

Title 25. State Government

Chapter VIII. Generally, Department of Human Services

Subchapter A. Generally

Part 31. Audit Guidelines

Subpart 1. Generally

25 CAR § 31-101. Summary.

(a) The Department of Human Services provides both state and federal funding as well as noncash resources.

(b)(1) The department is required to adhere to federal and state statutes as well as demonstrate effective internal control.

(2) The same requirements also apply to organizations that receive funding from the department (2 C.F.R. § 200.332(f), requirements for pass-through entities).

(c) Audits will be reviewed to verify providers' compliance with program spending requirements.

Authority. Arkansas Code § 25-10-129.

25 CAR § 31-102. Audit types and timelines.

(a)(1) Nonprofit organizations receiving at least twenty percent (20%) of the single audit (2 C.F.R. § 200.501(b), audit requirements) threshold for Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 2 C.F.R. pt. 200, currently one hundred fifty thousand dollars (\$150,000), within a fiscal year are required to furnish an audit.

(2) This audit must be submitted to the Department of Human Services within one hundred twenty (120) days of the end of that fiscal year and must be compliant with generally accepted government auditing standards, 2 C.F.R. § 200.1.

(3) The audit must also include department requirements (see 25 CAR § 31-301 et seq., Special Requirements for Audits Submitted to the Department of Human Services).

(b)(1) When a nonprofit or for-profit organization's funding or expenditure levels exceeds the Uniform Guidance threshold, currently seven hundred fifty thousand dollars (\$750,000), the provider must submit a single audit to the Federal Audit Clearinghouse (2 C.F.R. § 200.512(d), submission to FAC).

(2) These same providers must also submit a copy to the department and include the department requirements.

(3) Such an audit must be submitted within nine (9) months of the organization's fiscal year end (2 C.F.R. § 200.512(a)(1), report submission).

(c)(1) When determining funding levels, noncash resources (2 C.F.R. § 200.502(g), basis for determining Federal awards expended: valuing non-cash assistance) received by an organization should be included in the total.

(2) Medicaid funding is not considered federal pass-through funding and is not included when calculating funding levels under this part.

(3) To ensure compliance, organizations may request a confirmation of funding amounts provided by the department prior to submitting an audit.

Authority. Arkansas Code § 25-10-129.

25 CAR § 31-103. Late submissions.

(a) In some cases, the Department of Human Services may grant an extension to organizations for audit submission.

(b) However, organizations who are habitually late in submitting required audits or who fail to submit required audits are subject to sanctions and loss of funding (2 C.F.R. § 200.339, remedies for noncompliance).

Authority. Arkansas Code § 25-10-129.

25 CAR § 31-104. Department contact and submission.

(a) Audit reports, requests for confirmation, or any other inquiry or document should be submitted to the Department of Human Services electronically in .pdf format

to: contactaudit@dhs.arkansas.gov.

(b) The mailing address is:

Audit Coordination Unit – Audit Coordinator Department of Human Services
P.O. Box 1437 - Slot 270
Little Rock, AR 72203-1437

(c) The Audit Section main number is (501) 682-6307.

Authority. Arkansas Code § 25-10-129.

Subpart 2. Audits and Auditors

25 CAR § 31-201. Auditor qualifications.

(a) Audits shall be performed by independent certified public accountants (CPAs) currently holding an annual permit to practice (United States Government Accountability Office Yellow Book 6.04, Requirements: Licensing and Certification) from the Arkansas State Board of Public Accountancy.

(b) Partnerships and corporations of CPAs who are practicing public accounting must comply with the board with respect to those members, stockholders, and employees required to be CPAs and to hold a permit to practice.

(c)(1) Auditors must maintain professional proficiency through continuing professional education (CPE).

(2) Auditors performing audits in accordance with Uniform Guidance and generally accepted government auditing standards must meet required CPE requirements for licensure (United States Government Accountability Office Yellow Book Chapter 4, Continuing Professional Education).

(3) Auditors of nonprofit organizations' activities and funding should receive training related to that environment and any other specific or unique activities audited.

Authority. Arkansas Code § 25-10-129.

25 CAR § 31-202. Auditor selection.

It is the responsibility of the provider to select an auditor and to pay for the audit (2 C.F.R. § 200.508, auditee responsibilities).

Authority. Arkansas Code § 25-10-129.

25 CAR § 31-203. Costs of audits.

(a) Organizations and auditors must take care to ensure that the type of audit performed is appropriate for the level of expenditure for that year.

(b) Organizations and auditors should consult Uniform Guidance (2 C.F.R. § 200.425, audit services) for more clarification on this subject.

Authority. Arkansas Code § 25-10-129.

Subpart 3. Special Requirements for Audits Submitted to the Department of Human Services

25 CAR § 31-301. Generally.

(a) The Department of Human Services requires some additional information.

(b) Department requirements listed below are not all-inclusive.

(c) Existing and future contracts may contain additional audit requirements.

Authority. Arkansas Code § 25-10-129.

25 CAR § 31-302. Supplemental data sheet.

The Department of Human Services requires a supplemental data sheet which includes the following information:

(1) Entity's full name and address;

- (2) Employer identification number;
- (3) Phone number;
- (4) Name of director;
- (5) Name of contact person; and
- (6) The cost of the audit.

Authority. Arkansas Code § 25-10-129.

25 CAR § 31-303. Management letter.

A management response letter to any findings or recommendations is also required to be included with the report.

Authority. Arkansas Code § 25-10-129.

25 CAR § 31-304. Schedule of state assistance.

(a) A schedule of state assistance must be included with each single audit and shall show the total revenues and expenditures for each program, as well as the state department that is furnishing the funding.

(b) Medicaid funding, if any, must be included in a footnote on the schedule of federal assistance.

Authority. Arkansas Code § 25-10-129.

25 CAR § 31-305. Schedule of governmental assistance.

(a)(1) A schedule of governmental assistance must be included in both generally accepted government auditing standards audits and single audits.

(2) It must show:

- (A) Revenues and expenditures for each program, federal and state;
- (B) The federal or state department, or both, furnishing the funding; and
- (C) Catalogue of Federal Domestic Assistance number, if applicable.

(b) Medicaid funding, if any, should be included in a footnote on the schedule.

Authority. Arkansas Code § 25-10-129.

25 CAR § 31-306. Funding agreements.

(a) Organizations' funding agreements may include specific requirements which must also be included.

(b) Some of the most common are listed below:

(1)(A) Units of service.

(B) The audit report shall reflect the units of service for each contract or agreement that contains such a requirement.

(C) If more than one (1) contract or agreement for the same program was in place in the provider's fiscal year, each contract or agreement must be accounted for separately, showing applicable dates of each;

(2)(A) Comparison.

(B) A comparison of budget-to-actual revenues and expenditures shall be included if such a schedule is required as a condition of funding;

(3)(A) Family daycare home sponsors.

(B) Audit reports shall include a schedule showing a comparison of the:

(i) Actual expense;

(ii) Approved budget; and

(iii) Amount allowable using applicable rates.

(C) The lowest of the three (3) expenses is the amount allowed for administrative expenses; and

(4)(A) Mental health organizations.

(B) Audit reports shall include an auditor's report expressing an opinion on the capability of the auditee's statistical information system to reliably document and report:

(i) Staff activities;

(ii) Units of service; and

(iii) Recipients of services data.

(C) The auditor's report shall also express an opinion on the fairness of the presentation of the:

(i) Number of direct clients served;

(ii) Number of direct clients and community and education units of service provided; and

(iii) Cost per unit of service.

Authority. Arkansas Code § 25-10-129.