

# **Investigative Report**

**Arkansas Legislative Audit**

**Review of Selected Policies, Procedures,  
and Transactions**

**Northwest Arkansas Economic  
Development District**

For the period January 1, 2005 through December 31, 2014



## **INTRODUCTION**

This report is issued in response to a request, approved by the Executive Committee of the Legislative Joint Auditing Committee, from former Representative Karen Hopper, for Arkansas Legislative Audit (ALA) to review selected financial records of the Northwest Arkansas Economic Development District, Inc. (District).

## **OBJECTIVES**

Objectives of this review were to:

- Review deficit spending and past-due bills in the Senior Services Contracts Program (Aging Program).
- Analyze interfund receivables and payables for programs/funds maintained by the District.
- Review selected District financial records for compliance with generally accepted accounting principles.
- Determine propriety of selected District disbursements and other transactions.
- Evaluate adequacy of and adherence to District internal controls and policies.

## **SCOPE AND METHODOLOGY**

This review was conducted primarily for the period January 1, 2005 through December 31, 2014, based on relevance and availability of records. District records, including Board of Directors (Board) meeting minutes, correspondence, contracts, grant agreements, travel-related documentation, bank account information, general ledger journal entries, and other selected financial records, were examined. Former and current District personnel were interviewed, and internal control policies and procedures were analyzed for adequacy.

The methodology used in conducting this investigative review was developed uniquely to address the stated objectives; therefore, this review was more limited in scope than an audit or attestation engagement performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

### **ARKANSAS LEGISLATIVE AUDIT**

500 Woodlane Street, Suite 172, Little Rock, AR 72201

Phone: 501-683-8600 • Fax: 501-683-8605

[www.arklegaudit.gov](http://www.arklegaudit.gov)

Report ID: IR2000313

Report Date: July 15, 2015



## BACKGROUND

### Purpose

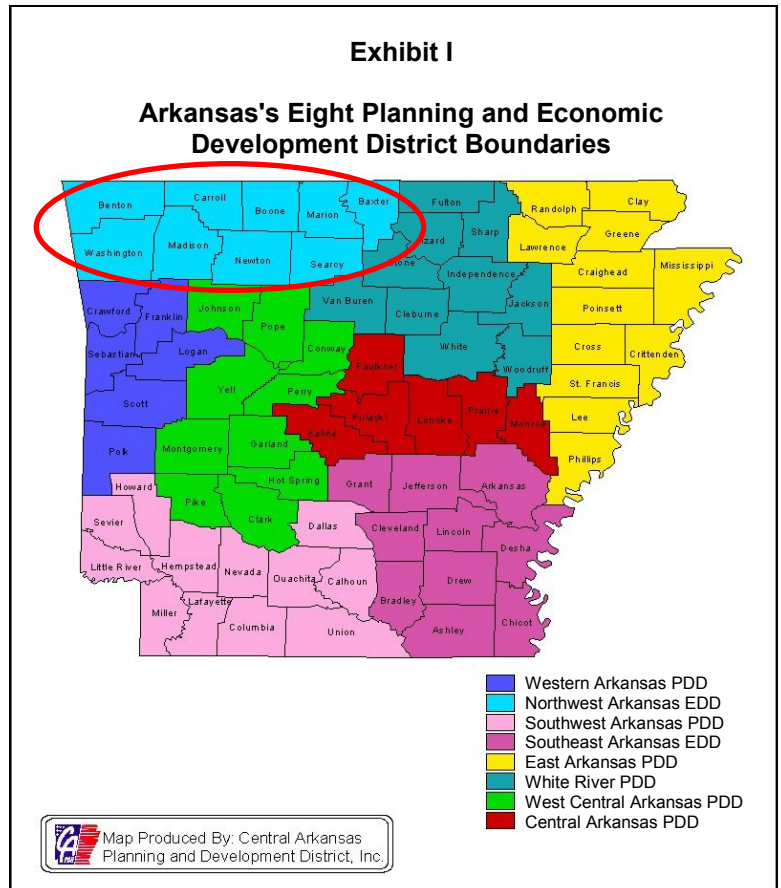
Established in 1967, the District is a nonprofit organization whose mission is to advance and improve the economic, commercial, educational, civic, social, and general business opportunity growth in the nine counties of northwest Arkansas: Baxter, Benton, Boone, Carroll, Madison, Marion, Newton, Searcy, and Washington (see **Exhibit I**).

The District is governed by a 28-member Board that includes each County Judge or his/her designee, elected representatives of municipal government, and private sector representatives.

### Programs

During the review period, the District operated the following programs and funds, which are described below and illustrated in **Exhibit II on page 3**:

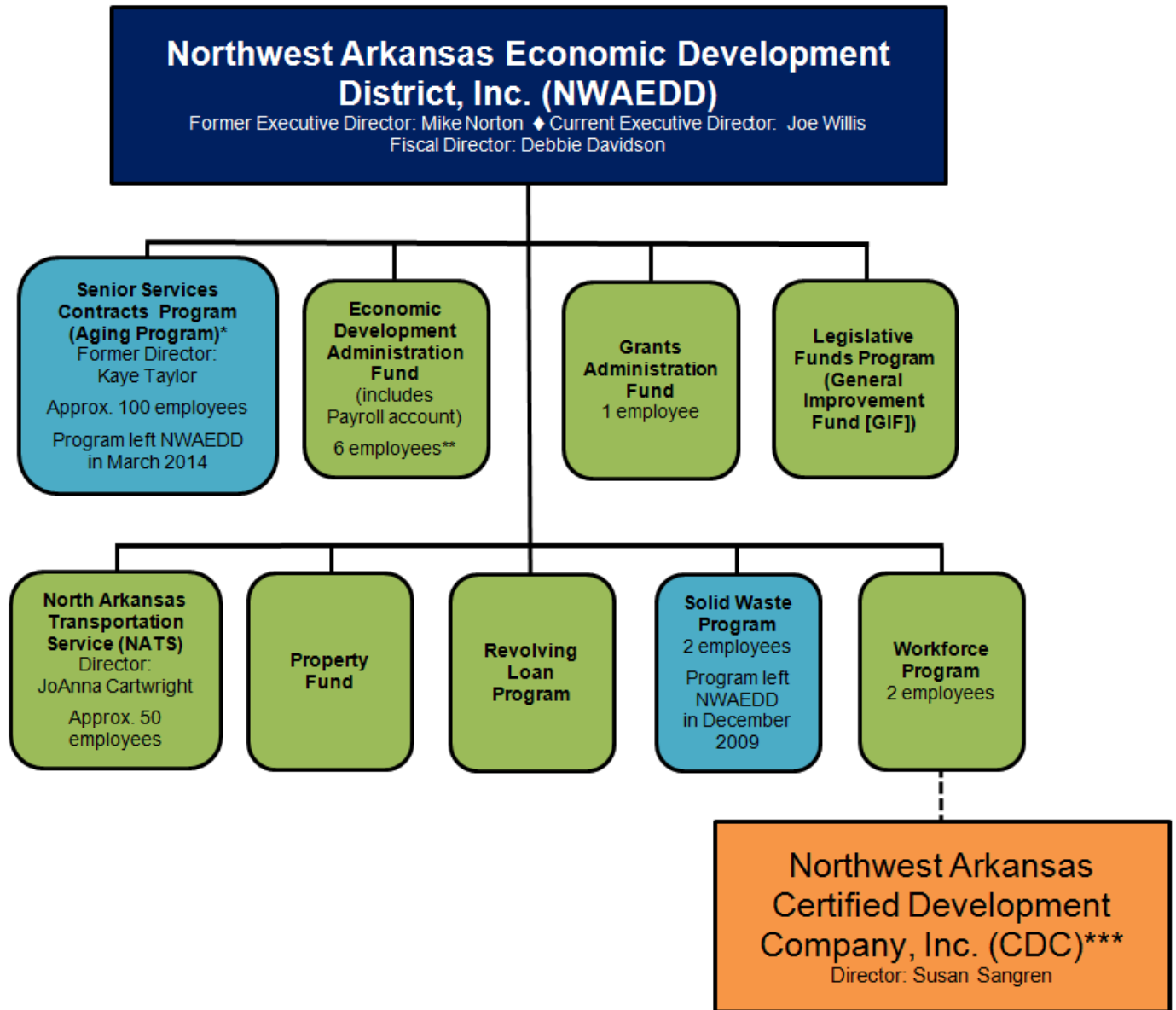
- **Senior Services Contracts Program (Aging Program):** The District operated 14 Senior Centers in Baxter, Boone, Marion, Newton, Searcy, and Washington Counties that provided nutrition and adult day care programs, among other services, for elderly citizens.
- **Economic Development Administration Fund:** The purpose of this fund was general administration of the District, and the fund includes the Payroll account.
- **Grants Administration Fund:** The District administered grant funds received by cities and counties from the Arkansas Economic Development Commission for infrastructure improvements. The Grants Administration Fund was separate from and unrelated to General Improvement Fund (GIF) dollars.
- **Legislative Funds Program (GIF):** The District received GIF funds from the General Assembly to help local government and nonprofit organizations plan, develop, promote, and implement economic and community development projects and activities.
- **North Arkansas Transportation Services (NATS):** NATS provided local transportation for the general public and individuals needing wheelchair-equipped vehicles.
- **Property Fund:** The District received a donation of real property from Levi Strauss & Co. in December 1998. The property was leased and later sold to a private corporation. The Property Fund was established to account for these transactions.



*Source: Northwest Arkansas Economic Development District Board of Directors Orientation manual (unaudited by Arkansas Legislative Audit)*

Exhibit II

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
Organizational Chart



\*The Area Agency on Aging of Northwest Arkansas, Inc., contracted with NWAEDD each fiscal year to manage the Aging Program.

\*\*Executive Director Norton's salary was allocated to the following programs/funds: Aging, Grants Administration, NATS, Revolving Loan, Solid Waste, and Workforce.

\*\*\*NWAEDD acted as the fiscal agent/administrative entity for Workforce Investment Act (WIA) funds that are passed through to CDC. CDC is the WIA Title I Provider.

- Programs formerly operated by the District.
- Programs/Funds currently operated by the District.
- Entity for whom the District acts as fiscal agent.

Source: NWAEDD records (unaudited by Arkansas Legislative Audit)

- **Revolving Loan Program:** The Revolving Loan Program, initiated in 1979 with a grant of \$720,000 from the U.S. Department of Commerce, provided alternative financing for acquisition, establishment, or modernization of businesses or industries to save or create employment opportunities.
- **Workforce Program:** Through the U.S. Department of Labor's Employment and Training Administration, the District directed adults, youth, dislocated or unskilled workers, and professionals to training and employment services. Workforce Development Programs were offered locally at five Arkansas Workforce Centers. The District acted as the fiscal agent for Workforce Investment Act (WIA) funds that were passed through to the Northwest Arkansas Certified Development Company, Inc. (CDC).
- **Solid Waste Program:** The District worked in conjunction with the Arkansas Department of Environmental Quality to protect, enhance, and restore the natural environment of the State. The program included participation in the Waste Tire Management Program, which involved overseeing collection, transportation, recycling, disposal, and tire site abatement projects.

It should be noted that, effective December 31, 2009, the District no longer managed the Solid Waste Program, and District operation of the Aging Program ended on March 31, 2014.

#### Audit Report

The District is not routinely audited by ALA but receives an annual audit from a private accounting firm. The most recent audit, which was for the year ending December 31, 2013, and was issued March 2, 2015, contained an unqualified or "clean" opinion on the District's financial statements.

#### Organization

As shown in **Exhibit II on page 3**, Mike Norton served as the District's Executive Director until his resignation on September 17, 2014; he was replaced by current Executive Director Joe Willis. Kaye Taylor served as the Aging Program Director until her resignation on April 15, 2014. Debbie Davidson served as Fiscal Director, and JoAnna Cartwright served as NATS Director. The Fiscal Director and NATS Director report directly to the District's Executive Director.

A timeline of significant events during the review period is provided in **Appendix A**.

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## **RESULTS OF REVIEW**

ALA staff review revealed that, from 2005 through 2014, District funds associated with certain programs/funds were managed as a single entity, without regard to legal or contractual restrictions. Without proper authorization, Fiscal Director Davidson made routine transfers between funds to compensate for inadequate cash flow. Specifically, transfers were repeatedly made from multiple programs/funds to the Economic Development Administration Fund to cover payroll expenses.

Furthermore, interfund receivables/payables<sup>1</sup> exceeding \$1 million that had been recorded between funds by the District were eliminated through an adjusting journal entry on December 31, 2010. The Fiscal Director originally stated to ALA staff that she posted the adjusting journal entry but did not recall why she did so or who authorized the entry. The Fiscal Director later stated the entry was an attempt to "clean up" errors in the interfund receivable/payable accounts that were causing the \$1 million balance; however, ALA research revealed the \$1 million interfund receivable/payable balances between the programs/funds were materially correct, and some programs/funds had actually

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<sup>1</sup> Amounts due between programs/funds within the same entity due to borrowing/transfers of funds.

## Exhibit III

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
Interfund Receivables/(Payables) by Program/Fund  
As of December 31, 2014

Fund	Per General Ledger (Note 1)		Excluding 2010 Adjusting Journal Entry (Note 1)		Per Arkansas Legislative Audit (ALA) Analysis (Note 2)	
	Interfund Receivable	Interfund Payable	Interfund Receivable	Interfund Payable	Interfund Receivable	Interfund Payable
Senior Services Contracts Program (Aging Program)	\$ 801,213			\$ (257,864)		\$ (234,227) (Note 4)
Economic Development Administration Fund (Note 3)		\$ (546,568)		(29,568)	\$ 231,628	
Grants Administration Fund		(14,895)		(192,649)		(190,226)
Legislative Funds Program (General Improvement Fund)	328,245		\$ 328,245		172,000 (Note 4)	
North Arkansas Transportation Services (NATS)		(487,409)		(1,028,487)		(1,017,691)
Property Fund	0		377,000		0	
Revolving Loan Program		(150,850)	95,940			(3,700)
Solid Waste Program	0		466,188		503,806	
Workforce Program		(52,202)	93,238		538,410	
<b>Totals</b>	<u>\$ 1,129,458</u>	<u>\$ (1,251,924)</u>	<u>\$ 1,360,611</u>	<u>\$ (1,508,568)</u>	<u>\$ 1,445,844</u>	<u>\$ (1,445,844)</u>
<b>Difference Between Receivables/Payables</b>		\$ (122,466)		\$ (147,957)		\$ 0

**Note 1:** On February 25, 2011, the Fiscal Director posted an adjusting journal entry on the NWAEDD books with a general ledger date of December 31, 2010. This entry eliminated the interfund receivable/payable balances and the unauthorized transfers across all funds as of the December 31, 2009, balance amounts. During ALA interviews with current and former NWAEDD staff, no one took responsibility for preparing or authorizing the adjusting journal entry.

**Note 2:** Based on unaudited beginning book balances.

**Note 3:** Includes NWAEDD Payroll account.

**Note 4:** At its March 18, 2015, meeting, the Board retroactively approved \$130,000 in transfers from the Legislative Funds Program (GIF) to the Aging Program.

**Source:** NWAEDD financial records (unaudited by Arkansas Legislative Audit)

“borrowed” that amount from other programs/funds. During ALA interviews with current and former District staff, no one took responsibility for preparing or authorizing the entry.

**Exhibit III** reflects the interfund balances between programs/funds for the calendar year ended December 31, 2014, (a) as posted by the District in the general ledger, (b) if the unauthorized adjusting journal entry mentioned above is eliminated, and (c) after ALA staff analysis.

In addition, District personnel misused restricted federal and state funds, as well as restricted private donations.

Overall, personnel who were part of the District's financial processes did not possess the skills, knowledge, and experience to accurately perform their duties. Additionally, Executive Director Norton and the Board did not provide proper oversight of the District's financial processes and did not establish a "tone at the top" that demonstrated the necessity of fiscal prudence.

Results of review are discussed by program/fund on pages 6-18, and recommendations are provided on pages 18-19.

### **Senior Services Contracts Program (Aging Program)**

Each fiscal year, the Area Agency on Aging of Northwest Arkansas, Inc. (Area Agency on Aging), contracted with the District to manage the Senior Services Contracts Program (Aging Program) in Baxter, Boone, Marion, Newton, Searcy, and Washington Counties. The Aging Program operated under financial strain for most of the years reviewed. At December 31, 2009, the Aging Program owed \$1,059,077 to other programs in the District as a result of “borrowing” from those funds through unauthorized transfers to support increased Aging Program expenditures.

On February 25, 2011, an adjusting journal entry was posted on the District’s books with a general ledger date of December 31, 2010, eliminating the interfund receivable/payable balances between all funds, including the \$1,059,077 owed by the Aging Program to other programs/funds, as of the December 31, 2009, balances.

From 2010-2014, the Aging Program “paid back” into the District Payroll account approximately \$1 million more than the Aging Program’s payroll expenditures, resulting in a book balance for interfund receivable of \$801,213 at December 31, 2014.

The sections that follow discuss specific fiscal issues in the Aging Program by topic.

#### *Lack of Separation of Senior Center Funds*

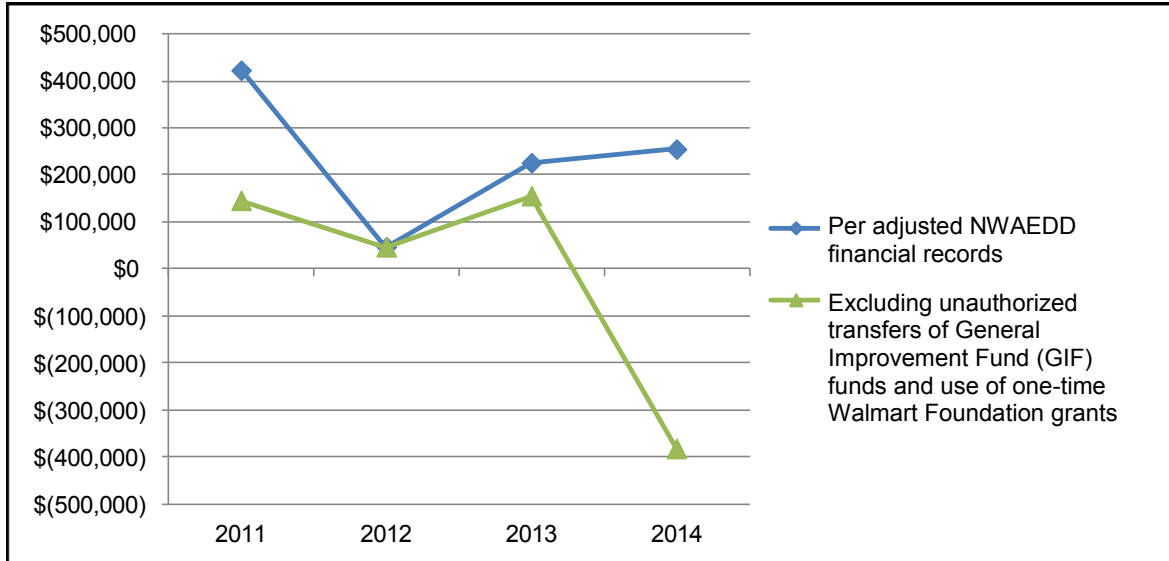
The local Senior Centers’ main sources of revenue were federal and state grants passed through the Area Agency on Aging; Medicaid reimbursement for eligible meals served; and project income such as local grants, fundraisers, and donations. Despite restrictions on use of this revenue, funds were regularly commingled. Specifically, in January 2010, to help alleviate the “ongoing cash flow problem in paying bills,” Aging Program Director Kaye Taylor, who resigned in April 2014, required all local Senior Centers to open an Arvest bank account if there was a bank branch in that area. Having all accounts with one bank allowed daily deposits made by local Senior Centers to be immediately “swept” into the District’s consolidated Aging Program bank account. Nevertheless, the consolidated bank account operated at times with a negative book balance, and several insufficient check fees were noted.

Additionally, revenues and expenditures were assigned Senior Center location codes in the general ledger, but the District did not maintain a balance sheet reflecting individual Senior Center cash balances. As a result, the running cash balances and fund balances were not maintained by individual Senior Center. Some Senior Centers operated with net income, and others operated at a loss. Unaudited income statements by individual Senior Center for the years 2011-2014 are provided in **Appendix B**.

As shown in the top chart contained in **Appendix B**, District records indicated net income for the Aging Program totaled \$948,686 for 2011 through 2014. However, this amount includes (a) unauthorized transfers of restricted grant funds, including \$636,900 in GIF funds used to pay overdue balances with Springfield Grocer Company as discussed on page 10, and (b) \$346,750 in one-time grant funds from the Walmart Foundation (\$276,750 in 2011 designated for Washington County Centers and \$70,000 in 2013 designated for the Fayetteville Center) as discussed on page 8. The bottom chart contained in **Appendix B** shows net income/(loss) by individual Senior Center *excluding* these specific unauthorized transfers and use of one-time grant funds. Comparison of the total net income/(loss) amounts shown in the two charts reflects the significant decline that would have occurred if the unallowed transfers had not been made and the one-time grant funds had not been used. This decline is also depicted in **Exhibit IV on page 7**.

## Exhibit IV

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Senior Services Contracts Program (Aging Program) Net Income/(Loss) Analysis  
 For Calendar Years 2011 through 2014



Source: NWAEDD financial records (unaudited by Arkansas Legislative Audit)

Further information regarding specific income sources is provided below.

#### Federal and State Funding

Federal and state funding received by the Aging Program, which is passed through the Area Agency on Aging, is determined by U.S. Census data by county and must be spent in that designated county. The contract between the District and the Area Agency on Aging states that “the subcontractor [the District] shall insure [sic] all federal and state funds will be expended only in the county to which they have been allocated as stated in the approved Comprehensive Service Funding and Budget Schedules of the Program Plan.” The District did assign Senior Center location codes to federal and state revenue, but rather than use the required federal and state proration, the District allocated the funds based on a different percentage devised by Aging Program Director Taylor and regularly commingled all federal and state funds for all Senior Centers.

#### Project Income

Individual Senior Centers were required to raise project income through various fundraisers, fees, and donations. The contract between the District and the Area Agency on Aging states that “the subcontractor [the District] shall provide that project income will be for the exclusive use of the receiving Senior Center, used for the designated purpose, and no more than ten percent (10%) may be used for the administrative operational budget for the subcontractor.” However, the District commingled all project income for all Senior Centers, as noted on page 6.

Restricted private grants for individual Senior Centers or specific projects were commingled with all Senior Center funds and were not spent as specified:

- A donation of \$83,181 from the Jones Trust, received in May 2009, was to be used for capital improvements at the Mountain Home Van Matre Senior Center. On May 11, 2009:
  - ⇒ The funds were deposited into the commingled, consolidated Aging Program account.
  - ⇒ \$40,000 was transferred from the Aging Program account to the District Payroll account.
  - ⇒ A check for \$46,400 was issued to open a savings account styled “Van Matre Savings Account.” However, this savings account was never set up in the District’s general ledger.

All the funds in the Van Matre Savings Account were subsequently transferred back to the commingled, consolidated Aging Program account over the course of 10 months via four transfers. Either the same day as or the day following the transfer, similar amounts were transferred from the consolidated Aging Program account to the District Payroll account.

- A grant of \$150,000 from the Walmart Foundation was received in May 2011. Donor documentation was not available to determine any restrictions on the funds. However, emails from the Aging Program Director stated that \$100,000 was to be placed in the Springdale Senior Center Building account for “building expansion.” All of the \$150,000 was deposited into the consolidated Aging Program account, and the following day, a check for \$138,081 was issued to Springfield Grocer Company for past due invoices incurred by all Senior Centers. The \$100,000 was never transferred to the Building account or used for capital projects.

In an attempt to correct improper use of these grant funds, the Board approved a GIF grant application for \$100,000 to the Springdale Senior Center on December 17, 2014.

- A grant of \$70,000 from the Walmart Foundation was received in December 2013. Again, donor documentation was not available to determine any restrictions on the funds. However, handwritten notes by District personnel on the check stub indicate the funds were to be used for the Fayetteville Senior Center home-delivered meals program. On the same day the grant was received, a check for \$155,676 was issued to Springfield Grocer Company for past due invoices for all Senior Centers. An analysis of the invoices paid indicated only \$22,130 was incurred by the Fayetteville Senior Center.

In summary, the Board and District management did not demonstrate proper fiduciary responsibility in spending of restricted grant funds. As a result of improper use of these funds, \$83,181 is due to the Mountain Home Van Matre Senior Center, and \$47,870 is due to the Fayetteville Senior Center.



*Aging Program Indebtedness*

As previously mentioned, to “pay back” amounts due to other District programs during 2010-2014, the Aging Program generated cash flow by requesting several nonrecurring private grants. The Aging Program also stopped paying its accounts payable timely. Executive Director Norton informed the Board that the Aging Program’s past due amount owed to Springfield Grocer Company “had accumulated to more than \$400,000 . . . [and] with added interest had accrued to over \$520,000 through February.” Outstanding bills to Springfield Grocer Company grew to over \$600,000 by March 2014 and consisted of the previous nine months of invoices (i.e., back to July 2013).

According to Board meeting minutes, the Board voted on March 19, 2014, to “use General Improvement Funds to satisfy the Springfield Grocer Company indebtedness . . . to get the program solvent”; however, the Board did not authorize a specific amount of GIF funds for this purpose. On March 27, 2014, District fiscal personnel transferred \$636,900 from the Legislative Funds Program (GIF) to the Aging Program. The District subsequently paid Springfield Grocer Company the delinquent amount, which totaled \$620,818.

*Other Issues*

The financial activity for 12 Aging Program bank accounts was not recorded in the District’s general ledger. Nine of these accounts appear to be special savings bank accounts for various Senior Centers, with Aging Program Director Taylor as a signor on all of the accounts.

The Aging Program’s budgeting process, as performed by Taylor, was not effective. A review of two calendar years of budgeted vs. actual expenditures revealed that actual expenditures exceeded budget by approximately \$450,000 each year. It appears that prior-year actual expenditures were not considered when budgeting for the next year. Additionally, the budgeted expenditures were used to determine the amount of project income each Senior Center was requested to raise; however, project income requested from each Senior Center was far less than needed since budgeted expenditures were much less than actual expenditures. Some local Senior Center Directors who met project income goals were told by Taylor that they still lacked necessary funding, and in interviews with ALA staff, some Senior Center Directors noted receiving utility shutoff notices due to unpaid accounts.

As previously noted, District operation of the Aging Program ended March 31, 2014.

**Legislative Funds Programs (General Improvement Fund)**

The District received GIF funds appropriated by the General Assembly to be used to assist local governmental jurisdictions and nonprofit organizations with planning, developing, promoting, and implementing economic and community development projects/activities designed to improve the economic, community, and/or social well-being of the citizens of Arkansas. These funds were placed in the Legislative Funds Program by the District; however, as discussed below, the Board did not sufficiently oversee use of GIF funds, and District staff made numerous recordkeeping errors regarding GIF funds.

*Lack of Board Oversight*

GIF disbursements were not always authorized by the Board. **Exhibit V on page 10** provides a summary of disbursements, categorized by Board action, for the period January 1, 2013 through December 31, 2014. A complete listing of GIF grant recipients for calendar years 2013 through 2014 is provided in **Appendix C**.

As previously noted, on March 19, 2014, Executive Director Norton informed the Board that the Aging Program's past due bills to Springfield Grocer through February had accrued to over \$520,000. The Board voted to use GIF funds to pay the delinquent amount but did not authorize a specific amount for this purpose. On March 27, 2014, checks were issued from the Legislative Funds Program (GIF) to the Aging Program for \$636,900, as shown in **Exhibit V**.

**Exhibit V** also shows that, during 2013 and 2014, \$349,000 was transferred from the Legislative Funds Program (GIF) to the Payroll account (\$20,000), the Aging Program (\$130,000), and the Revolving Loan Program (\$199,000) without Board authorization. In interviews with ALA staff, Executive Director Norton stated he was unaware of the transfers, and Fiscal Director Davidson stated she is confident she did not make the transfers. The Board voted to "correct and ratify" the transfer of \$199,000 to the Revolving Loan Program and three transfers totaling \$130,000 to the Aging Program on December 17, 2014, and March 18, 2015, respectively. No action has been taken by the Board regarding the \$20,000 transfer to the Payroll Account.

<b>Exhibit V</b>	
Northwest Arkansas Economic Development District, Inc. (NWAEDD) Summary of General Improvement Fund Disbursements and Board Action For Calendar Years 2013 and 2014	
Total Disbursement Amounts	Board Action
\$ 1,428,035	Approved by the full Board
636,900 (Note 1)	Approved but not for a specific amount
5,588,105 (Note 2)	Approved but did not list specific grant applications
795,260	Attempt made to obtain Board approval via email; no quorum response
1,100,523	Approved via email by Executive Committee only (Note 3)
1,353,273	Attempt made to obtain Executive Committee approval via email; no quorum response
88,578 (Note 4)	No Board approval
349,000 (Note 5)	No Board approval
<b><u>\$ 11,339,674</u></b>	

**Note 1:** Transfer to Senior Services Contracts Program (Aging Program) to cover past-due bills.

**Note 2:** This amount is comprised of \$5,469,507 of approved grants in which application numbers or ranges were not specifically identified in Board meeting minutes; however, Arkansas Legislative Audit staff located documents that appear to be application lists. The remaining \$118,598 is comprised of approved grants in which application numbers or ranges were not specifically identified in the minutes and for which application lists could not be located.

**Note 3:** The Executive Committee consists of only 4 of the 28 Board members.

**Note 4:** This amount contains a \$10,000 grant that was paid in error by new NWAEDD management. The grant was retroactively approved by the Board at its June 17, 2015, meeting. The remaining \$78,578 is comprised of both grants that were not approved by the Board and grants that were approved but disbursed for a greater amount than authorized.

**Note 5:** Transfers to the Economic Development Administration Fund (Payroll account), Senior Services Contracts Program (Aging Program), and Revolving Loan Program.

**Source:** NWAEDD financial records and Board meeting minutes (unaudited by Arkansas Legislative Audit)

### *Recordkeeping Errors*

Numerous posting errors were made by Fiscal Director Davidson in the District's records, resulting in incorrect cash book balances. District fiscal personnel attempted to correct these errors through adjusting journal entries, but the journal entries were often incorrect. During 2013 and part of 2014, the chart of accounts used in the District's accounting software was incorrect, resulting in erroneous reduction of the Economic Development Administration Fund when GIF funds were disbursed. Rather than correcting the chart of accounts in the software, District fiscal personnel adjusted each GIF disbursement, via journal entry, to reflect the correct cash account. At times, this task was performed incorrectly, and some attempts were made to correct those mistakes. Additionally, reconciling items were adjusted to balance the bank reconciliation. ALA staff reviewed reconciliations and noted multiple "correction" entries, as well as instances in which checks on outstanding check lists had already cleared or were for an amount different than the actual check. Also, in some cases, District records listed voided checks as having "cleared" the bank.

### **Revolving Loan Program**

Revolving Loan Program funds were restricted to providing loans to businesses within the District's service area that were not able to obtain conventional financing. However, the District routinely transferred these restricted funds for use in other areas, primarily to cover the payroll expenditures of other programs/funds, and did not accurately report use of these funds to the U.S. Economic Development Administration.

Specifically, from 2003 to 2014, District fiscal personnel made 109 transfers totaling \$1,013,785 from restricted Revolving Loan Program funds to the District's Payroll account to cover payroll expenses of other programs/funds. District fiscal personnel transferred \$713,422 back to the Revolving Loan Program through 33 transfers, leaving \$300,363 due from the Payroll account on December 17, 2014. On December 17, 2014, the Board:

- Approved a \$199,000 grant to "correct and ratify" a transfer to the Revolving Loan Program from the Legislative Funds Program (GIF). The transfer was made without Board authorization in August 2013 (see page 10).
- Approved a \$100,000 grant from the Legislative Funds Program (GIF) to "replenish the Revolving Loan Fund to the level necessary to make the program viable."

Additionally, semi-annual reports submitted by the District to the U.S. Economic Development Administration incorrectly reported cash balances and activity in the Revolving Loan Program. The transfers to the Payroll account were never reported or deducted from cash balances reflected on the reports. Executive Director Norton stated to ALA staff he was unaware the reports submitted were inaccurate.

### **North Arkansas Transportation Services (NATS)**

Lack of knowledge and oversight regarding completion and submission of reimbursement forms resulted in potential loss of revenue to the North Arkansas Transportation Service (NATS) Program, as discussed below.

*Federal Reimbursement Funding Not Requested*

The District was eligible for federal reimbursement funding for NATS through the Arkansas Highway and Transportation Department (Highway Department). District staff did not understand how to properly complete the monthly reimbursement forms and did not file for the maximum allowable reimbursement from January 2008 through May 2014. Request forms were not maintained prior to 2008; therefore, ALA staff were unable to determine when the improper completion of the forms began.

Upon their discovery of this error, District personnel filed corrected reimbursement forms back to January 2014. The District has submitted requests for additional reimbursement for 2011-2013; however, according to District management, Highway Department policies do not allow for retroactive reimbursements beyond one year. As of report date, it remains unclear if the requests will be approved. The total revenue not requested, amount requested through corrected forms, and amount remaining are provided in **Exhibit VI**.

*Revenue Not Received Timely*

NATS contracted with Boone County Special Services (BCSS) to provide transportation for Medicaid clients. In May 2014, the District determined BCSS had not paid the District since August 2011. It appears that the lack of payments was not noticed earlier due to overall lack of financial monitoring. Additionally, according to the Fiscal Director, NATS had begun receiving funds from a new Medicaid broker, unrelated to BCSS revenue, and the Fiscal Director thought this revenue was from BCSS. According to District records, BCSS owed the District \$302,405, as shown in **Exhibit VII**. As of June 4, 2015, BCSS had paid the delinquent amount.

<b>Exhibit VI</b>	
North Arkansas Transportation Service (NATS) Federal Reimbursement Funding Not Requested For Calendar Years 2008 through 2014	
Year	Funding Not Requested
2014	\$ 49,400
2013	130,249
2012	168,079
2011	179,874
2010	130,456
2009	121,400
2008	128,430
<b>Total Not Requested</b>	<b>907,888</b>
Amount for which District* filed corrected forms	49,400
<b>Amount Remaining</b>	<b>\$ 858,488</b>

\*Northwest Arkansas Economic Development District (NWAEDD)

*Source: NWAEDD financial records (unaudited by Arkansas Legislative Audit)*

<b>Exhibit VII</b>	
North Arkansas Transportation Service (NATS) Revenue Not Received Timely from Boone County Special Services (BCSS) For Calendar Years 2011 through 2014	
Year	Revenue Not Received Timely
2014	\$ 31,411
2013	103,649
2012	103,855
2011	63,490
<b>Total</b>	<b>\$ 302,405</b>

*Source: Northwest Arkansas Economic Development District financial records (unaudited by Arkansas Legislative Audit)*

## Workforce Program

The District received Workforce Investment Act (WIA) federal revenues from the U.S. Department of Labor that were passed through the Arkansas Department of Workforce Services (Workforce Services). The District acts as the fiscal agent/administrative entity to provide funds and monitor the WIA Title I Provider, Northwest Arkansas Certified Development Company, Inc. (CDC). CDC is a legally-separate nonprofit entity with its own Board of Directors and staff who manage the WIA Program and serve the participants. The WIA funds support the expenditures of two District Workforce Program Monitors and are passed through the District to CDC to support the WIA Program.

### *Improper Transfers of Grant Funds*

Federal WIA grants from the U.S. Department of Labor were held at Workforce Services until the District submitted online requests to draw down the funds. Documentation of expenditures was not required to be submitted at the time of the draws. Monthly expenditure reports were submitted to Workforce Services, but the reports did not reconcile draw downs to expenditures until the closing of the grant.

As previously noted, to cover payroll and other expenses, Fiscal Director Davidson transferred funds into the Payroll account from any program/fund with monies available, regardless of the program/fund or its restrictions. For instance, although the Workforce Program had payroll expenditures of \$90,063 in 2007, the Fiscal Director transferred an additional \$577,498 of restricted federal funds from the Workforce Program to the Payroll account to cover payroll expenditures for other District programs.

### *Improper Grant Draws*

CDC staff prepared requests for draws from Workforce Services based on estimates of anticipated program expenditures. The District's Workforce Administrator consolidated the CDC requests with additional requests made by the District's Workforce Program Monitors. These consolidated requests were submitted to the District's Fiscal Director, Debbie Davidson, who logged on to the Workforce Services system and applied for the draws. The funds were direct deposited into the District's Workforce Program account.

Beginning in March 2007, the District's Fiscal Director began adding amounts to the draw requests above the amounts submitted by the Workforce Administrator, as shown in **Appendix D**. In interviews with ALA staff, the Fiscal Director stated that these additional amounts were "probably to cover payroll and other expenses of other District programs." When the funds were direct deposited, the amount requested by CDC was remitted to its account, expenditures were paid related to the two District Workforce Program Monitors, and remaining funds drawn by the Fiscal Director were transferred to the Payroll account.

From March 2007 through August 2008, the Fiscal Director, through a series of 65 draws, requested and received \$668,712 in excess federal funds used for the Payroll account, above the amounts requested by CDC and the Workforce Administrator. In February 2009, Workforce Services contacted CDC Executive Director Susan Sangren to make the District aware that it had drawn down approximately \$700,000 more funds than expended by the Workforce Program. There was no indication of any subsequent communication between the District and Workforce Services concerning this issue.

Once the CDC Executive Director made the District's Executive Director and Fiscal Director aware of the issue, they collectively decided to forego drawing current Workforce Program funds

from Workforce Services until expenditures caught up with the overdrawn amount. However, in March and April 2009, to cover the lack of draws necessary to repay Workforce Services, the District Workforce Program had to "borrow" funds from other District programs, resulting in the following:

- \$539,349 was transferred from the Payroll account to the Workforce Program to pay back a portion of the funds previously "borrowed" from the Workforce Program.
- To keep the Payroll account from being insufficient:
  - ⇒ The Aging Program paid \$316,843 more to the Payroll account than its payroll expenses. To offset these excess transfers, the Aging Program's outstanding accounts payable grew approximately \$250,000 in this two-month period. A significant portion of this amount was owed to Springfield Grocer Company, as discussed previously.
  - ⇒ The Revolving Loan Program paid \$142,000 more to the Payroll account than its payroll expenses during this two-month period.

As a result of fabricated grant draws, numerous transfers between programs/funds, and posting errors by the Fiscal Director, the following amounts were due between programs/funds and Workforce Services at December 31, 2014:

- Amount due to the District Workforce Program from the Payroll account     \$593,626
- Amount due to CDC from the District Workforce Program                     \$208,222
- Amount due to Workforce Services from the District Workforce Program on closed grants     \$325,179

### **Grants Administration Fund**

ALA staff review revealed that, from 2005-2014, the Grants Administration Fund had \$628,642 in interfund payroll and allocated expenditures. Through 91 transfers and checks, the Grants Administration Fund "repaid" the Payroll account \$553,309, resulting in an underpayment of interfund-related expenditures of \$75,333. Through 110 transfers, \$97,544 was transferred from the Payroll account to the Grants Administration Fund to supplement operations.

The underpayment of expenditures, additional transfers to supplement operations, and a 2004 interfund payable carryover of \$17,349, left \$190,226 due from the Grants Administration Fund to the Payroll account at December 31, 2014, as shown in **Exhibit III on page 5**.

### **Solid Waste Program**

ALA staff review revealed that, from 2003-2009, 184 transfers totaling \$2,514,188 were made from the Solid Waste Program to the Payroll account to cover \$1,026,078 in payroll expenses in the Solid Waste Program, as well as payroll expenses of other programs/funds. District fiscal personnel transferred \$1,053,304 back to the Solid Waste Program through 107 transfers from 2003-2009, which, along with a carryover 2002 interfund payable of \$69,000, left \$503,806 due from the Payroll account to the Solid Waste Program at December 31, 2009, as shown in **Exhibit III on page 5**, when the Solid Waste Program withdrew from the District.

Additionally, District fiscal personnel transferred \$195,000 from the Property Fund into the Solid Waste account from 2005 through 2009, without Board authorization.

## OTHER ISSUES

### Payroll

#### *Payroll Deductions*

Employee 401(k) contributions from payroll withholdings and matching employer contributions were not remitted to the 401(k) administrator timely (at least 10 days following payroll); these amounts totaled \$198,386 and \$102,263 in 2013 and 2014, respectively. Individually, payroll withholdings and employer matching contributions for 60 employees were not remitted for as much as 253 days following payroll in 2013. As of December 31, 2014, all 401(k) contributions had been paid.

The District offered a Christmas Club savings account to which employees could contribute through payroll withholdings to earn interest on the total of all District employee withholdings. During 2013, \$51,118 deducted from employee payroll was not transferred to the Christmas Club savings account. While amounts were deducted from employees' salaries during each payroll period of 2014, deposits in the Christmas Club savings account were made only in four months, with almost half being deposited in November 2014. Contributions were returned to employees in November of each year, as scheduled. The Christmas Club was discontinued after 2014.

#### *Lack of Board Oversight*

#### Salaries

The Board approved total budgets but did not approve individual salaries and salary increases from 2005 to 2014. During 2011-2014, salaries of most employees were increased by a cost of living adjustment (COLA) of 3-5%. However, whether these increases were discussed or authorized by the Board could not always be determined based on Board meeting minutes.

It should also be noted that documentation of salaries and salary increases, obtained from files maintained by the Fiscal Director, was not always dated, and the preparer of the documents was not always clearly identified. Individual salaries and percentage increases for Executive Director Norton, Aging Program Director Taylor, and Fiscal Director Davidson are displayed in **Exhibit VIII**.

### Exhibit VIII

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
Total Gross Salary Payments to Selected Employees  
For Calendar Years 2011 through 2014

Name	Position	Total Gross Salary Payments Per Calendar Year			
		2011	2012	2013	2014
Mike Norton (Notes 1, 2)	Executive Director	\$ 122,055	\$ 125,717	\$ 127,603	\$ 102,512*
Kaye Taylor (Note 2)	Aging Program Director	69,525	72,327	74,139	28,551**
Debbie Davidson (Note 2)	Fiscal Director	57,165	59,469	60,959	61,860

**Note 1:** Mr. Norton's salary was increased by 3% on January 1, 2012, and July 1, 2013, respectively.

**Note 2:** All employee salaries, including those of Ms. Taylor and Ms. Davidson, were increased by 3% on January 1, 2012; 2% on July 1, 2012; and 3% on July 1, 2013. In interviews with Arkansas Legislative Audit staff, Mr. Norton stated that he declined the 2% raise given on July 1, 2012.

\*Amount paid to Mr. Norton through his resignation from employment on September 17, 2014. Mr. Norton's final paycheck included payment for accumulated annual leave, in accordance with NWAEDD Personnel Policy.

\*\*Amount paid to Ms. Taylor through her resignation from employment on April 15, 2014. Ms. Taylor's final paycheck included payment for accumulated annual leave, in accordance with NWAEDD Personnel Policy.

**Source:** NWAEDD financial records (unaudited by Arkansas Legislative Audit)

Travel

Executive Director Norton received both an automobile allowance and mileage reimbursement. Although there was no documentation of Board approval of the automobile allowance, the Board Chair indicated to ALA staff that he was aware of the allowance but was unaware that Norton was also receiving mileage reimbursement. Based on ALA review of District records from January 1, 2012 through Norton's resignation from employment on September 17, 2014, \$13,695 is due the District from Norton for improper mileage reimbursements, as shown in **Exhibit IX**.

<b>Exhibit IX</b>				
Northwest Arkansas Economic Development District, Inc. (NWAEDD)				
Travel Allowance/Reimbursement to the Executive Director				
For the Period January 1, 2012 through September 17, 2014*				
	2012	2013	Through September 17, 2014**	Grand Totals
Automobile allowance	\$ 10,100	\$ 10,100	\$ 7,575	\$ 27,775
Mileage reimbursement	4,865	5,674	3,156	13,695
<b>Totals</b>	<b>\$ 14,965</b>	<b>\$ 15,774</b>	<b>\$ 10,731</b>	<b>\$ 41,470</b>

\*NWAEDD travel records were not readily available prior to 2012.  
 \*\*The effective date of Executive Director Mike Norton's resignation from employment.

*Source: NWAEDD records (unaudited by Arkansas Legislative Audit)*

*Information Security*

District employees shared login credentials and passwords for the District's bank and accounting systems. Specifically, the Fiscal Director had her password and PIN number written on her "token" used to log in to online banking. The token was not secured and was, at times, left lying on an unattended desk. Lack of login and password security measures creates enhanced opportunities to process and conceal unauthorized transactions and increases the risk of misappropriated funds and fraudulent reporting.

Signature stamps were used for accounts payable checks, and access to these stamps was not restricted. Additionally, the employees who used the signature stamps were not instructed to review supporting documentation and did not possess the authority to question transactions.

*Federal Payroll Taxes*

The District did not remit federal payroll taxes timely, resulting in payment of penalties and interest totaling \$15,108 to the Internal Revenue Service during 2010-2014.

**Internal Control Environment**

Internal control consists of five interrelated components: (1) control environment, (2) risk assessment, (3) information and communication, (4) control activities, and (5) monitoring. The control environment sets an organization's tone, influences employees' control consciousness,



and establishes the foundation for all other components of internal control by providing discipline and structure. Management is responsible for establishing, adopting, and maintaining sound internal control policies that will ensure achievement of the entity's objectives and for properly communicating values and behavioral standards to personnel through policy statements, codes of conduct, and example. Management is further responsible for establishing a "tone at the top" that demonstrates to personnel the necessity of fiscal prudence.

ALA staff review revealed that deficiencies in the District's internal control environment, discussed in the sections that follow, compromised the District's commitment to the five interrelated components of internal control. Several of these internal control deficiencies could contribute to misappropriation of District funds not being timely detected, as well as potential waste and abuse of District resources.

### *Segregation of Duties*

Failure to maintain adequate segregation of duties increases the risk of fraud or error. The following deficiencies were noted at the District:

- An authorization or approval process for transfers between programs/funds did not exist.
- Adjusting journal entries were not approved by someone other than the preparer and were not supported by proper documentation.
- Revenues were not receipted and reconciled to deposits.
- Vendor invoices were not approved prior to payment.
- Bank reconciliations, when prepared, were not always reviewed or approved by someone other than the preparer. In some instances, review was performed and approval given by staff who did not possess the skills, knowledge, or experience to accurately review the reconciliations.
- Controls did not exist to prevent invalid data from being entered into the District's accounting software. ALA staff noted deposits entered into the general ledger in error, using a date of a subsequent year. Specific instances include a 2004 deposit and a 2014 deposit that were both entered with the general ledger year of 2023 and a 2012 deposit entered with the general ledger year of 2021. The deposits were re-entered into the general ledger with the correct date; however, the original errors were not corrected.
- Although CDC is a separate legal entity, CDC staff had access to the District's general ledger system and made journal entries in the District's records.
- District internal routing slips attached to reports submitted to the Highway Department for reimbursement in the NATS program were not signed or initialed by the NATS Director or District Executive Director, despite the forms having signature lines for those individuals.
- Transportation income for NATS, which consisted of coins and currency, was not deposited timely. For example, revenue received in December 2014 was not deposited until February 26, 2015.

### *Board and Executive Director Oversight*

The Board did not provide proper oversight of District operations. Specifically, the Board did not:

- Ensure that adequate internal controls were established and monitored.
- Authorize transfers between programs/funds.
- Always properly approve disbursement of GIF funds.
- Always approve, document, or authorize individual employee salaries or salary increases.

Furthermore, the Executive Director did not:

- Establish a "tone at the top" that demonstrated to personnel the necessity of fiscal prudence.
- Exercise proper oversight of District fiscal operations.
- Establish internal controls to adequately segregate duties among District fiscal staff and allow only staff with appropriate job roles to access District financial records.

### *Bank Accounts*

ALA staff noted the following deficiencies in District recordkeeping and procedures related to bank accounts:

- Bank reconciliations were not always prepared, prepared timely, prepared correctly, or approved.
- For the Legislative Funds Program (GIF), in what appeared to be an attempt to adjust the bank reconciliation to the book balances, outstanding check amounts were altered from the actual check, outstanding checks were listed that had already cleared the bank, and multiple "correction" entries were made on the bank reconciliation.
- Twelve Aging Program bank accounts were not recorded in the District's accounting software or reflected in the District's financial statements.
- Multiple Aging Program bank accounts were established without requiring dual signatures and were opened and maintained by Aging Program Director Taylor rather than the District's fiscal personnel.

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## **RECOMMENDATIONS**

ALA staff recommend that **the Board and the Executive Director**:

- Increase and maintain knowledge, awareness, and performance of operational and fiscal oversight, accountability, and fiduciary responsibilities.
- Establish a "tone at the top" that demonstrates to personnel the necessity of fiscal prudence.
- Develop and implement policies and procedures to adequately segregate duties among District fiscal staff and to ensure that access to District financial records is assigned only to District staff whose job roles require access.
- Develop and implement appropriate processes for authorizing and approving bank transfers, receipting revenues, preventing invalid data entry, and approving vendor invoices prior to payment.

- Provide staff training and/or utilize staff with adequate skills, knowledge, and experience to perform their job duties.

ALA staff further recommend that **the Board** obtain reimbursement of the \$13,695 paid to Executive Director Norton for improper mileage reimbursements while receiving an automobile allowance.

To reduce the risk of misappropriation of assets and potential waste and abuse of funds, ALA staff recommend that **District fiscal personnel**:

- Ensure that restricted funds are used for their intended purpose.
- Properly maintain all District bank accounts.
- Record all District bank accounts in the District's financial statements.
- Require dual signatures (preferably of the Executive Director and the Fiscal Director) to open a District bank account.
- Prepare bank reconciliations timely and accurately.
- Remit federal payroll taxes and employee 401(k) contributions timely.
- Ensure that accounts payable checks are either manually signed by appropriate personnel or that access to signature stamps is granted only to employees in appropriate roles.
- Submit timely and accurately all reports due to state and federal agencies.
- Obtain all required signatures on internal routing forms.
- Make deposits timely.

At March 18, 2015, based on ALA analysis of available District records, it appears that amounts totaling \$1,168,258 are due to other agencies from the District and \$104,227 is potentially due to the District from the Area Agency on Aging of Northwest Arkansas, Inc., as shown in **Exhibit X**.

<b>Exhibit X</b>		
Northwest Arkansas Economic Development District, Inc. (NWAEDD)		
Amounts Due to/from Other Agencies		
At March 18, 2015		
Agency	Amounts Due	
	To (Note 1)	From
Arkansas Department of Workforce Services	\$ 325,179	
Northwest Arkansas Certified Development Company, Inc. (CDC)	208,222	
Ozark Mountain Solid Waste District	503,806	
Area Agency on Aging of Northwest Arkansas, Inc.	(Note 2)	\$ 104,227
Area Agency on Aging of Northwest Arkansas, Inc.:		(Note 3)
Mountain Home Van Matre Senior Center	83,181	
Fayetteville Senior Center	47,870	
<b>Total Amounts Due To/From Other Agencies</b>	<b>\$ 1,168,258</b>	<b>\$ 104,227</b>

**Note 1:** Based on analysis of available NWAEDD records.

**Note 2:** Based on an unaudited book balance of \$0 on January 1, 2003.

**Note 3:** Based on an unaudited book balance of \$250,783 on January 1, 2005.

**Source:** NWAEDD records (unaudited by Arkansas Legislative Audit)

## **SUMMARY**

ALA staff review revealed that, from 2005 through 2014, Fiscal Director Debbie Davidson made routine transfers from various programs/funds to the Economic Development Administration Fund to compensate for inadequate cash flow and cover payroll expenses. Davidson completed these transfers without authorization and without regard for legal or contractual restrictions of use for both private and public funds.

On February 25, 2011, an adjusting journal entry was posted on the District's books with a general ledger date of December 31, 2010, eliminating the interfund receivable/payable balances across all funds as of the December 31, 2009, balance amounts. Although the Fiscal Director posted the entry, neither she nor other current or former District staff took responsibility for authorizing or preparing the entry.

Similarly, to address cash flow problems among Senior Centers, Aging Program Director Kaye Taylor consolidated funds for individual Senior Centers into a single Aging Program bank account, without regard for legal or contractual restrictions of use of funds. Nevertheless, the consolidated bank account sometimes operated with a negative book balance. Additionally, although revenues and expenditures were assigned Senior Center location codes in the general ledger, cash balances and fund balances were not maintained by individual Senior Center.

In addition to numerous improper transfers, ALA staff also noted multiple accounting errors by District staff; improper draws of grant funds based on fabricated documentation; misuse of restricted federal and state funds, as well as restricted private donations; GIF disbursements without proper approval; an ineffective budgeting process; incorrect or absent reporting to several state and federal agencies; lack of oversight by the Board and Executive Director Mike Norton, and inadequate segregation of duties.

Overall, personnel who were part of the District's financial processes did not possess the skills, knowledge, and experience to accurately perform their duties. The Executive Director and the Board did not provide proper oversight of the District's financial processes and did not establish a "tone at the top" that demonstrated to personnel the necessity of fiscal prudence.

This report has been referred to the Fourteenth Judicial District Prosecuting Attorney and forwarded to the Arkansas Department of Workforce Services; Northwest Arkansas Certified Development Company, Inc. (CDC); Ozark Mountain Solid Waste District; Area Agency on Aging of Northwest Arkansas, Inc.; and Arkansas Highway and Transportation Department.

## **MANAGEMENT RESPONSE**

Management response is available in its entirety in **Appendix E**.

# APPENDICES

**Appendix A** – Northwest Arkansas Economic Development District, Inc. (NWAEDD) – Timeline of Events – For the Period June 2006 through December 2014

**Appendix B** – Northwest Arkansas Economic Development District, Inc. (NWAEDD) – Senior Services Contracts (Aging Program) Net Income/(Loss) by Individual Senior Center – For Calendar Years 2011 through 2014

**Appendix C** – Northwest Arkansas Economic Development District, Inc. (NWAEDD) – Recipients of General Improvement Fund funds – For Calendar Years 2013 through 2014

**Appendix D** – Northwest Arkansas Economic Development District, Inc. (NWAEDD) – Grant Funding Requests Prepared by Workforce Administrator and by Fiscal Director – Submitted to Arkansas Department of Workforce Services

**Appendix E** – Management Response

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# Appendix A

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Timeline of Events  
 For the Period June 2006 through December 2014

Date	Event
<b>2006</b>	
June	The NWAEDD Senior Services Contracts Program (Aging Program) began managing the Senior Centers in Washington County.
July	Fiscal Director Debbie Davidson transferred \$50,000 from the Property Fund to the Economic Development Administration Fund (which includes the Payroll account) to cover the costs of other programs/funds. \$165,000 was transferred to cover costs in the Solid Waste Program and then transferred to the Payroll account.
November	The Fiscal Director transferred \$140,000 from the Property Fund to the Payroll account to cover the costs of other programs/funds.
<b>2007</b>	
January	The Fiscal Director transferred \$91,000 from the Property Fund to the Payroll account to cover the costs of other programs/funds.
March	The Fiscal Director began overdrawing grant funds from the Arkansas Department of Workforce Services (Workforce Services), primarily to support increased expenditures in the Aging Program.
December	The Property Fund was depleted due to transfers of approximately \$500,000 to support the costs of other programs/funds.
<b>2008</b>	
August	The Fiscal Director stopped overdrawing funds from Workforce Services. The total drawn above the requested amount was \$668,712.
<b>2009</b>	
February	Workforce Services notified the Northwest Arkansas Certified Development Company, Inc. (CDC), Executive Director by telephone that NWAEDD had drawn down \$700,000 more than Workforce Services had received in expenditure reports. It appears that no subsequent communication occurred between NWAEDD and Workforce Services about this issue.
April	The CDC Executive Director and the NWAEDD Executive Director and Fiscal Director collectively decided to stop drawing funds from Workforce Services until expenditures caught up with the overdrawn amount. Only \$539,349 of the \$668,712 overdrawn was actually transferred back to the Workforce Programs from the Payroll account, where these restricted funds had been transferred to cover the costs of other programs/funds.
March to April	During this two-month period devoted to "paying back" the Workforce Programs, the Aging Program's outstanding accounts payable checks grew approximately \$250,000, and approximately \$142,000 in restricted funds was transferred from the Revolving Loan Program to the Payroll account to supply Payroll with additional cash to repay the Workforce Programs.
May	The Aging Program received a donation from the Jones Trust Fund for \$83,181 for capital improvements at the Mountain Home Van Matre Senior Center. On the same day, \$40,000 was transferred to the Payroll account, and \$46,400 was deposited into a savings account for the Van Matre Senior Center.
December	NWAEDD ceased management of the Solid Waste Program.

## Appendix A (continued)

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Timeline of Events  
 For the Period June 2006 through December 2014

Date	Event
<b>2010</b>	
October	Payments to the Aging Program food vendor, Springfield Grocer Company, began to lag by approximately six months, and the delinquent payment amount continued to grow through March 2014.
December 31	The Fiscal Director made an adjusting journal entry to eliminate interfund receivable and payable balances as of December 31, 2009, between all NWAEDD programs. This action essentially eliminated all of the balances that captured the borrowing/transfers between programs/funds.
<b>2011</b>	
May	The Aging Program received a grant from the Walmart Foundation for the Springdale Senior Center totaling \$150,000.
August	Boone County Special Services (BCSS) stopped paying North Arkansas Transportation Service (NATS) for transportation services.
<b>2013</b>	
March 31	The Revolving Loan Program report submitted to the U.S. Economic Development Administration (EDA) reported a cash balance approximately \$250,000 higher than the actual cash balance.
May 29	A \$50,000 undocumented transfer from the Legislative Funds Program (General Improvement Fund [GIF]) was made to the Aging Program.
June to October	The Fiscal Director did not remit employee 401(k) withholdings and employer match funds to the plan provider, Principal Financial Group.
August 11	NWAEDD received \$11,152,500 in GIF funds.
August 21	\$199,000 in GIF funds was transferred to the Revolving Loan Program without supporting documentation.
September 30	The Revolving Loan Program report submitted to the EDA reported a cash balance approximately \$110,000 higher than the actual cash balance. Had the \$199,000 undocumented transfer of GIF funds not been performed, the report would have overstated the cash balance by \$309,000.
November	Employee 401(k) withholdings and employer match funds were transferred to Principal Financial Group after complaints from employees. These transfers included ½ of May 2013 and June 2013-October 2013 withholdings and employer match funds.
November 13	A \$60,000 undocumented transfer of GIF funds was made to the Aging Program.
December 20	The Fayetteville Senior Center received \$70,000 from the Walmart Foundation.
<b>2014</b>	
January	The remaining ½ of the May 2013 employee 401K withholdings and employer match funds was remitted to the Principal Financial Group.
February 11	\$20,000 in GIF funds was transferred to the Aging Program without supporting documentation.



## Appendix A (continued)

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Timeline of Events  
 For the Period June 2006 through December 2014

Date	Event
<b>2014 (continued)</b>	
March	<p>The Revolving Loan Program report submitted to the EDA reported a cash balance approximately \$100,000 higher than the actual cash balance.</p> <p>Susan Sangren, CDC Executive Director, discovered that the Revolving Loan Program reports submitted to the EDA had been inaccurate for several years. The cash balance reported was the amount the Revolving Loan Program should have had and not the actual cash balance. Restricted Revolving Loan Program funds had been transferred to and from the Payroll account to cover the payroll costs of other programs/funds for several years.</p>
March 3	\$20,000 in GIF funds was transferred to the Payroll account without supporting documentation.
March 19	In a Board meeting, Executive Director Mike Norton informed the Board of the outstanding Springfield Grocer Company bill totaling approximately \$520,000 through February (and totaling \$620,818 by the end of March 2014). Norton explained that the only funds available to pay the delinquent amount were GIF funds. The Board approved a motion to cancel the contract with the Area Agency on Aging of Northwest Arkansas, Inc., and to use GIF funds to pay the outstanding debt and replenish the Springdale Senior Center Building Fund.
March 27	Checks were issued to Springfield Grocer Company to for payment of the outstanding debt.
April 15	NWAEDD Aging Service Program Director Kaye Taylor resigned.
May	<p>John Ervin, CPA (former independent auditor of NWAEDD), was retained by NWAEDD to serve as interim Chief Financial Officer (CFO). NWAEDD did not have a CFO position previously.</p> <p>NWAEDD discovered that BCSS had not paid the NATS program for transportation since August 2011. BCSS owed NATS approximately \$302,405.</p> <p>Ervin discovered that NATS had not submitted requests for reimbursement from the Arkansas Highway and Transportation Department for the full allowable amount. Arkansas Legislative Audit research back to 2008 indicated lost revenue of over \$900,000 for NATS.</p>
September 17	The NWAEDD Board asked for the immediate resignation of the Executive Director.
October 15	The Board approved hiring Joe Willis as Interim Executive Director and agreed to create a new position: Assistant Executive Director/Economic Planner.
December 17	The Board approved the following GIF grants: (a) a \$199,000 grant to the Revolving Loan Program to “correct and ratify” the previous unauthorized transfer; (b) a \$100,000 grant to the Revolving Loan Program “to replenish the fund to the level necessary to make program viable”; (c) a \$75,000 grant to the NWAEDD Economic Development Administration Fund “to assist with administration stabilization costs”; and (d) a \$100,000 grant to the Springdale Senior Center to correct improper use of restricted grant funds.

*Source: NWAEDD records (unaudited by Arkansas Legislative Audit)*

# Appendix B

## Northwest Arkansas Economic Development District, Inc. (NWAEDD) Senior Services Contracts Program (Aging Program) Net Income/(Loss) by Individual Senior Center For Calendar Years 2011 through 2014

### Aging Program Net Income/(Loss) by Individual Senior Center Including Unauthorized Transfers and Use of Restricted Grant Funds\*

	District Office - Harrison (Other)	Senior Center (Boone Co.)	Big Flat Senior Center	Marion County Senior Center	Newton County Senior Center	Searcy County Senior Center	Mtn. Home Van Matre Senior Center	Fayetteville Senior Center	
2011	\$ 16,452	\$ 41,366	\$ (7,086)	\$ 11,472	\$ 6,206	\$ (3,675)	\$ (6,887)	\$ 556	
2012	(37)	(3,523)	17,848	(30,459)	43,255	(36,216)	(29,657)	32,350	
2013	1,254	63,590	(3,571)	38,485	16,547	(5,664)	(31,181)	82,344	
2014	8,965	70,016	8,249	13,068	31,335	13,663	13,988	22,255	
<b>Total Income/ (Loss)</b>	<b>\$ 26,634</b>	<b>\$ 171,449</b>	<b>\$ 15,440</b>	<b>\$ 32,566</b>	<b>\$ 97,343</b>	<b>\$ (31,892)</b>	<b>\$ (53,737)</b>	<b>\$ 137,505</b>	
	Elkins Senior Center	Farmington Senior Center	Prairie Grove Senior Center	Lincoln Senior Center	Springdale Senior Center	Baxter County House Adult Day Care	Boone County Adult Day Care	Hillcrest Towers	<b>Total Net Income/ (Loss)</b>
2011	\$ 22,517	\$ 60,819	\$ (4,659)	\$ 78,861	\$ 177,853	\$ 17,842	\$ (8,289)	\$ 18,871	\$ 422,219
2012	26,168	(22,893)	4,379	38,640	5,034	15,428	(13,648)	0	46,669
2013	(2,268)	46,804	(2,732)	7,206	30,496	(10,302)	(5,587)	0	225,421
2014	9,522	9,546	(477)	(2,471)	67,181	(4,912)	(5,551)	0	254,377
<b>Total Income/ (Loss)</b>	<b>\$ 55,939</b>	<b>\$ 94,276</b>	<b>\$ (3,489)</b>	<b>\$ 122,236</b>	<b>\$ 280,564</b>	<b>\$ 18,056</b>	<b>\$ (33,075)</b>	<b>\$ 18,871</b>	<b>\$ 948,686</b>

\*District records contained multiple coding errors that were corrected by Arkansas Legislative Audit staff. The amounts in this chart reflect those corrections.

### Aging Program Net Income/(Loss) by Individual Senior Center Excluding Unauthorized Transfers and Use of Restricted Grant Funds\*

	District Office - Harrison (Other)	Harrison Senior Center (Boone Co.)	Big Flat Senior Center	Marion County Senior Center	Newton County Senior Center	Searcy County Senior Center	Mtn. Home Van Matre Senior Center	Fayetteville Senior Center	
2011	\$ 16,452	\$ 41,366	\$ (7,086)	\$ 11,472	\$ 6,206	\$ (3,675)	\$ (6,887)	\$ (51,444)	
2012	(37)	(3,523)	17,848	(30,459)	43,255	(36,216)	(29,657)	32,350	
2013	1,254	63,590	(3,571)	38,485	16,547	(5,664)	(31,181)	12,344	
2014	8,965	(77,434)	7,799	(63,232)	(9,835)	(12,817)	6,988	(71,245)	
<b>Total Income/ (Loss)</b>	<b>\$ 26,634</b>	<b>\$ 23,999</b>	<b>\$ 14,990</b>	<b>\$ (43,734)</b>	<b>\$ 56,173</b>	<b>\$ (58,372)</b>	<b>\$ (60,737)</b>	<b>\$ (77,995)</b>	
	Elkins Senior Center	Farmington Senior Center	Prairie Grove Senior Center	Lincoln Senior Center	Springdale Senior Center	Baxter County House Adult Day Care	Boone County Adult Day Care	Hillcrest Towers	<b>Total Net Income/ (Loss)</b>
2011	\$ (2,483)	\$ 60,819	\$ (4,659)	\$ 29,111	\$ 27,853	\$ 17,842	\$ (8,289)	\$ 18,871	\$ 145,469
2012	26,168	(22,893)	4,379	38,640	5,034	15,428	(13,648)	0	46,669
2013	(2,268)	46,804	(2,732)	7,206	30,496	(10,302)	(5,587)	0	155,421
2014	(478)	(36,134)	(477)	(44,591)	(79,569)	(4,912)	(5,551)	0	(382,523)
<b>Total Income/ (Loss)</b>	<b>\$ 20,939</b>	<b>\$ 48,596</b>	<b>\$ (3,489)</b>	<b>\$ 30,366</b>	<b>\$ (16,186)</b>	<b>\$ 18,056</b>	<b>\$ (33,075)</b>	<b>\$ 18,871</b>	<b>\$ (34,964)</b>

\*This analysis reflects corrections made by Arkansas Legislative Audit staff to multiple coding errors in District records but excludes the \$636,900 in General Improvement Fund grants and \$346,750 in one-time grant funds from the Walmart Foundation that supplemented the Aging Program.

Source: NWAEDD financial records (unaudited by Arkansas Legislative Audit)

## Appendix C

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Recipients of General Improvement Fund Grants  
 For Calendar Years 2013 through 2014

Grantee/Recipient	2013-2014 Total Disbursements
99 Balloons, Inc.	\$ 65,000
A Level Up, Inc.	10,000
Ability Tree, Inc.	5,000
ALS Association - Arkansas Chapter	10,000
Alzheimer's Association - Arkansas	40,000
Amazeum, Inc.	20,000
Area Agency on Aging of Northwest Arkansas	90,000
Arkansas Autism Resource and Outreach Center	50,000
Arkansas Energy Office	1,815,000
Arkansas Entertainers Walk of Fame	12,500
Arkansas Health and Economic Research, Inc.	39,198
Arkansas Hunger Relief Alliance, Inc.	5,844
Arkansas Philharmonic Orchestra	3,000
Arkansas State Highway and Transportation	100,000
Arkansas State Highway Commission	200,000
Arkansas State University Mountain Home	265,282
Arkansas Statewide Energy Consortium	10,000
Arts Center of the Ozarks	10,000
Aviation Cadet Museum, Inc.	1,900
Baxter County	1,300
Baxter County Fair Association	4,539
Baxter County Public Library Foundation	10,051
Bella Vista American Legion Post 341	10,000
Bella Vista Library	50,000
Bella Vista Public Library Foundation	25,000
Benton County	55,000
Benton County Fair Association, Inc.	31,000
Benton County Sheriff's Office	12,500
Benton County Veteran's Treatment Court	5,000
Bentonville Parks and Recreation	5,000
Bentonville Public Schools	12,000
Bergman School District	25,000
Berryville Chamber of Commerce	11,000
Berryville School District	2,000
Big Brothers Big Sisters of Northwest Arkansas	6,000
Big Flat Senior Activity Center	450
Bohannon Mountain Volunteer Fire Department	2,500
Boone County	56,000
Boone County Heritage Museum	3,500
Boone County Senior Activity Center	147,450

## Appendix C (continued)

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Recipients of General Improvement Fund Grants  
 For Calendar Years 2013 and 2014

Grantee/Recipient	2013-2014 Total Disbursements
Boy Scouts of America Troop 2144	\$ 10,000
Boys & Girls Club of Benton County	17,500
Boys & Girls Club of Western Benton County	50,000
Bull Shoals Theater of the Arts	30,000
Carroll County Fair & Livestock Association, Inc.	29,746
Carroll County Historical and Genealogical Society	3,500
Carroll County Sheriff's Office	5,000
CARTI Foundation	25,000
CASA of Northwest Arkansas	5,000
Center for Women's Ministries	6,700
Child Care Aware of Northwest Arkansas	5,000
Children's Advocacy Center of Benton County	75,000
Circle of Life	100,000
City of Alma	50,000
City of Bentonville	21,500
City of Berryville	94,000
City of Bethel Heights	10,000
City of Big Flat	5,000
City of Cave Springs	75,000
City of Centerton	75,000
City of Decatur	50,016
City of Diamond City	42,580
City of Elkins	50,000
City of Elkins Police Department	9,993
City of Elm Springs	15,000
City of Eureka Springs	14,900
City of Farmington	93,000
City of Fayetteville	44,500
City of Gassville	7,430
City of Gentry	30,000
City of Gravette	33,267
City of Green Forest	13,300
City of Harrison	9,850
City of Hector	10,000
City of Highfill	30,000
City of Huntsville	24,200
City of Johnson	61,295
City of Lincoln	26,000
City of Little Flock	27,450
City of Lowell	10,000

## Appendix C (continued)

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Recipients of General Improvement Fund Grants  
 For Calendar Years 2013 and 2014

Grantee/Recipient	2013-2014 Total Disbursements
City of Norfolk	\$ 10,000
City of Pea Ridge	60,000
City of Prairie Grove	4,000
City of Rogers	130,000
City of Siloam Springs	87,000
City of Sulphur Springs	7,443
City of Tonitown	19,992
City of West Fork	60,000
City of West Fork Police Department	5,000
City of Yellville	11,400
Clifty Volunteer Rural Fire Department	14,690
Community Kids Closet	2,000
Compassion Ministries, LTD	2,437
Crawford County	10,000
Crawford County Library System	2,673
Dayspring Behavioral Health Services	15,454
Decatur Northside Elementary	800
Decision Point, Inc.	509,000
Diamond ADC, Inc.	6,250
Disabled American Veterans	703
Dogwood Literacy Council, Inc.	2,000
Donald W. Reynolds Boys & Girls Club	2,000
Downtown Springdale Alliance	20,000
Dress for Success Northwest Arkansas	5,000
Eagle Family Ministries, Inc.	50,000
Ecclesia College	592,500
Economics Arkansas	12,500
Elizabeth Richardson Center	1,500
Elkins Senior Activity Center	19,000
Elna M. Smith Foundation	5,500
Eureka Springs Elementary School	19,760
Farmington Senior Activity Center	56,680
Fayetteville Public Education Foundation	2,000
Fayetteville Public Library	11,000
Fayetteville Senior Activity Center	95,500
Feed Communities, Inc.	40,000
Forum-Alabam Fire Department	5,000
Friend's of the Siloam Springs Library Foundation, Inc.	2,000
Genesis House, Inc.	6,000
Gravette Public Library	20,000

## Appendix C (continued)

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Recipients of General Improvement Fund Grants  
 For Calendar Years 2013 and 2014

Grantee/Recipient	2013-2014 Total Disbursements
Habitat for Humanity of Benton County, Inc.	\$ 8,236
Hospice of the Hills, Inc.	40,000
House of HOPE	10,303
Hugh O'Brian Youth Leadership	3,000
Illinois River Watershed Partnership	105,000
Japton Volunteer Fire Department	2,500
Jasper Volunteer Fire Department	19,500
John Brown University	75,000
Kind at Heart	5,000
Kingston Community Library	20,000
Kingston Volunteer Fire Department	2,500
Kiwanis Club of Springdale, Arkansas	30,000
Lakeside Junior High School	5,000
LifeSource International, Inc.	15,000
Lightbearers Ministry, Inc.	25,000
Lincoln Senior Activity Center	42,120
Lions Diabetes Awareness Service Center	2,500
Literacy Council of Benton County	2,500
Loving Choices Pregnancy Center	32,500
Lowell Elementary PTA	30,000
Madison County	72,310
Madison County Fair Board	14,575
Madison County Rural Fire Association	13,500
Main Street Siloam Springs, Inc.	5,000
Marble Volunteer Fire Department	2,500
Marion County	45,946
Marion County Senior Activity Center	77,800
Marshall Fire Department	14,234
Marshallese Educational Initiative, Inc.	15,000
Mary Mae Jones Elementary School	3,000
Micah House, Inc.	3,500
Mountainburg Senior Center	4,000
New Beginning Pregnancy Services, Inc.	10,000
Newton County	58,690
Newton County Fair & Rodeo	3,000
Newton County Senior Activity Center	51,170
Newton County Sheriff's Office	3,603
North Arkansas College	25,000
North Arkansas Rusty Wheels Old Engine Club	6,087
North East Benton County Fire-EMS Department	7,500

## Appendix C (continued)

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Recipients of General Improvement Fund Grants  
 For Calendar Years 2013 and 2014

Grantee/Recipient	2013-2014 Total Disbursements
Northwest Arkansas Center for Autism and Developmental Disabilities	\$ 60,000
Northwest Arkansas Children's Shelter	55,000
Northwest Arkansas Community College	100,000
Northwest Arkansas District Fair	15,000
Northwest Arkansas Economic Development District, Inc.	221,567
Northwest Arkansas Economic Development District, Inc. (Bank Transfers)	349,000
Northwest Arkansas Fitness & Health Expo Foundation, Inc.	10,000
Northwest Arkansas Food Bank	10,000
Northwest Arkansas Free Health Center	2,000
Northwest Arkansas Mercy Family YMCA	2,500
Northwest Arkansas Metropolitan Fire Chief's Association	22,761
Northwest Arkansas Regional Planning Commission	250,000
Northwest Technical Institute	142,536
Office of Human Concern, Inc.	111,750
Old Kia Kima Preservation Association, Inc.	15,000
Omaha Rural Fire Association	6,500
Open Door Health and Community Services	7,800
Operation Re-boot	5,000
Ozark Folkways	2,500
Ozark Foodbank, Inc.	22,000
Ozark Guidance, Inc.	25,000
Ozark Natural Science Center, Inc.	157,500
Ozark Transit	60,000
Pathway to Freedom	9,000
Rea Valley Volunteer Fire Department	77,574
Reality Check, Inc.	46,222
Regional National Cemetery Improvement Corporation	68,303
Rock Ridge Rider Riding Club	5,000
Rogers Public School	30,000
Rotary Club of Bentonville Foundation	3,500
Rotary Club of Springdale Foundation Trust	10,000
Round Mountain Volunteer Fire Department	15,000
Samaritan Community Center	10,000
Samaritan's Feet of Hope, Inc.	5,000
Searcy County	155,600
Searcy County Fair Association	7,500
Searcy County Rural Help Center, Inc.	5,000
Searcy County School District	17,800
Searcy County Senior Activity Center	36,480
Searcy County Sheriff's Office	10,169

## Appendix C (continued)

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Recipients of General Improvement Fund Grants  
 For Calendar Years 2013 and 2014

Grantee/Recipient	2013-2014 Total Disbursements
Searcy County Veterans Memorial Association	\$ 30,000
Serenity, Inc.	49,000
Shiloh Christian School	10,000
Shiloh Museum of Ozark History	20,000
Siloam Springs Chamber of Commerce	10,750
Siloam Springs Crisis Response Unit, Inc.	2,000
Siloam Springs High School Scholarship Program	25,000
Siloam Springs Veterans of Foreign Wars	25,000
Single Parent Scholarship Fund of Northwest Arkansas	10,000
Souls Harbor Northwest Arkansas	35,000
Southeast Fayetteville Community Center	12,500
Springdale Lions Charities, Inc.	7,500
Springdale Noon Lions Club	3,739
Springdale Police Department	5,000
Springdale School District	5,000
Springdale Senior Activity Center	289,750
St. Francis House NWA, Inc. d/b/a Community Clinic	39,173
St. Paul Public Library	27,070
St. Paul Volunteer Fire Department	2,500
Stepping Stone School, Inc.	10,400
Sugar Creek Elementary School	3,000
Sunshine School and Development Center	20,000
Symphony of Northwest Arkansas	35,000
Teen Action and Support Center, Inc.	11,000
The American Legion - Post 29	10,000
The Brandon Burlsworth Foundation	50,000
The Call, Inc.	105,000
The Community Development Corporation of Bentonville/Bella Vista, Inc.	27,500
The David and Barbara Pryor Center for Arkansas Oral and Visual History, Inc.	25,000
The First Tee of Fort Smith	5,000
The Jack Stephens Youth Golf Academy, Inc.	5,000
The Jones Center	10,000
The Manna Center, Inc,	45,000
Theatre Squared, Inc.	15,000
Thirst No More Association, Inc.	10,000
Tonitown Fire Department	10,000
Town of Alpena	26,698
Town of Chester	4,315
Town of Oak Grove	20,000
Town of Springtown	10,000



## Appendix C (continued)

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
 Recipients of General Improvement Fund Grants  
 For Calendar Years 2013 and 2014

Grantee/Recipient	2013-2014 Total Disbursements
Town of St. Joe	\$ 12,000
Tutoring Resources of Arkansas, Inc.	6,000
Twin Lakes Literacy Council	1,078
Twin River Community Living Facility	9,700
University of Arkansas	60,000
University of Arkansas for Medical Sciences	200,000
University of Arkansas System eVersity	10,000
Valley Springs Fire Department	10,000
Van Matre Senior Activity Center	7,000
Victory Walk, Inc.	7,942
Walton Arts Center Council, Inc.	24,900
Washington County Juvenile Detention Center	6,000
Washington Regional Medical Foundation	12,000
Weddington Area Volunteer Fire Protection Association, Inc.	8,500
Welcome Home Volunteer Fire Department	16,000
Wesley Volunteer Fire Dept	5,000
Wheeler Fire Department	2,000
White River Planning and Development District	270,000
Witt Springs Community Voices	1,500
Young Life Northwest Arkansas	10,000
Youth Bridge, Inc.	40,000
Youth Strategies, Inc.	25,000
<b>Total Legislative (GIF) Funds Disbursed</b>	<b>\$ 11,339,674</b>

*Source: NWAEDD financial records (unaudited by Arkansas Legislative Audit)*

# Appendix D

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
Grant Funding Requests Prepared by Workforce Administrator and by Fiscal Director  
Submitted to Arkansas Department of Workforce Services



NORTHWEST ARKANSAS  
ECONOMIC DEVELOPMENT DISTRICT, INC.  
NWAEDD PLAZA  
818 Highway 62-65-412 North • P.O. Box 190  
Harrison, Arkansas 72602-0190  
(870) 741-5404

To: Debbie Davidson, Fiscal Director  
From: Jane Wheeler, Workforce Administrator  
Date: March 27, 2008  
Subject: WIA Money Order

Date Needed is : Wednesday, April 02, 2008

WIA Adult (#05-PY06-Adult-10)	\$ 950.00
WIA Dislocated Worker (#05-PY06-DLW-10)	\$ 2,340.00
WIA Youth (#05-PY06-Youth-10)	\$ 6,125.00
New Arkansas Resource Network (05-P05-NARN-10)	\$ 500.00
Workforce Innovations	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
<b>TOTAL</b>	<b>\$ 9,915.00</b>

**Amount requested by  
Workforce Administrator** →

**TOTAL \$ 9,915.00**

Total Wages \$ -

Request for Money Report

Page 1 of 1

**Request for Money Report**

Organization: NWest-FI  
Request Number: 2007-10-00061  
Date Needed: 04/02/2008

**Amount requested  
by Fiscal Director** →

**Total Amount Needed: 19,915.00**

Program Year	Program	Total Amount Available	Amount Needed
2007	LWIA - ADULT FY	85,531.18	1,450.00
2007	LWIA - DISLOCATED WORKER FY	117,286.74	17,965.00
2007	LWIA - YOUTH	18,930.36	500.00

Organization Approval Status: Approved  
State Approval Status: Pending  
Cleared Status:

# Appendix D (continued)

Northwest Arkansas Economic Development District, Inc. (NWAEDD)  
Grant Funding Requests Prepared by Workforce Administrator and by Fiscal Director  
Submitted to Arkansas Department of Workforce Services



NORTHWEST ARKANSAS  
ECONOMIC DEVELOPMENT DISTRICT, INC.  
NWAEDD PLAZA  
818 Highway 62-65-412 North • P.O. Box 190  
Harrison, Arkansas 72602-0190  
(870) 741-5404

*Jane Wheeler*

To: Debbie Davidson, Fiscal Director  
From: Jane Wheeler, Workforce Administrator  
Date: March 13, 2008  
Subject: WIA Money Order

Date Needed is : Wednesday, March 19, 2008

WIA Adult (#05-PY06-Adult-10)	\$ 3,440.00
WIA Dislocated Worker (#05-PY06-DLW-10)	\$ 5,211.00
WIA Youth (#05-PY06-Youth-10)	\$ 10,352.00
New Arkansas Resource Network (05-P05-NARN-10)	\$ 800.00
Workforce Innovations	\$ -
	\$ -
	\$ -
	\$ -
<b>Amount requested by Workforce Administrator</b> →	<b>TOTAL \$ 19,803.00</b>
Total Wages	\$ -

**Request for Money Report**

Organization: NWest-FI  
Request Number: 2007-10-00058  
Date Needed: 03/19/2008

**Amount requested  
by Fiscal Director** →

**Total Amount Needed: 39,803.00**

Program Year	Program	Total Amount Available	Amount Needed
2007	LWIA - ADULT FY	134,421.18	14,240.00
2007	LWIA - DISLOCATED WORKER FY	172,372.74	15,211.00
2007	LWIA - YOUTH	45,982.36	10,352.00

**Organization Approval Status:** Approved  
**State Approval Status:** Pending  
**Cleared Status:**

*Source: NWAEDD records (unaudited by Arkansas Legislative Audit)*

# Appendix E

## Northwest Arkansas Economic Development District, Inc. (NWAEDD) Management Response



### NORTHWEST ARKANSAS ECONOMIC DEVELOPMENT DISTRICT, INC.

NWAEDD PLAZA  
818 Highway 62-65-412 North • P.O. Box 190  
Harrison, Arkansas 72602-0190  
(870) 741-5404

August 3, 2015

Kim Williams, CPA, CFE, CFF  
Assistant Legislative Auditor  
Arkansas Legislative Audit  
500 Woodlane Street, Suite 172  
Little Rock, AR 72201

Re: Report ID: IR2000313

Dear Ms. Williams:

This letter is intended to serve as the management response to the Arkansas Legislative Audit (ALA) Investigative Report ("the report") dated July 15, 2015, of the Northwest Arkansas Economic Development District, Inc. ("NWAEDD"). As noted in the report, ALA staff was tasked with conducting a review to, among other things, examine deficit spending and past due bills in the Aging Program, analyze interfund activity, review NWAEDD financials for compliance with GAAP as well as the overall adequacy of and adherence to internal controls and policies. ALA staff members conducted themselves with professionalism and courtesy during the entire process and were very helpful in every respect. NWAEDD management has reviewed the report and concurs substantially with all relevant matters contained therein.

Certain assumptions were made by ALA staff in the preparation of the report, particularly related to carry forward balances. It is acknowledged that this was a result of the staff's inability to rely on the veracity of some records prior to 2005. Naturally this creates some incertitude in the final analysis thereby precluding NWAEDD from certifying to any degree of certainty the accuracy of the findings. However, NWAEDD stipulates that the results are materially correct.

An exit review was conducted with NWAEDD management and ALA investigative and senior staff to discuss the draft findings of the report on July 15, 2015. ALA personnel thoroughly and painstakingly reviewed the report and provided NWAEDD management with pertinent detail as requested.

Numerous recommendations were made by ALA staff to enhance controls and prevent a recurrence of the activity outlined in the report. Since assuming the leadership of NWAEDD in late October, 2014, management has implemented a variety of controls as well as a comprehensive overhaul of many of the processes involved in the flow of financial and other data. Oversight has been strengthened through a physical review of every item of mail received,

# Appendix E

## Northwest Arkansas Economic Development District, Inc. (NWAEDD) Management Response

Ms. Kim Williams

Page 2

August 3, 2015

the signing by management of every check written, monitoring of bank account reconciliations that are now completed timely, requirements of review and proper staff acknowledgement of all draw requests from state or federal agencies both pre-draw and post deposit to confirm results as well as segregation of duties to enhance accountability and increased supervision of all financial related matters. General ledger adjusting entries require prior approval with substantiating documentation. Sign on access is restricted to each individual user to allow for tracking of activity. All payroll related actions, including retirement contributions, are monitored for timely remittal. All bank accounts are properly accounted for and are reviewed at least monthly for all activity. Transfers among various programs are restricted to proper and legitimate uses, dual signatures are required for opening of accounts and withdrawal of funds, retirement plan review has been conducted and brought into compliance pending the final results of the required Employee Benefit Plan audit and deposit practices have been upgraded to reflect new standards of timeliness and control.

Through the efforts of the new management team, including an interim CFO who is a CPA and who brings a wealth of proven experience in this field, NWAEDD has made significant progress in tightening the policies and procedures and has established the tone that fiscal prudence is paramount. We have implemented systems to track receivables and payables, developed a sensible and reasonable budget from which to operate and held meetings with the executive committee and the full board of directors to discuss planned and previously executed actions with full transparency. Certain financial personnel changes are being made in order to upgrade our performance in that department and others are receiving training in areas of deficiency.

A complete examination and reconciliation of the GIF program funds was undertaken. All GIF applications undergo a rigorous review to determine eligibility with applicable rules and are presented to the full board for approval in open session. Each application presented is tracked from application through approval to closing/funding for compliance. A GIF policy is being drafted and will be presented to the full board at the next regularly scheduled meeting for consideration. This will serve to establish the proper guidelines and procedures for management to follow going forward.

In summary, NWAEDD management recognizes the mistakes in the daily functions of the District and has and will continue to effect such changes and enhancements as necessary to eliminate the failures as outlined in the report. We take our fiduciary responsibility very seriously and are committed to sound financial practices and ethical behavior system wide.

Respectfully,



Joe Willis  
Executive Director  
Northwest Arkansas Economic Development District, Inc.

