



## STATE AUDITOR BYRD RELEASES FEDERAL SINGLE AUDIT “The State of Oklahoma dropped the ball on compliance and oversight.”

### OKLAHOMA CITY, OK (June 27, 2023)

Oklahoma State Auditor & Inspector (SAI) Cindy Byrd released today the Federal Single Audit of expenditures made during SFY 2021 which includes pandemic funds. This annual audit is a federally-mandated examination of how the State of Oklahoma spends federal grant money and whether the State complied with federal regulations.

The audit report covers \$14 billion dollars of expenditures which are audited through a federal formula provided by the federal government.

The administration of federal grants requires specialized knowledge of federal laws and regulations, implementation guidelines, as well as monitoring and reporting requirements.

SAI is required to report ‘questioned costs’ that fail to align with the objectives of the grant. The federal government will review the reported questioned costs and determine if the State must repay misappropriated funds.

“Every federal grant comes with very strict requirements which the State of Oklahoma agrees to follow,” said Auditor Cindy Byrd. “Any person in charge of managing federal grants needs a certain level of proficiency because the compliance regulations are very complicated.”

The audit report reveals the following findings of note:

### CARES

The State of Oklahoma was awarded federal grant funds through the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES) to mitigate the effects of the pandemic. For SFY 2021, the State expended \$1.1 billion dollars on personal protective equipment (PPE), health services, payroll, and other COVID related expenses. State agencies, counties and cities were required to submit reimbursements of expenditures to the State of Oklahoma; however, the State did not obtain sufficient documentation to ensure the payments were made for COVID related expenditures and did not ensure that the goods and/or services were received prior to payment. Because of this, **SAI has reported \$12.2 million dollars in questioned costs.**

## EMERGENCY RENTAL ASSISTANCE

Oklahoma received more than \$376 million dollars for the Emergency Rental Assistance (ERA) program to assist households unable to pay rent or utilities during the pandemic. For SFY 2021, the average award per application was \$1,975 dollars. The State failed to properly oversee the expenditures of this program and allowed an OKC foundation that was administering the ERA program to charge a management fee in addition to the actual ERA program administrative expenditures, effectively doubling the amount charged for administrative costs.

During the audit period, the OKC foundation charged the ERA program \$1.6 million dollars in excessive management fees that were not needed for the administration of the grant. Because of the administrative overcharge, many Oklahomans who applied for ERA awards were denied assistance because the unallowable charges were kept by the OKC foundation. **SAI has reported \$1.6 million dollars in questioned costs.**

In September of 2022, SAI alerted the State that these management fees were unallowable costs, but **the State failed to stop the overcharge of administrative fees to the ERA grant** which has resulted in an additional \$8.6 million dollars in unallowable costs as of June 30, 2022. If these processes continue, the total State of Oklahoma ERA program unallowable costs may increase to \$15 million by the end of SFY 2023.

## GEER

Among the expenditures investigated was \$39.9 million designated for the Governor's Emergency Education Relief Fund (GEER). GEER was designed for Governors to decide how best to meet the needs of educating students during the pandemic.

Two GEER programs, *Bridge The Gap* (BTG) and *Stay In School (SIS)*, had significant issues. Both programs were designed to help families facing an economic hardship due to the pandemic and were marketed as being awarded on a first come, first served basis.

### **BRIDGE THE GAP:**

*Bridge The Gap* (BTG) had a budget of \$8 million dollars to help low-income families purchase education supplies, curriculum, technology, and tutoring for their child to effectively learn at home during COVID.

5,000 families received \$1,500 each which they could spend at designated retailers. However, the State of Oklahoma did not place any restrictions or parameters on which items families could purchase.

"Proper system controls were offered by the digital wallet vendor to limit the families' purchases to education-related items but those controls were declined by the individual placed in charge of the BTG program," Auditor Byrd said. "We found that \$1.7 million was spent on various non-educational items such as kitchen appliances, power tools, furniture, and entertainment."

Almost 20% of the total purchases were spent on items not related to educational learning per the grant guidelines. In July 2022, the Federal government demanded \$650,000 to be returned from their high-level review of the BTG digital wallet program. **SAI has reported \$1.8 million dollars in questioned costs which includes the \$650,000.**

### ***STAY IN SCHOOL:***

*Stay In School* (SIS) had a budget of \$10 million to help low-income families cover the families' portion of school tuition in order to keep their child(ren) in their existing private school. The program was designed to assist 1,500 or more low-income families who could qualify for up to \$6,500 dollars per student.

The audit uncovered a deliberate operation to give selected private schools and individuals preferential treatment by allowing early access for application submission prior to the date this program was offered to the general public. It was also determined that awards were provided to 1,073 students whose family attested that they had not suffered an economic hardship due to the pandemic.

Sixty-five percent (65%) of the total budget, \$6.5 million worth of grant funds, were identified as questionable because the grant objectives were disregarded. **As a result, 657 students of low-income families who qualified for the SIS program did not get the financial assistance they requested because the funds were exhausted.** Of the \$6.5 million in question, \$1.8 million was paid to private schools in excess of the families' tuition responsibility. **SAI has reported \$6.5 million dollars in questioned costs.**

### ***SPECIAL INTEREST INVOLVEMENT:***

**The State abdicated its responsibility to administer and oversee the GEER funds and placed outside individuals in the role of program decision-makers of the GEER award without a contract to govern their involvement.** These individuals were responsible for coordinating the program details including the application process with the digital wallet vendor.

These individuals neither had the authority nor did they meet federal qualifications to administer or oversee these grant funds. Consequently, federal guidelines, compliance requirements, and mandates to retain records were not followed.

"This was a tangled web of government agencies, non-profit organizations, and non-government individuals representing special interest groups managing millions of tax dollars with no contracts and no written agreements," Auditor Byrd said. "Sadly, millions of tax dollars were misspent because certain individuals who were put in charge of managing these programs seemingly ignored federal grant guidelines."

### **COLLECTION OF STUDENT DATA:**

The outside individuals representing special interest groups requested that grant applications be customized to include two questions asking whether the student had a disability and/or an Individualized Education Program (IEP). To submit their applications, families were forced to provide their child's personal information which was never an eligibility requirement for these awards. **The State of Oklahoma failed to ensure that private information collected from families followed the guidelines of the *Family Educational Rights and Privacy Act (FERPA)*.**

"These outside groups were allowed to collect and view personal student information without a contract; therefore, we do not know where this personal student information is being stored or how it is being used by these outside parties" said Auditor Byrd.

From emails, the special interest groups also invited an outside "data scientist" to review the information collected from the BTG program.

### **LACK OF STATE OVERSIGHT:**

**The State was officially responsible for all decision-making, monitoring, reporting, and administering of the GEER grant.** The State was also responsible for ensuring third parties complied with all grant regulations and objectives. **The State was not allowed to relinquish those duties to any other entity yet that is what occurred.**

The State of Oklahoma also neglected to monitor and file the proper federal compliance reports for the GEER funds. In June 2021, the Federal government warned the State of Oklahoma about its lack of monitoring and reporting of the GEER grant. The State then hired a consulting firm to monitor the GEER funds. The State of Oklahoma has paid \$325,000 to the firm to monitor the GEER program but the firm has not fulfilled the duties for which it was paid. This same consulting firm has been paid \$1.3 million dollars to date to perform subrecipient monitoring and reporting requirements for both the CARES and GEER program which are the largest questioned costs for the Single Audit.

Further, the State of Oklahoma granted the digital wallet vendor an \$18 million contract without employing a competitive consideration process.

### **AUDITOR'S CONCLUSION:**

"Oklahoma has systemic issues that make me very concerned for taxpayers. When federal grant money is spent incorrectly, the federal government has the authority to demand repayment from the people of Oklahoma. **If the federal government decides the State must pay back these questioned costs, you and I will end up paying the bill.** If that happens, gross mismanagement and lack of compliance and oversight will be to blame."

**"The State of Oklahoma dropped the ball on compliance and oversight."**

**SFY21 SINGLE AUDIT FINDINGS:**

| <b>State Agency</b>                  | <b>SFY21 # of Findings<br/>(# of Repeats)</b> | <b>Federal<br/>Questioned Costs</b>                           |
|--------------------------------------|---|---|
| CARES Forward                        | 8 (0)   | \$13,941,987  |
| State of Oklahoma/Governor's Office  | 4 (0)   | \$8,404,700   |
| Dept. of Education                   | 4 (2)   | \$0   |
| Office of Emergency Management       | 3 (0)   | \$0   |
| Employment Security Commission       | 11 (4)  | \$222,951   |
| Oklahoma Health Care Authority       | 6 (5)   | \$286*  |
| Dept. of Health                      | 8 (3)   | \$45,193  |
| Dept. of Human Services              | 26 (13)                                       | \$1,481,565 (federal);<br>\$893,864 (state MOE/match)         |
| Human Services/Health Care Authority | 3 (2)   | \$0   |
| Dept. of Transportation              | 8 (0)   | \$5,141,550   |
| Dept. of Veterans Affairs            | 1 (0)   | \$57,740  |
| <b>Total</b>                         | <b>82 (29)</b>                                | <b>\$29,295,972 (federal)<br/>\$893,864 (state MOE/match)</b> |

*\*Due to disclaimer, unable to identify all questioned costs*

The full audit report is now posted on the Oklahoma State Auditor & Inspector's official website: [www.sai.ok.gov](http://www.sai.ok.gov).

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**To schedule an interview with Cindy Byrd, please contact Andrew Speno at 405-315-5924.**

**Link: [SFY 21 Federal Single Audit](#)**