

**ARKANSAS LEGISLATIVE AUDIT  
REPORT ON:  
ARKANSAS DEPARTMENT OF HIGHER EDUCATION  
(DEPARTMENT OF EDUCATION)  
FOR THE YEAR ENDED JUNE 30, 2018**

**Finding:**

Agencies are required to record amounts due for student loans in accordance with Ark. Code Ann. § 19-2-304. Additionally, according to Ark. Code Ann. § 19-2-305(a), "A state agency shall diligently and actively pursue the collection of their accounts and notes receivable." In accordance with the Financial Management Guide R4-19-4-2004, "the Chief Fiscal Officer of the State shall verify that all efforts to collect the indebtedness have been fulfilled. He may then, by written approval, declare the debt or remaining debt unable to be collected and notify the State agency and Legislative Joint Auditing Committee of abatement of the debt."

The Arkansas Department of Higher Education (ADHE) oversees several state-funded student loan programs. Students who receive the loans may be eligible to have the loans forgiven if they meet certain criteria; students not meeting the criteria are placed in repayment status. The Agency is required to maintain student loan subsidiary ledgers to track changes to total loan balances throughout the year. These subsidiary ledgers are then used to adjust loans receivables in AASIS during the fiscal year-end closing process.

Review of 40 **active** individual student loan files revealed three instances totaling \$56,697 in which student loan balances did not match the subsidiary ledgers, resulting in an overstated receivables balance.

Review of 25 **inactive** student loan files revealed the following deficiencies in loans receivable:

- Four instances totaling \$10,932 in which student loan balances did not match the subsidiary ledgers, resulting in an overstated receivables balance.
- Three instances totaling \$12,000 in which student loan balances were written off without proper approval from the Chief Fiscal Officer of the State.

**Recommendation:**

We recommend the Agency continue to review the subsidiary ledgers to ensure receivables are properly reported and actively pursued for collection. In addition, we recommend the Agency receive the proper approval of the Chief Fiscal Officer of the State before abatement of student loan balances.

**Agency Response:**

The Department agrees with the finding. ADHE has dedicated a staff member full time as well as additional staff to correct the deficiency in the student loan programs. Once account ledgers have been reconciled, staff will ensure that AASIS and the subsidiary ledgers are balanced on a monthly basis and that the subsidiary ledgers are also balanced monthly with our servicing agent, Campus Partners. After the last audit, staff had corrected the balancing between Agency ledgers and AASIS; however, the balancing between AASIS and our servicing agent was still lacking. That has been addressed and corrected moving forward. ADHE staff will also be auditing files for all student loan files with a remaining balance to verify all necessary documentation has been included in the file and that the proper loan status has been assigned.

**Finding:**

The Chief Fiscal Officer of the State, under the authority of Ark. Code Ann. § 19-4-901-907 and related sections, issues rules concerning state-owned vehicles and publishes the State of Arkansas Vehicle Use and Management Handbook. Each use of any vehicle must be recorded as follows:

1. Day and time of use.
2. Starting location and destination.
3. Beginning and ending odometer mileage.
4. Cost and amount of fuel purchased, if any.
5. Any problems encountered with the vehicle.

This information must be maintained in the vehicle use log, a written record carried in every vehicle at all times. The Handbook also requires employees to reimburse the cost of their personal use of state vehicles.

The ADHE Director obtained commuter status in February 2018 and commuted in a state vehicle from May 2018 through May 2019; however, no vehicle use log was maintained. As a result, we could not determine an accurate amount of reimbursements for personal use of the vehicle.

**Recommendation:**

We recommend the Agency comply with Arkansas Code and the rules issued by the Chief Fiscal Officer of the State contained in the State of Arkansas Vehicle Use and Management Handbook. The Agency should coordinate with the Department of Finance and Administration (DFA) to determine the appropriate amount of reimbursement for personal use of the state vehicle.

**Agency Response:**

The Department agrees with the finding. ADHE has taken steps to correct these issues by implementing a daily log for the Director to maintain in her commuter vehicle. The Director is also being invoiced monthly for the personal use of the vehicle in accordance with the State Vehicle Use and Management Handbook



**ARKANSAS LEGISLATIVE AUDIT  
REPORT ON:  
DEPARTMENT OF EDUCATION – ARKANSAS SCHOOL FOR THE DEAF  
FOR THE YEAR ENDED JUNE 30, 2017**

**Finding:**

Ark. Code Ann. § 19-4-1502 requires agencies to maintain a record of all agency property. Also, in accordance with Section R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide, "The bonded disbursing officer and the public employee with supervisory fiduciary responsibility over all fiscal matters (ACA 25-1-124) for each state agency, board, commission or institution is responsible for, and held accountable for, reporting any losses of state funds to the Chief Fiscal Officer of the State and to the Arkansas Legislative Audit. Losses include apparent unauthorized disbursements of state funds or the apparent theft or misappropriation of state funds or the apparent theft or misappropriation of state funds or property."

During an asset sighting, the Agency was unable to locate 12 assets totaling \$6,223, and an additional three assets totaling \$2,898 were not tagged with the asset number or inventory number to allow for proper identification. In addition, Building Improvements totaling \$283,414 were incorrectly coded as Equipment. Also, in discussions surrounding the review of assets, we discovered that on November 17, 2016 and May 12, 2017, an incident report was filed with the Little Rock Police Department documenting the theft of a laptop and a lawnmower, respectively. Total value of stolen property was \$7,508. Based on review of the capital asset listing on June 27, 2018, the items reported as stolen remained on the Agency's asset listing, and it does not appear losses were reported in accordance with R1-19-4-2004. Without a current and accurate asset listing, the ability to maintain a record of the Agency's capital assets in accordance with Ark. Code Ann. §19-4-1502 could be jeopardized and could lead to misappropriation of assets.

**Recommendation:**

We recommend the Agency perform a complete inventory check and maintain proper records of asset activity. In addition, we recommend the Agency strengthen controls related to safeguarding of assets to prevent further occurrences of theft and ensure compliance with R1-19-4-2004.

**Management Response:**

Arkansas School for the Deaf (ASD) has been working diligently to get a grasp on inventory items. There are over 3,000 items on our asset list and 20 building that they could be located in. ASD has hired a staff member to work on getting old items removed and documents showing where the current items are located. ASD has worked with DFA to get the incorrectly classified assets changed. The list of stolen items and police reports have been sent over to DFA and have been documented correctly.

**Finding:**

According to Ark. Code Ann. § 19-11-229, procurement of commodities and services exceeding an estimated purchase price of \$50,000 shall be awarded by competitive sealed bidding. Ark. Code Ann. § 19-11-234 requires an agency to competitively bid procurements from \$10,000 up to \$50,000 (limits in place in fiscal year 2017 as authorized by Act 1189 of the Regular Session of 2013). Our review of expenses revealed the Agency authorized payments to one vendor using a purchase order for a data and electrical installation project with a total invoice amount of \$68,800. Work was performed and payment issued without requesting, receiving, and evaluating competitive bids, as required by state procurement law. In addition, it was noted that three bids were not obtained, or a contract entered into, for sign language interpreting services provided by one vendor in the amount of \$34,163. Failure to use competitive bidding for procurements exceeding limits defined in state procurement law increases the risk the Agency will not obtain the best products and/or services for the best price.

**Recommendation:**

We recommend the Agency implement policies and procedures to ensure compliance with Arkansas Code, as applicable.

**Management Response:**

The data and electrical installation was needed to be performed before students returned from summer break for the emergency response system in all classrooms and buildings. Staff have completed the procurement training since this purchase.

ASD has an extensive need for sign language interpreters to meet the needs of deaf students and deaf staff members. In doing so, we use multiple vendors to meet these needs. Since there are a limited number of qualified interpreters in the Little Rock area, we reached the threshold faster than expected. Going forward, we will create a plan to cover interpreting needs while following the three bid requirement. ASD has negotiated the pricing for each vendor.

**ARKANSAS LEGISLATIVE  
AUDIT REPORT ON:  
DEPARTMENT OF EDUCATION  
ARKANSAS EDUCATIONAL TELEVISION COMMISSION  
FOR THE YEAR ENDED JUNE 30, 2019**

**Finding:**

The Agency received a grant from Arkansas Department of Education (ADE) for \$2,830,550 for fiscal year 2019 to fund the Internet-Delivered Education for Arkansas Schools (IDEAS) program for teacher professional development and educational resources. ADE performed an internal audit review of Agency program disbursements and noted costs considered unrelated to the IDEAS program totaling \$409,092, for which ADE recommended refund or recoupment from the subsequent year's grant. The Agency recorded a liability payable to ADE at June 30, 2019, fiscal year-end.

**Recommendation:**

We recommend the Agency comply with grant agreement requirements.

**Agency Response:**

AETN has worked cooperatively with ADE to successfully provide online and face-to-face professional development for teachers and other educators since 2006 through the IDEAS program. We have managed and operated the IDEAS program under the ADE guidance that we understood to be in place. We agree to follow and work within current ADE guidance for the IDEAS program and have worked cooperatively with ADE staff to fully understand all aspects of this current guidance. We have dedicated management staff to stay in close contact with ADE program and fiscal staff to monitor and review IDEAS' operations and results.