



July 17, 2012

Senator Sue Madison, Chair
Arkansas Legislative Council, Higher Education Subcommittee
Arkansas Senate
State Capitol Room 320
Little Rock, Arkansas 72201

Representative Johnnie J. Roebuck, Chair
Arkansas Legislative Council, Higher Education Subcommittee
Arkansas House of Representatives
State Capitol Room 350
Little Rock, Arkansas 72201

Dear Senator Madison and Representative Roebuck:

As requested at the June meeting of the Higher Education Subcommittee, the Arkansas Department of Workforce Services provides the following information regarding our research of the outstanding accounts receivable reported as owed by our agency to Arkansas higher education institutions.

The majority of the debts listed as outstanding for the Department of Workforce Services were from the Trade Adjustment Assistance program. The Arkansas Department of Workforce Services (ADWS) administers the Trade Adjustment Assistance (TAA) Program with guidance from the U.S. Department of Labor (USDOL). ADWS provides information and assistance to workers who have become partially or totally separated from employment due to foreign trade. Trade Adjustment Assistance funds are available to these workers to either enhance existing skills or equip the worker with new skills, which are in demand, in order to help them become job ready as quickly as possible. Trade staff refers program participants to appropriate training facilities to facilitate development of training contracts.

A large portion of the debt reported as in arrears were for purchases made by students or amounts not included in the initial training contracts. When that occurs, the contract must be amended, if the expense is allowable under program guidance. There may be multiple circumstances in the course of a participant's training program that will require the program's contract to be amended. Some reasons for amendments include:

- The program participant requests a change to his/her training program.
- The training provider requests a change to the training program.
- Increases in training costs or tuition.
- An unplanned training cost has been identified requiring modification of the training program budget.

In each case, the program participant/training provider will submit the necessary documentation or data supporting the need for a change and amendment of the existing training program. All amendments require the same approval process as the original contract. It is the responsibility of the training provider to initiate the amendment.

The Arkansas Department of Workforce Services will only pay for items approved under USDOL policy or guidance. Only books, supplies, tools, and/or uniforms *required* of each and every student enrolled in the course will be paid. Frequently ADWS is billed for items that students have charged to their school account, which are not covered by their training contract and not allowable for payment by the TAA program. Examples of the disallowed items are below:

- Backpacks
- Candy
- Non-required supplies
- School Novelties and Paraphernalia (Cups, Pens, etc.)
- Hats, T-Shirts, etc.

When ADWS receives an invoice, it is reviewed for accuracy and compared to the approved training contract. If there are items included in the invoice that are not able to be paid, a letter is sent to the higher education institution informing the school which items are not allowed to be paid and the reason for disallowance. If the amounts billed are legitimate costs that were not included in the original contract, but could be paid through a contract amendment, the instructions for amending the contract are included in the letter. It is up to the school to initiate contract amendment procedures.

ADWS routinely provides training to all training provider accounts receivable staff on the TAA program contracting process required by USDOL. We have provided numerous training sessions due to the high turnover rate we have observed in the accounts receivable staff at Arkansas's institutions.

Below is a summary of the research we have done on the outstanding debts for our agency as reported to your committee. As my staff reported to you in June, we did not have record of having owed these amounts to many of these institutions. What we found during our research was that in many cases the amount listed as outstanding represented disallowed costs not included in the original training contracts, the school had not billed our agency in some cases,

and in a few instances the school has not or cannot provide detailed information about the outstanding debt they say our department owes.

- Arkansas State University Jonesboro. \$19,568 reported in arrears. School Accounts Receivable staff researched back to Fall 2007 to compile this number but found no supporting evidence of outstanding balances owed by the Arkansas Department of Workforce Services. It is believed the purchases were disallowed. Since the Accounts Receivable staff could not provide evidence to support this figure, the Comptroller instructed ASU Jonesboro Accounts Receivable staff to write off the amount.
- UA Fort Smith. \$10,491 reported in arrears. This amount reflects disallowed purchases requiring contract amendments to remit payment. Once amendments were completed, payments were processed. \$292 was mistakenly reported as past due because of a system error. A refund was issued to the Arkansas Department of Workforce Services for \$191.48 on 6/20/12.
- UA Monticello. \$2,722 reported in arrears attributed to Workforce Investment Act. School Accounts Receivable staff verified on 7/10/12 all balances have been paid. There are no outstanding balances attributed to the Arkansas Department of Workforce Services.
- Henderson State University. \$4,729 reported in arrears. \$806 was paid prior to issuance of report. \$3,923 was for Summer I 2012 obligations and invoices were not received until 6/21/12. Balance paid. Issue resolved.
- Arkansas Tech University - \$32,694 reported in arrears. School Accounts Receivable staff believes these are disallowed items and the outstanding balance for these disallowed items is approximately \$19,000. Arkansas Tech Accounts Receivable staff is unable to provide a detailed spreadsheet documenting the reported arrearage. Arkansas Tech Staff committed to provide a detailed spreadsheet to the Arkansas Department of Workforce Services in early August. Upon receipt, Arkansas Department of Workforce Services staff will review the spreadsheet and develop contract amendments as required to process valid payments.
- ASU Beebe - \$11,426 reported in arrears. Accounts Receivable staff show \$4,670.65 for Beebe and \$4,160.94 for Searcy for disallowed items going back to 2007. Arkansas Department of Workforce Services staff is working with the Accounts Receivable staff to develop amendments to the contracts to facilitate payment for any valid amounts.

- Black River Technical College. \$246 reported in arrears. Purchases required contract amendments to authorize payments. The necessary contract amendments were completed on 7/13/12, and payment was processed on 7/16/12.
- Northwest Arkansas Community College. \$1,194 reported in arrears. All but \$33 was for Summer I 2012 obligations for which invoices had not been issued. \$33 was for an unreported tuition increase requiring a contract amendment. The contract amendment was completed and payment processed.
- Pulaski Technical College. \$1,006 reported in arrears attributed to Workforce Investment Act. School Accounts Receivable staff researched and verified there are no outstanding balances for either the Arkansas Department of Workforce Services or Workforce Investment Act.
- Southeast Arkansas College - \$4,127 reported in arrears for both Arkansas Department of Workforce Services and Workforce Investment Act. School Accounts Receivable staff believe this balance included amounts owed for Summer I 2012 obligations for which invoices had not been issued. Accounts Receivable staff continue to research for accuracy.
- Southern Arkansas University Tech - \$4,500 reported in arrears as Workforce Investment Act charges and \$104 as Arkansas Department of Workforce Services. On 7/12/12 School Accounts Receivable staff researched and verified that the entire balance has been paid.

We are committed to processing payment within 30 days of receipt for all legitimate items invoiced to us for all of our programs. We would be happy to answer any questions the committee has regarding our research. I can be reached at 501-683-1889.

Sincerely,



Artee Williams