66.XXX		753	—
Total for Environmental Protection Agency			<u>87,500</u>	<u>38,024</u>
U.S. Department of Education:				
Fund for the Improvement of Postsecondary Education	84.116		44,259	—
Fund for the Improvement of Education	84.215		104,638	7,419
Safe and Drug-Free Schools and Communities_State Grants – Passed through from Arkansas Department of Human Services	84.186	4600016838	13,742	—
Parental Information and Resource Centers – Passed through from Jones Center for Families	84.310	S310A020091	340,744	—
National Institute on Disability and Rehabilitation Research	84.133		32,580	—
ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – Passed through from Arkansas Department of Finance and Administration	84.394	UAMS-ESF-045,046,047	2,039,570	—
Total for U.S. Department of Education			<u>2,575,533</u>	<u>7,419</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	16,775	—
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		249,891	8,037
Model State-Supported Area Health Education Centers	93.107		541,204	—
Maternal and Child Health Federal Consolidated Programs	93.110		847,140	143,813
Environmental Health	93.113		6,087	—
Injury Prevention and Control Research and State and Community Based Programs Passed through Arkansas Department of Health	93.136	5 VF CE001111-04	342,822	58,119
Nursing Workforce Diversity	93.178		(169)	—
Disabilities Prevention	93.184		485,734	—
Telehealth Network Grants	93.211		138,616	—
Research and Training in Complementary and Alternative Medicine	93.213		50,021	—
State Rural Hospital Flexibility Program – Passed through from Arkansas Department of Health	93.241	4600017587/4600019334	4,512	—
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		202,240	120,543
Substance Abuse and Mental Health Services – Projects of Regional and National Significance – Passed through State of Arkansas Department of Human Services	93.243	6UD1TI15360-01-01	154,858	—
Subtotal Substance Abuse and Mental Health Services – Projects of Regional and National Significance			<u>357,098</u>	<u>120,543</u>
Poison Control Stabilization and Enhancement Grants	93.253		181,939	—
Drug Abuse and Addiction Research Programs	93.279		193,737	—
Centers for Disease Control and Prevention – Investigations and Technical Assistance – Passed through from St. Louis University	93.283	UDD000446A	49,383	—
Centers for Disease Control and Prevention – Investigations and Technical Assistance – Passed through from Arkansas Department of Health	93.283	4600016524	(295)	—
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283		356,685	—
Subtotal for Centers for Disease Control and Prevention – Investigations and Technical Assistance			<u>405,773</u>	<u>—</u>
Advanced Education Nursing Traineeships	93.358		75,718	—
Nursing Research	93.361		(76)	—
Cancer Cause and Prevention Research	93.393		604,601	44,180
Cancer Research Manpower	93.398		302,423	—

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/pass-through program or cluster title	CFDA No.	Pass through entity identifying number	Federal program expenditures	Payments to subrecipients
ARRA – Public Health Traineeship Program	93.405		\$ 11,899	—
ARRA – Scholarships for Disadvantaged Students	93.407		64,381	—
Child Care and Development Block Grant – Passed through from Arkansas Department of Human Services	93.575	Head Start Awards	7,000	—
Child Care Mandatory and Matching Funds of the Child Care and Development Fund – Passed through from Arkansas Department of Human Services	93.596	MLK Head Start	1,200	—
ARRA – Child Care and Development Block Grant – Passed through from Arkansas State University	93.713	4600017761	23,765	—
Subtotal for Child Care and Development Fund Cluster			<u>31,965</u>	<u>—</u>
Developmental Disabilities Basic Support and Advocacy Grants – Passed through from Arkansas Health Services Permit Agency	93.630	09-597	164,126	—
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		545,625	—
Children’s Justice Grants to States	93.643		156,643	—
ARRA – Trans NIH Recovery Act Support	93.701		537,093	—
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations – Passed through from Arkansas Department of Human Services	93.779	4600016477	36,963	—
Miscellaneous NASA Programs Passed through University of Arkansas at Little Rock	93.822		156,862	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		6,345	—
Diabetes, Digestive, and Kidney Diseases Extramural Research – Passed through from Case Western Reserve University	93.847	R25DK082376/RESS04026	93,928	—
Subtotal for Diabetes, Digestive, and Kidney Diseases Extramural Research			<u>100,273</u>	<u>—</u>
Kidney Diseases, Urology and Hematology Research	93.849		122,908	—
Biomedical Research and Research Training	93.859		207,116	—
Child Health and Human Development Extramural Research – Passed through from Mathematica Policy	93.865	HHSP233200600003T; 233-02-0086	3,146	—
Grants for Training in Primary Care Medicine and Dentistry	93.884		172,879	—
Health Care and Other Facilities	93.887		447,480	—
Rural Health Care Services Outreach and Rural Health Network Development Program – Passed through from Mid Delta Community Consortium	93.912	6 D60RH08532-01-01	94,436	—
Assistance Programs for Chronic Disease Prevention and Control – Passed through from Arkansas Department of Health	93.945	4600017926	7,123	—
Block Grants for Prevention and Treatment of Substance Abuse – Passed through from Arkansas Department of Human Services	93.959	46000-14988/15193/15193/16801	559,003	—
Public Health Traineeships	93.964		9,718	—
Geriatric Education Centers	93.969		409,522	139,628
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems – Passed through from Friends of Congressional Glaucoma Caucus	93.988	E11/CCE220462-01	767	—
Preventive Health and Health Services Block Grant – Passed through from Arkansas Department of Health	93.991	4600012440	60,597	—
Federal Contract	93.XXX	08T063425	144	—
Federal Contract - Passed through from University of Kentucky	93.XXX	N02-CO-01241	26,847	—
Federal Contract - Passed through Decision Point, Inc.	93.XXX	H79T116616	57,911	—
Federal Contract - Passed through from Booz Allen Hamilton	93.XXX	96617NBS23	96,615	—
Federal Contract - Passed through Houston Academy of Medicine - Texas Medical Center	93.XXX	N01-LM-6-3505	7,128	—
Federal Contract - Passed through ICF Incorporated, LLC	93.XXX	28HT00413	3,168	—
Federal Contract – Passed through from Ekagra Software Technologies	93.XXX	N01-CO-12400	21,080	—
Total for U.S. Department of Health and Human Services			<u>8,917,264</u>	<u>514,320</u>
Veteran’s Administration:				
Federal Contract	—	635C01034	12,040	—
Total for Veteran’s Administration			<u>12,040</u>	<u>—</u>
Total for Non Research Federal Expenses			\$ 12,605,232	559,742
Total			<u>\$ 126,622,797</u>	<u>5,635,935</u>

See accompanying independent auditors’ report.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(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	\$ 89,610,000
Federal Family Education Loan Program	34,501,999
Federal Perkins Loan Program	1,829,396
Health Professions Student Loans	5,173,036
Nursing Student Loans	276,850
Nonfederal grant revenue	<u>(4,768,484)</u>
Federal expenditures per accompanying Schedule	<u>\$ 126,622,797</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	\$ 1,829,396
Health Professions Student Loans	5,173,036
Nursing Student Loans	276,850
Nursing Faculty Loan Program	<u>20,155</u>
	<u>\$ 7,299,437</u>

The University participates in the Federal Family Education Loan Program (the Program) (FFELP). The Program does not require the University to request cash from a federal agency and disburse such funds. The proceeds are disbursed by lending institutions and guaranteed by state and not-for-profit guarantee agencies with the University providing various administrative support. The federal government reinsures these guarantee agencies. The University is only responsible for certain administrative duties; therefore, outstanding loans are not included in the University's financial statements or schedule of expenditures of federal awards. As reported in the accompanying schedule, new loans were made to students of the University for \$34,501,999 during the year ended June 30, 2010.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Notes to Schedule of Expenditures of Federal Awards

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The University also participates in the Federal Direct Student Loan Program (Direct Loan). Proceeds under Direct Loan are disbursed to the student by the federal government, rather than a lending institution, with the University providing various administrative support. As the University is only responsible for certain administrative duties, outstanding loans are not included in the University's financial statements or schedule of expenditures of federal awards. As reported in the accompanying schedule, new loans were made to students of the University for \$385,456 during the year ended June 30, 2010.

(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, 2010, are as follows:

	Units of service
Breakfasts Served	101,961
Lunches Served	137,506
Snacks Served	110,579
	<hr/> <hr/> 350,046



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

**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 year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 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 29, 2010.

This report is intended solely for the information and use of management, Board of Trustees, 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, 2010



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

**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* (Compliance Supplement) that are applicable to each of its major federal programs for the year ended June 30, 2010, except the requirements discussed in the second paragraph of this report. 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 of 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 Education 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, 2010 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 described in the Compliance Supplement 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 in the first paragraph above that are applicable to each of its major federal programs for the year ended June 30, 2010. 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 10-01, 10-02, 10-03, and 10-05.

Internal Control over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, 2010 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-01, 10-02, 10-03, 10-04, and 10-05. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University as of and for the year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. Our audit was performed for the purpose of forming an opinion on the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 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 the responses.

This report is intended solely for the information and use of management, the Board of Trustees, 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 10, 2010, except as to the paragraph relating to the Schedule of Expenditures of Federal Awards, which is as of October 15, 2010

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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 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 OMB Circular A-133

 ✓ Yes _____ No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.007, 84.032, 84.038, 84.063, 84.268, 93.264, 93.342, 93.364, 93.925	Student Financial Aid – Cluster
93.600, 93.708, 93.709	Head Start Cluster
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, 2010

Section III – Federal Award Findings and Questioned Costs

Finding # : 10-01 Verification

Type of Finding : Significant Deficiency and Noncompliance

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, 2009 through June 30, 2010

Federal Agency : Department of Education

Criteria or Specific Requirement

The 2009-10 Department of Education 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.

In accordance with 34 CFR 668.58, loan funds for students selected for verification may not be disbursed to the student until verification has been completed.

Condition Found

During our testing of verification compliance, we noted three exceptions in testing College of Medicine (COM) students, in which the verification process was not complete prior to the disbursement of aid funds. In one case, the student’s funds were disbursed four days prior to the completion of the verification process per the date of the letter to the student from the Director of Financial Aid for COM. In the other two cases, aid funds were disbursed two and seven days prior to the student signing the verification worksheets and the date of the letter from the Director of Financial Aid for COM indicating the verification process was complete.

We also noted one exception where the number of household members varied from the number certified by the student on the verification worksheet. The discrepancy was not noted on the review worksheet nor were changes made to the student’s record to correct the error.

Questioned Cost (including how computed)

None

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.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Cause

The College of Medicine Student Financial Aid department does not have adequate controls in place to ensure verification is complete and accurate prior to the disbursement of aid funds. In addition, due to a lack of segregation of duties, management review of day to day processing of financial aid does not exist for this office.

Recommendation

We recommend management implement a control process that will ensure aid funds are not disbursed to students who have been selected for verification until the verification process is complete and all information has been verified and appropriately updated, if necessary.

Views of Responsible Officials

Management concurs with this finding. Verification for all students selected will be completed prior to processing any student request for student financial aid. We believe the cases noted above were completed prior to the processing of aid but concur that the documentation in the files did not completely confirm this. It has always been our policy to process the aid after the verification process was completed.

Due to staffing limitations it has been decided to consolidate the Student Financial Aid activity under the Vice Chancellor for Academic Affairs which currently processes student financial aid for all UAMS students not in the College of Medicine. This process is scheduled to be completed no later than December 31, 2010.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Finding # : 10-02 Eligibility
Type of Finding : Significant Deficiency and Noncompliance
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, 2009 through June 30, 2010
Federal Agency : Department of Education

Criteria or Specific Requirement

The Higher Education Act of 1965, Title IV – Student Assistance, Part F – Need Analysis, Sec. 471 Cost of Attendance, requires that the student’s Cost of Attendance agree with the appropriate budget established by the institution or is otherwise documented (professional judgment).

In accordance with 20 U.S.C. § 1087vv (j) (also promulgated as Higher Education Act of 1965, Title IV – Student Assistance, Part F – Need Analysis, Section 479, Treatment of Other Financial Assistance), when a specific component of a student’s cost of attendance is explicitly paid by another source, the tuition and fee payment should be counted as estimated financial assistance, which reduces the amount of financial need.

In accordance with 20 U.S.C. § 1087tt (also promulgated as Higher Education Act of 1965, Title IV – Student Assistance, Part F – Need Analysis, Section 478, Discretion of Student Financial Aid Administrators), “the reason for the adjustment (to cost of attendance) must be documented in the student’s file and it must relate to the special circumstances that differentiate him, not for condition that exist for a whole class of students.”

Condition Found

A total of 40 students were selected for testing, including 24 College of Medicine (COM) students.

- The cost of attendance (COA) per the award letters for two COM students did not match the established budgets for the specific programs. The students were not over awarded Federal loans as a result of the errors.
- For five students, the Director of Financial Aid for COM raised the COA for scholarships the students received instead of reducing the amount of unsubsidized Stafford loans that were awarded to the students. The increases resulted in over awards totaling \$3,050 for three of the five students. The other two students had estimated COA’s that were equal to or greater than the increase in COA and can be used to account for additional unsubsidized Stafford loans.
- For three students, the Director of Financial Aid for COM used professional judgment to raise the COA for amounts that were unsupported or not considered a special circumstance. In all cases, the students’ unsubsidized loan amounts were increased to the revised COA amounts. The increases in COA created over awards for all three students totaling \$2,414.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Questioned Cost (including how computed)

Students were over awarded a total of \$5,464. The over award amount was computed by comparing the students total loans to their correct cost of attendances plus any adjustments deemed allowable.

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 Financial Aid department for COM is not complying with regulations as they relate to adjusting financial aid for scholarships received by a student. In some cases, the Financial Aid department for COM would increase the cost of attendance for the amount of the scholarships instead of reducing the unsubsidized Stafford loan amounts. The Financial Aid department for COM does not maintain adequate supporting documentation for adjustments made based on professional judgment.

Recommendation

We recommend management implement a process to ensure award letters are complete and accurate before mailing the letters to the students.

We recommend the Financial Aid department for COM discontinue increasing students' cost of attendance for non-Federal scholarships received. We recommend management train staff assigned to determine financial need on the regulations related to increasing a student's cost of attendance, including what is allowed and not allowed, and what supporting documentation should be maintained.

We also recommend management implement a second level review and approval process for professional judgment decisions and document the review in the student files.

Views of Responsible Officials

Management concurs with this finding. It was discovered that a technical problem within the student database listed the classification for these two students incorrectly therefore the award letters were based on inaccurate information. This problem was addressed and all award letters for the current year have been reviewed by the College of Medicine Student Financial Aid Office for accuracy. Fiscal Year 2012 Award Letters will be processed thru our automated financial aid software, ProSam.

The College of Medicine Financial Aid Office staff has reviewed each file for the current year to insure that student loans are decreased rather than increasing the COA to allow for nonfederal scholarships.

In an effort to implement the spirit of the "Dear Colleague Letter Gen-09-04" COA was increased on a case by case basis to meet what was considered increased living expenses for the three students. We believe each file reflected the amount of the increase and the rationale for the increase in the COA. In the future the documentation will be in each student's file to better support the use of professional judgment. The College of Medicine Financial Aid Office staff has reviewed the current year files and now requires two signatures to approve the use and documentation of professional judgment.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Due to staffing limitations it has been decided to consolidate the Student Financial Aid activity under the Vice Chancellor for Academic Affairs which currently processes student financial aid for all UAMS students not in the College of Medicine. This transfer is scheduled to be completed no later than December 31, 2010.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Finding # : 10-03 Reporting
Type of Finding : Significant Deficiency and Noncompliance
CFDA Title : Student Financial Assistance Programs
CFDA Number : 84.063
Federal Award Number : N/A
Federal Award Year : July 1, 2009 through June 30, 2010
Federal Agency : Department of Education

Criteria or Specific Requirement

In accordance with Volume 4, Chapter 1, Section 4-26 of the Department of Education Federal Student Aid Handbook, institutions submit Pell origination records and disbursement records to the Department of Education's Common Origination and Disbursement System (COD). Institutions must report student payment data within 30 calendar days after the institution makes a payment or becomes aware of the need to adjust previously reported student payment data or expected student payment data. Institutions may do this by reporting once every 30 calendar days, bi-weekly, weekly or may set up their own system to ensure that changes are reported in a timely manner.

Condition Found

We noted that for six of the 25 students tested, Pell disbursements were not reported to the COD within the required 30 day time period. The exceptions ranged from 31 to 33 days after the payments were posted to the students' accounts.

Questioned Cost (including how computed)

None

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

At the time of the disbursements, the Student Financial Aid Office did not have a process in place to ensure timely reporting of Pell disbursement to the COD.

Recommendation

We recommend management implement a process to ensure Pell disbursements are reported to the COD within the required time period. The process should be documented and staff responsible for the reporting should be properly trained.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Views of Responsible Officials

Management concurs with this finding. It was noted that COD had technical issues the week this particular file was submitted. This was an isolated issue and did not reoccur in the Spring or Summer transmissions. There was no impact on the financials and the DOE Letter of Credit was not received until after the transmissions were reconciled.

With the implementation of ProSam the financial aid software for UAMS, the reporting/submitted process to COD is automated which assists in eliminating any possible future errors.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Finding # : 10-04 Matching
Type of Finding : Significant Deficiency
CFDA Title : Head Start
CFDA Number : 93.600
Federal Award Number : 06CH7001/11 & 06CH7001/12
Federal Award Year : 11/1/08 to 10/31/09 and 10/1/09 to 10/31/10
Federal Agency : Department of Health and Human Services

Criteria or Specific Requirement

In accordance with 42 USC 9835 (b), and 45 CFR sections 1301.20 and 1301.21, grantees are required to contribute at least 20% of the costs of the program through cash or in-kind contributions, unless a lesser amount has been approved.

In order to ensure compliance with this requirement, the Head Start Fiscal Officer reviews one month of the amounts input into the data management system for in-kind contributions for each calendar quarter to verify the accuracy of the information.

Condition Found

During our review of the monthly amounts for in-kind contributions, we noted differences between the supporting documentation (volunteer time sheets) and the inputs into the data management system. The differences totaled \$3,755 for November 2009, \$4,651 for February 2010, and \$6,607 for April 2010, which could result in the in-kind amount being overstated. We also noted that volunteer time sheets for two Head Start sites for November 2009 had not been input into the system. The total in-kind contributions for these sites were \$3,521 resulting in understatement of in-kind contributions.

The Head Start Program is required to contribute at least 20% of the costs of the program through cash or in-kind contributions, unless a lesser amount has been approved. Through July 31, 2010, approximately \$775,727 has been input into the data management system for volunteer time. The differences noted are one percent of the total recorded and would not prevent the Head Start Program from meeting the 20% requirement.

Questioned Cost (including how computed)

None.

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.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Cause

The Head Start Fiscal Officer's quarterly review of the monthly in-kind contributions does not appear sufficient to identify errors in input.

Recommendations

We recommend that the Head Start Fiscal Officer implement procedures to review monthly reports from the data management system to identify potential errors in the amounts input.

Views of Responsible Officials

Management concurs with this finding. Head Start recently converted from a manual system of tabulating in-kind contributions to inputting the individual volunteer timesheets into the data management system used by Head Start. As such, certain internal controls need to and will be strengthened (see below). Please note that the in-kind amounts noted on this finding are from months in the current grant year. Final in-kind contribution totals for the current grant year have not been reported as of yet to the Federal government – the final report is due to be submitted by January 31, 2011. Given this reporting deadline, the in-kind amounts noted on this finding will be corrected in the data management system, and an accurate report will be submitted to the Federal government.

Internal controls that will be strengthened:

- Entry of in-kind volunteer sheets into the data management system will be limited to two individuals, ensuring greater consistency over information entered
- Every in-kind volunteer sheet will be marked as 'entered' after it is input into the data management system, ensuring that every sheet is input, and no duplicate entry occurs
- Calculator tapes will be run for each center each month, and the tape will be compared to each center's monthly report from the data management system. Any differences noted will be investigated and corrected
- Head Start Fiscal Officer will review each month's calculator tapes compared to reports from the data management system. Checks will also be done monthly (not quarterly) to ensure that all forms representing individual center's in-kind amounts are present and correctly input into the data management system

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Finding # : 10-05 Period of Availability
Type of Finding : Significant Deficiency and Noncompliance
CFDA Title : Research & Development Cluster
CFDA Number : 93.389 and 93.395
Federal Award Number : 1UL1RR029884-01 and 2P01CA055819-15 REVISED
Federal Award Year : 07/14/2009 to 03/31/2010 and 09/29/2009 to 08/31/2010
Federal Agency : Department of Health and Human Services

Criteria or Specific Requirement

Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period. Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.

Condition Found

During the testing of expenses charged during and after the end of the grant period, we noted that expenses for goods were charged to the grants in question even though the expense was outside the period of availability. The expense items noted were computer maintenance costs of \$27,950, \$14,513 and \$53,750, and nonemployee travel of \$971 on grant G1-35030 and equipment maintenance for two months of \$2,783 on grant G1-34956.

Total facilities and administrative (F&A) expenses related to these charges total \$44,985.

Questioned Cost (including how computed) \$144,952

The expenses on grant G1-35030 that were charged after the grant's period of availability total \$97,184. The related F&A charge, calculated at a rate of 45%, would be \$43,733, for a total questioned cost of \$140,917.

For grant G1-34956, the expense that was charged after the grant's period of availability totals \$2,783. The related F&A charge, calculated at a rate of 45%, would be \$1,252, for a total questioned cost of \$4,035.

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.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Cause

Large purchases near the last day of the grant can include certain items that benefit a future period rather than the period of the grant. Maintenance fees are normally paid in advance of the period covered resulting in charges being posted to grants in the wrong grant year.

Recommendation

We recommend that management ensure that any maintenance agreements be reviewed prior to posting to a grant. This review should be by appropriate levels of management to ensure that the grant period charged is correct. We also recommend that any purchases made close to the end of the grant period, particularly those that are not liquidated prior to the grant's year end, be reviewed in greater detail to ensure that the period charged is correct. Finally, we recommend that entries be posted to reclassify any unallowable costs to future periods and resubmit the Financial Status Report (FSR), as needed.

Views of Responsible Officials

Management concurs with this finding. We will review all maintenance contracts/license agreements, paying particular attention to those not liquidated until after the end of the budget period, to ensure the correct budget period is charged with this expense. The maintenance agreement amount has been removed from this budget period. The FSR for that project is due to be submitted by 11/28/10. The other questioned cost will be moved to the correct budget year and the FSR will be revised as soon as possible. (The electronic submission system still has the current submission (from 6/30/10) held in review status. No changes can be made until the FSR is in accepted status).