



**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Reports on Federal Awards in Accordance  
with the Uniform Guidance

June 30, 2018

# UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

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**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Schedule of Expenditures of Federal Awards

June 30, 2018

Federal grantor/pass-through program or cluster title	CFDA number	Pass-through entity	Pass-through entity identifying number	Expenditures	Subrecipients
Research and Development Cluster:					
U.S. Department of Agriculture:					
Agriculture and Food Research Initiative	10.310	University of Arkansas – Little Rock	253549-18UAMS	\$ 3,706	—
Team Nutrition Grants	10.574	Arkansas Department of Human Services	46000039804	176,676	—
Total for U.S. Department of Agriculture				<u>180,382</u>	<u>—</u>
U.S. Department of Defense:					
Issue of Department of Defense excess equipment	12.000	Battelle Memorial Institute	W911NF-11-D-0001	(3,645)	—
Military Medical Research and Development	12.420	University of Washington	W81XWH-16-2-004	17,238	—
Military Medical Research and Development	12.420			249,338	—
Military Medical Research and Development	12.420			498,646	—
Military Medical Research and Development	12.420			157,282	—
Military Medical Research and Development	12.420	Armed Forces Radiobiology Research Institute	W81XWH-15-C-0117	170,469	—
Basic Scientific Research	12.431			(57)	—
Total for U.S. Department of Defense				<u>1,089,271</u>	<u>—</u>
U.S. Department of Justice:					
Miscellaneous U.S. Department of Justice Programs	16.000			52,657	—
Drug Court Discretionary Grant Program	16.585	Washington/Madison County Drug Court	2015-VV-BX-0018	27,308	—
Total for U.S. Department of Justice				<u>79,965</u>	<u>—</u>
National Aeronautics and Space Administration:					
Aeronautics	43.002			(1,170)	—
Exploration	43.003			51,320	16,868
Education	43.008	University of Arkansas at Little Rock	NNX15AR71H	11,754	—
Education	43.008	University of Arkansas at Little Rock	NNX15AR71H	3,688	—
Education	43.008	University of Arkansas at Little Rock	NNX15AR71H	249	—
Education	43.008	University of Arkansas at Little Rock	NNX15AR71H	132	—
Total for National Aeronautics and Space Administration				<u>65,973</u>	<u>16,868</u>
National Science Foundation:					
Biological Sciences	47.074			179,597	—
Social, Behavioral, and Economic Sciences	47.075			107,923	—
Office of International Science and Engineering	47.079	Arkansas Economic Development Commission	18_EPS3-0003	611,388	—
Office of Integrated Activities	47.083	Louisiana Tech University	OIA-1632891	233,402	—
Total for National Science Foundation				<u>1,132,310</u>	<u>—</u>
U.S. Department of Health and Human Services:					
Research	93.077	Virginia Commonwealth	4 P50 DA036105-0	90,333	—
Maternal and Child Health Federal Consolidated Programs	93.110			12,524	—
Environmental Health	93.113			192,727	67,194
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135			691,621	17,858
Research and Training in Complementary and Alternative Medicine	93.213	Northern California Institute for Research	SEAL2078.06	26,921	—
Research on Healthcare Costs, Quality and Outcome	93.226	University of Alabama-Birmingham	1R01HS023345-0/00504400-001	4,777	—
Mental Health Research Grants	93.242	Brown University	5 R34 MH106349-0	25,013	—
Mental Health Research Grants	93.242	University of Massachusetts	1 R01 MH106726-0	35,142	—
Mental Health Research Grants	93.242	Electrical Geodesics, Inc.	R44 MH106421	40,726	—
Mental Health Research Grants	93.242			(1,049)	—
Mental Health Research Grants	93.242	University of Wisconsin-Madison	7R21MH108753	63,990	—
Mental Health Research Grants	93.242	University of California-Riverside	R 21 MH110814	49,417	—
Mental Health Research Grants	93.242	Actualize Therapy LLC	R44MH114725	120,143	—
Mental Health Research Grants	93.242	Washington/Madison County Adult Drug	1H79TI080136	32,580	—
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Benton County Drug Court	1H79TI080172-01	87,447	—
Occupational Safety and Health Program	93.262			20,015	—
Alcohol Research Programs	93.273			384,383	—

**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Schedule of Expenditures of Federal Awards

June 30, 2018

<u>Federal grantor/pass-through program or cluster title</u>	<u>CFDA number</u>	<u>Pass-through entity</u>	<u>Pass-through entity identifying number</u>	<u>Expenditures</u>	<u>Subrecipients</u>
Alcohol Research Programs	93.273	Palo Alto Inst for Research & Education	R01 AA024136-01A	\$ 210,785	—
Alcohol Research Programs	93.273	Univ Oklahoma Health Science Center	7 R01 AA012207-1	171,311	—
Drug Abuse and Addiction Research Programs	93.279	University of Kentucky Research Foundation	4 U01 DA013519-1	43,905	—
Drug Abuse and Addiction Research Programs	94.279	UT Health Science Center-San Antonio	4 R01 DA033997-0	27,492	—
Drug Abuse and Addiction Research Programs	93.279	Intervexion	40665/41779/52164	315,678	—
Drug Abuse and Addiction Research Programs	93.279	RTI	R01DA034627/888-14-16-45	36,363	—
Drug Abuse and Addiction Research Programs	93.279			3,011,562	52,912
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			344,196	—
Minority Health and Health Disparities Research	93.307			1,787,315	182,336
Trans-NIH Research Support	93.310	Brown University	U24AA022000/740	424	—
Trans-NIH Research Support	93.310	Emory University	U01NS038455/T088976	2,758	—
National Center for Advancing Translational Sciences	93.350	University of California at Irvine	UL1TR001414	17,545	—
National Center for Advancing Translational Sciences	93.350	University of Pittsburgh	UL1TR001857	114,035	—
National Center for Advancing Translational Sciences	93.350			1,701,437	8,364
Cancer Cause and Prevention Research	93.393			1,267,075	28,407
Cancer Detection and Diagnosis Research	93.394	Radiation Monitoring Devices, Inc	R43CA168100	38,228	—
Cancer Detection and Diagnosis Research	93.394			2,716,251	1,477,481
Cancer Treatment Research	93.395	Arkansas Research Alliance	HHSF223201510172	(644)	—
Cancer Treatment Research	93.395	Oregon Health & Science University	5UG1CA189974	14,640	—
Cancer Treatment Research	93.395	UCLA	1568 G TA614	432,792	—
Cancer Treatment Research	93.395			2,108,671	250,242
Cancer Biology Research	93.396			98,564	—
Cancer Biology Research	93.396	Yale University	U01CA16067/M15A11872(A09908)	5,160	—
Cancer Centers Support Grants	93.397	Mayo Clinic	UNI-208331	48,519	—
Cancer Centers Support Grants	93.397	Washington University	5U54CA199092	43,798	—
Cancer Research Manpower	93.398			108,845	—
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Arkansas Children's Hospital	018287-3	772	—
Cardiovascular Diseases Research	93.837	University of Alabamat-Birmingham	5U01HL120338	555	—
Cardiovascular Diseases Research	93.837			219,442	—
Blood Diseases and Resources Research	93.839	University of Iowa	W000732411	706	—
Blood Diseases and Resources Research	93.839	University of Kentucky Research Foundation	1R01HL138179	73,564	—
Blood Diseases and Resources Research	93.839			39,551	2,697
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846			987,104	—
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846	University of Memphis	5-40387	80,724	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	MT SINAI MED CT	0255-8161-4609	36,938	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	94.847	Vanderbilt University	U2 DK076169	2,117	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Pennsylvania	572042	50,205	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			1,891,375	267,494
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			158,856	—
Allergy, Immunology, and Transplantation Research	93.855	Boston University	4500001387/4500001889	11,450	—
Allergy, Immunology, and Transplantation Research	93.855	Washington University	1 R01 AI129992	77,646	—
Allergy, Immunology, and Transplantation Research	93.855	Indiana University	1 R01 AI099278/IN-4689724-UA	105,955	—
Allergy, Immunology, and Transplantation Research	93.855	Columbia University	03(GG011896-34)	131,157	—
Allergy, Immunology, and Transplantation Research	93.855	University of Alabama-Birmingham	U011AI08509/000504111-001	102,875	—
Allergy, Immunology, and Transplantation Research	93.855	University of Alabama-Birmingham	U48DP005037/000504191-005	3,094	—
Allergy, Immunology, and Transplantation Research	93.855			2,492,718	356,808
Biomedical Research and Research Training	93.859	Johns Hopkins University	2002965188/2003311362	164,779	—
Biomedical Research and Research Training	94.859	University of North Carolina at Charlotte	1 R01 GZM123251-	6,847	—
Biomedical Research and Research Training	95.859	University of Florida	R01 GM109645	(683)	—
Biomedical Research and Research Training	93.859	Arkansas Children's Hospital	034485	552,055	—
Biomedical Research and Research Training	93.859	Arkansas Children's Research Institute	034973	23,095	—
Biomedical Research and Research Training	93.859			11,939,529	2,776,174

**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Schedule of Expenditures of Federal Awards

June 30, 2018

<u>Federal grantor/pass-through program or cluster title</u>	<u>CFDA number</u>	<u>Pass-through entity</u>	<u>Pass-through entity identifying number</u>	<u>Expenditures</u>	<u>Subrecipients</u>
Child Health and Human Development Extramural Research	93.865			\$ 5,917,591	520,514
Child Health and Human Development Extramural Research	93.865	AMESTechnology	UAMS-SBIR-01	36,267	—
Child Health and Human Development Extramural Research	93.865	University of Alabama-Birmingham	1R01HD0824124	91,519	—
Aging Research	93.866	Medical University of South Carolina	R01AG046543/MUSC14-076	142,479	—
Aging Research	93.866	ESSENTIAL BLENDS	R41AG050375	115,360	—
Aging Research	93.866	Invotek	1 R43 AG051303-0	58,157	—
Aging Research	93.866	Oregon Health &Science University	1011170_UAMS	15,509	—
Aging Research	93.866			3,190,968	171,067
Medical Library Assistance	93.879			479,086	155,568
Medical Library Assistance	93.879	University of Pittsburgh	0040478 124095	14,270	—
Medical Library Assistance	93.879	University of Washington	R01LM012222	104,942	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000			258,360	257,288
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	Arkansas Research Alliance	HHSF223201400079	6,719	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000			161,475	19,021
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	CASE WESTERN RESERVE UNIVERSITY	CDC 200-2009-325	5,485	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	Arkansas Research Alliance	HHSF223201400079	61,299	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	UNIVERSITY OF ALABAMA – BIRMINGHAM	HHSN272201300012	25,216	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	UNIVERSITY OF ALABAMA – BIRMINGHAM	HHSN272201300012	11,026	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	Washington University	200-2011-40732	34,085	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	Arkansas Research Alliance	HHSF223201610011	295,605	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000			419,722	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	UNIVERSITY OF ALABAMA – BIRMINGHAM	HHSN272201300012	3,748	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	CELLPHIRE	HHSO100201300021	7,836	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	Arkansas Children's Research Institute	034972	65,268	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	CYTO WAVE TECHNOLOGY, LLC	ADVANCE ACCOUNT	5,626	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	The Ohio State University	4U29CA157345-05	7,648	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	Stanford University	61865505-125439	2,725	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.000	SOUTHWEST ONCOLOGY GROUP	SWOG 1404	30	—
Total for U.S. Department of Health and Human Services				<u>47,233,862</u>	<u>6,611,425</u>
Total for Research and Development Cluster				<u>49,781,763</u>	<u>6,628,293</u>
Head Start Cluster:					
U.S. Department of Health and Human Services:					
Head Start – Non-Class Room	93.600	AR Dept of Human Services	4600041025	340,583	169,414
Head Start – Class Room	93.600			8,357,518	—
Total for U.S. Department of Health and Human Services				<u>8,698,101</u>	<u>169,414</u>
Total for Head Start Cluster				<u>8,698,101</u>	<u>169,414</u>
Student Financial Aid Cluster:					
U.S. Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007			27,143	—
Federal Work Study Program	84.033			75,359	—
Federal Pell Grant Program	84.063			1,014,515	—
Federal Direct Student Loans	84.268			58,758,747	—
Federal Perkins Loan Program Federal Capital Contributions	84.038			927,151	—
Total for U.S. Department of Education				<u>60,802,915</u>	<u>—</u>
U.S. Department of Health and Human Services					
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342			4,610,571	—
Nursing Student Loans	93.364			353,769	—
Total for U.S. Department of Health and Human Services				<u>4,964,340</u>	<u>—</u>
Total Student Financial Aid Cluster				<u>65,767,255</u>	<u>—</u>

**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Schedule of Expenditures of Federal Awards

June 30, 2018

Federal grantor/pass-through program or cluster title	CFDA number	Pass-through entity	Pass-through entity identifying number	Expenditures	Subrecipients
Other					
U.S. Department of Transportation					
State and Community Highway Safety	20.600	Arkansas State Police	18X920402AR16	\$ 164,350	—
National Priority Safety Programs	20.616	Arkansas State Police	M8*OP-2016-03-10	280,410	—
Total for U.S. Department of Transportation				<u>444,760</u>	<u>—</u>
National Aeronautics and Space Administration					
Education	43.008			1,439	—
Total for National Aeronautics and Space Administration				<u>1,439</u>	<u>—</u>
U.S. Department of Health and Human Services					
Miscellaneous U.S. Department of Health and Human Services Programs	93.U01	Global Health	U2GGH001873	42,306	—
Miscellaneous U.S. Department of Health and Human Services Programs	93.U02	LEIDOS BIOMEDICAL RESEARCH, INC	16X011-#1 thru #4 / HHSN2612008000001	671,948	69,593
Miscellaneous U.S. Department of Health and Human Services Programs	93.U03	University of North Texas Health Center	UG54LM012345	156	—
				714,410	69,593
Birth Defects and Developmental Disabilities – Prevention and Surveillance	93.073			466,836	—
Sodium Reduction in Communities	93.082			395,803	—
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107			753,756	—
Maternal and Child Health Federal Consolidated Programs	93.110			1,153,950	415,911
Injury Prevention and Control Research and State and Community Based Programs	93.136	Arkansas Department of Health	4600039764	326,384	117,409
Nursing Workforce Diversity	93.178			70,690	—
Telehealth Programs	93.211			624,235	30,339
Substance Abuse and Mental Health programs	93.243			426,760	221,059
Advanced Nursing Education Grant Program	93.247			493,491	—
Poison Center Support and Enhancement Grant Program	93.253			157,619	—
Children's Hospitals Graduate Medical Education Payment Program	93.255			10,085	—
Cancer Treatment Research	93.395	Oregon Health Science Center	9009627_UARMS	14,664	—
ACA Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Arkansas Children's Hospital	D809MC23141-02	357,914	—
Affordable Care Act – Teaching Health Center Graduate Medical Education Payments Program	93.530			329,162	—
Community-Based Child Abuse Prevention Grants	93.590	Arkansas Dept of Human Services	4600042430	34,473	—
Children's Justice Grants to States	93.643			200,709	—
PPHF: RACIAL & ETHNIC APPROACHES TO COMMUNITY HEAL	93.738			805,364	81,501
Children's Health Insurance Program	93.767	ARKANSAS CHILDREN'S HOSPITAL	D89MC23141-02-00	194,583	—
Biomedical Research and Research Training	93.859			373,187	—
Medical Library Assistance	93.879	University of North Texas Health Center	2017-1155	33,532	—
Development and Small Healthcare Provider Quality Improvement	93.912	Greater Delta Alliance for Health, Inc	51453	99,894	—
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Arkansas Dept of Human Services	4600036835	297,998	—
Geriatric Education Centers	93.969			776,556	159,130
Preventive Health and Health Services Block Grant	93.991	Arkansas Department of Health	PO4501476938/4501748465	70,304	—
Total for U.S. Department of Health and Human Services				<u>9,182,359</u>	<u>1,094,942</u>
Total for other federal expenses				<u>9,628,558</u>	<u>1,094,942</u>
Total for fiscal year 2018				<u>\$ 133,875,677</u>	<u>7,892,649</u>

See accompanying notes to schedule of expenditures of federal awards.

**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Notes to Schedule of Expenditures of Federal Awards

June 30, 2018

**(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.

**(2) 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, cash, or administrative cost allowance received. The outstanding balance as of June 30, 2018 of these loans is:

		<u>Balance of loans</u>	<u>New loans</u>
Federal Perkins Loan Programs	CFDA No. 84.038	\$ 927,151	142,375
Health Professions Student Loans	CFDA No. 93.342	4,610,571	552,627
Nursing Student Loans	CFDA No. 93.364	353,769	69,193
		<u>\$ 5,891,491</u>	<u>764,195</u>

University of Arkansas for Medical Sciences (UAMS) currently participates in the Federal Direct Student Loan Program (Direct Loan Program). Proceeds under the Direct Loan Program are disbursed by the federal government, rather than a lending institution, with UAMS providing various administrative support. As UAMS is only responsible for certain administrative duties, outstanding loans are not included in UAMS' financial statements.

**(3) Indirect Costs**

UAMS does not charge indirect costs to its federal awards based on the 10% de minimis cost rate, as described in Section 200.414 of the Uniform Guidance as it is not applicable to UAMS.



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**Independent Auditors' Report on Internal Control over Financial Reporting and on 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 System:

We have audited, in accordance with the 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, the financial statements of University of Arkansas for Medical Sciences (UAMS), a campus of the University of Arkansas System, which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered UAMS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UAMS' internal control. Accordingly, we do not express an opinion on the effectiveness of UAMS' internal control.

A deficiency in internal control 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 a combination of deficiencies, in internal control, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether UAMS' financial statements are free from 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*.





### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UAMS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UAMS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Dallas, Texas  
October 3, 2018



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**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Trustees  
The University of Arkansas System:

**Report on Compliance for Each Major Federal Program**

We have audited the University of Arkansas for Medical Sciences' (UAMS) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of UAMS' major federal programs for the year ended June 30, 2018. UAMS' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of UAMS' major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 UAMS' 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 modified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of UAMS' compliance.

*Basis for Qualified Opinion on Research and Development Cluster and Head Start Cluster*

As described in the accompanying schedule of findings and questioned costs, UAMS did not comply with requirements regarding Head Start (CFDA 93.600) and Research and Development (various CFDA numbers) as described in finding number 2018-001 for cash management. Compliance with such requirements is necessary, in our opinion, for UAMS to comply with the requirements applicable to these programs.

*Qualified Opinion on Research and Development and Head Start*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, UAMS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Research and Development and Head Start for the year ended June 30, 2018.



### *Other Matters*

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to this matter.

UAMS' response to the noncompliance findings in our audit is described in the accompanying schedule of findings and questioned costs. UAMS' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of UAMS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UAMS' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 UAMS' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

UAMS' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. UAMS' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of UAMS as of and for the year ended June 30, 2018, and have issued our report thereon dated October 3, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*KPMG LLP*

Dallas, Texas  
November 1, 2018

**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**(1) Summary of Auditors' Results**

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None Reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **Yes**
  - Significant deficiencies: **None Reported**
- (e) Type of report issued on compliance for major programs: **Qualified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Major program:
  - Research and Development Cluster – various CFDA numbers
  - Head Start Cluster – CFDA 93.600
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee: **Yes**

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**(3) Findings and Questioned Costs Relating to Federal Awards**

<b>Finding number</b>	2018-001
<b>Type of finding:</b>	Material weakness in internal control and material noncompliance
<b>Federal programs:</b>	Research and Development Cluster – various CFDA numbers Head Start Cluster – 93.600
<b>Federal agencies:</b>	Various
<b>Pass-through entity:</b>	Not applicable
<b>Federal award year:</b>	July 1, 2017 to June 30, 2018

*Criteria*

The requirements for cash management are contained in Section 200.305 of Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), the A-102 Common Rule (§\_\_\_\_.21), OMB Circular A-110 (2 CFR section 215.22), Treasury regulations at 31 CFR part 205, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Additionally, Section 200.303 of the Uniform Guidance indicates that the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The Uniform Guidance also indicates that these internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” (Green Book) issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Office of Management and Budget (OMB) has clarified that the references to the Green Book and COSO were only provided as best practices and not requirements.

*Condition*

During our test work over the Research and Development Cluster and the Head Start Cluster, we selected a sample of expenditures and cash draws to verify the expenditures were paid prior to the date of the reimbursement request. For the Research and Development Cluster, we noted 12 expenditures of our sample of 25 were not paid prior to the reimbursement request. For the Head Start Cluster, we noted 7 expenditures of our sample of 25 were not paid prior to the reimbursement request.

We noted that UAMS’ internal controls over cash management included process-level controls in place that ensure invoices or personnel costs are incurred before draw requests are made. However, there were no controls to ensure that the incurred costs have also been paid before a draw request is made.

**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

*Cause*

The review of program costs ensures costs are incurred before a draw request is made. This review does not include a determination of whether the incurred costs have also been paid to the vendor.

*Questioned costs*

None

*Statistical Sample*

The sample was not intended to be, and was not, a statistically valid sample.

*Repeat Finding*

No

*Recommendation*

We recommend that management design and implement internal controls that will ensure that program costs are paid before a request for reimbursement is made.

*View of responsible officials*

We concur with this finding. Our electronic accounting system does not identify check disbursement dates in any of the expense reports used to draw funds or issue invoices. We have engaged our IT staff to design a report that includes only those expenses that have a check issue date that is less than or equal to the date of the draw or invoice. This should be completed by March 31, 2019.

**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Finding number** 2018-002  
**Type of finding:** Control deficiency in internal control and noncompliance  
**Federal program:** Head Start Cluster – 93.600  
**Federal agency:** U.S. Department of Health and Human Services  
**Pass-through entity:** Not applicable  
**Federal award year:** July 1, 2017 to June 30, 2018

*Criteria*

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR 200.309).

*Condition*

During our test work over the Head Start Cluster, we selected a sample of payroll costs to ensure the costs were only charged for allowable costs incurred during the period of performance. We noted 2 instances out of our sample of 25 where the payroll period was for a week that covered different grant periods. In both of these instances, only 7 out of 10 working days in the pay period related to the current grant period. We noted no other instances of noncompliance regarding the period of performance.

*Cause*

The allocation of payroll costs to grants is performed by week instead of by day during a cutoff period.

*Questioned costs*

None

*Statistical Sample*

The sample was not intended to be, and was not, a statistically valid sample.

*Repeat Finding*

No

*Recommendation*

We recommend that management design and implement internal controls that will ensure that payroll costs are allocated to grants in accordance with the applicable grant period.



**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

*View of responsible officials*

We concur with this finding. There currently is a manual process in place to adjust expenditures to the correct period. This was over looked for the budget period ending October 31, 2017 but has been completed each year prior to that. The manual correction has been posted. The plan is to post the correcting entry removing all expenses from the prior budget period to a UAMS account. This has been done. The plan going forward is to add this to the internal review to ensure that no funds from a prior year are posted to a future period. Completion date is October 31, 2018.

**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

Summary of Status of Prior Audit Findings

Year ended June 30, 2018

<b>Finding number</b>	<b>2017-001</b>
<b>Type of finding:</b>	Control deficiency in internal control and noncompliance
<b>Federal program:</b>	Student Financial Assistance Cluster – various CFDA numbers
<b>Federal agency:</b>	Various
<b>Pass-through entity:</b>	Not applicable
<b>Federal award year:</b>	July 1, 2016 to June 30, 2017

*Criteria*

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to U.S. Department of Education (ED) as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. 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)).

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew (34 CFR Section 668.22(j)).

An institution returns Title IV funds timely if:

- (a) The institution deposits or transfers the funds into the bank account it maintains under 34 CFR Section 668.163 as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;
- (b) The institution initiates an EFT as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance;
- (c) The institution initiates an electronic transaction as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance, which informs the lender to adjust the borrower's loan account for the amount returned; or
- (d) The institution issues a check as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance. An institution does not satisfy this requirement if:
  - (1) The institution's records show that the check was issued more than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance; or

## UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

### Summary of Status of Prior Audit Findings

Year ended June 30, 2018

- (2) The date on the canceled check shows that the bank used by the secretary endorsed that check more than 45 days after the date that the institution becomes aware that the student will not or has not begun attendance (34 CFR Section 668.21(d)).

#### *Condition*

The control that governs the timely notification of an official withdrawal or dismissal date had an instance of failure. During our test work over Student Financial Aid Cluster, we selected a sample of 25 for control and compliance test work. We noted one instance where funds were not timely returned. In this instance, we noted that a student withdrew on October 19, 2016. The applicable funds were returned on February 15, 2017, which is more than 45 days after the institution determined the student withdrew.

#### *Cause*

A clerical error made during the processing of the student withdrawal resulted in a failure of the Office of the University Registrar from notifying the UAMS Student Financial Services until February 14, 2017. The UAMS Student Financial Services promptly returned the funds the next business day.

#### *Effect*

The failure to return the funds until February 14, 2017 resulted in non-compliance with the requirement to do so within 45 days of knowing the student withdrew.

#### *Recommendation*

We recommend that management strengthen the institution's review procedures to help ensure that timely notifications of student withdrawals are made to the UAMS Student Financial Services such that the return of funds will occur in the mandated time frame.

#### *Status*

Management recognized and addressed the communication oversight between the Office of the University Registrar and the Student Financial Services office, which led to this delay in returning funds. This oversight occurred during the transition to a new student information software system. Since then, new processes and reports have been implemented whereby the appropriate staff are notified by the Registrar of enrollment changes in a timely manner.