

SINGLE AUDIT REPORT

STATE OF OKLAHOMA 2017

For the fiscal year ended June 30, 2017



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

OKLAHOMA 2017

Single Audit Report For The Fiscal Year Ended June 30, 2017

Prepared by
Office of the State Auditor and Inspector

Gary A. Jones, CPA, CFE
Oklahoma State Auditor and Inspector



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

June 29, 2018

**To the Honorable Mary Fallin,
Governor and Members of the
Legislature of the State of
Oklahoma**

This is the Single Audit Report of the State of Oklahoma for the fiscal year ended June 30, 2017. The audit was conducted in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office by various state officials and employees during the course of the audit.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a large, stylized "G" and "J".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

State of Oklahoma
Single Audit Reporting Package
Year Ended June 30, 2017

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



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INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mary Fallin, Governor
and Members of the Legislature
of the State of Oklahoma**

Report on Compliance for Each Major Federal Program

We have audited the State of Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Oklahoma's major federal programs for the year ended June 30, 2017. The State of Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. We did not audit compliance with those requirements that are applicable to the major federal programs administered by the Department of Commerce and the Department of Wildlife Conservation, which were audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All of the federal programs for the above referenced agencies represent 1.38% of total expenditures for federal programs reported on the Schedule of Expenditures of Federal Awards. These entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to compliance with the compliance requirements for the above-mentioned entities, is based solely upon the reports of the other auditors.

The State of Oklahoma's basic financial statements include the operations of component units, some of which received federal awards. Those component units are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2017. Our audit, described below, did not include the operations of those component units because they engaged other auditors to perform audits in accordance with Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above and the reports of other auditors. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative

Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the reports of other auditors provide a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State of Oklahoma's compliance.

Basis for Qualified Opinion on Unemployment Insurance; Title I Grants to Local Educational Agencies; Supporting Effective Instruction State Grants; Foster Care – Title IV-E; Maternal, Infant and Early Childhood Home Visiting Cluster; and Disaster Grants - Public Assistance

As described in the accompanying schedule of findings and questioned costs, the State of Oklahoma did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-055	17.225	Unemployment Insurance	Special Tests (N5)
2017-026	84.010	Title I Grants to Local Educational Agencies	Special Tests (N6)
2017-037, 2017-038	84.010	Title I Grants to Local Educational Agencies	Level of Effort
2017-040	84.010	Title I Grants to Local Educational Agencies	Special Tests (N2)
2017-041	84.010	Title I Grants to Local Educational Agencies	Special Tests (N4)
2017-042	84.010	Title I Grants to Local Educational Agencies	Special Tests (N5)
2017-037, 2017-038	84.367	Supporting Effective Instruction State Grants	Level of Effort
2017-040	84.367	Supporting Effective Instruction State Grants	Special Tests (N2)
2017-041	84.367	Supporting Effective Instruction State Grants	Special Tests (N3)
2017-066	93.505/93.870	Maternal, Infant, and Early Childhood Home Visiting Cluster	Activities Allowed or Unallowed
2017-066	93.505/93.870	Maternal, Infant, and Early Childhood Home Visiting Cluster	Allowable Costs/Cost Principles
2017-063	93.505/93.870	Maternal, Infant, and Early Childhood Home Visiting Cluster	Level of Effort
2017-050	93.658	Foster Care – Title IV-E	Subrecipient Monitoring
2017-015, 2017-016, 2017-028	97.036	Disaster Grants - Public Assistance	Subrecipient Monitoring
2017-015, 2017-016	97.036	Disaster Grants - Public Assistance	Special Tests (N1)

Compliance with such requirements is necessary, in our opinion, for the State of Oklahoma to comply with the requirements applicable to those programs.

Qualified Opinion on Unemployment Insurance; Title I Grants to Local Educational Agencies; Supporting Effective Instruction State Grants; Foster Care – Title IV-E; Maternal, Infant and Early Childhood Home Visiting Cluster; and Disaster Grants - Public Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Unemployment Insurance; Title I Grants to Local Educational Agencies; Supporting Effective Instruction State Grants; Foster Care – Title IV-E; Maternal, Infant and Early Childhood Home Visiting Cluster; and Disaster Grants - Public Assistance programs for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the report of other auditors, the State of Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items:

2017-004	2017-008	2017-006	2017-009	2017-011	2017-014
2017-015	2017-018	2017-019	2017-023	2017-024	2017-031
2017-032	2017-033	2017-034	2017-035	2017-039	2017-043
2017-044	2017-046	2017-048	2017-051	2017-053	2017-054
2017-057	2017-058	2017-059	2017-061	2017-062	2017-065

Our opinion on each major federal program is not modified with respect to these matters.

The State of Oklahoma's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the State of Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (see list below) to be material weaknesses.

2017-015	2017-016	2017-026	2017-028	2017-035	2017-037
2017-038	2017-040	2017-041	2017-042	2017-050	2017-055
2017-057	2017-062	2017-063	2017-066		

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (see list below) to be significant deficiencies.

2017-002	2017-004	2017-005	2017-006	2017-008	2017-009
2017-011	2017-014	2017-015	2017-016	2017-018	2017-019
2017-022	2017-023	2017-024	2017-027	2017-031	2017-032
2017-039	2017-043	2017-044	2017-046	2017-048	2017-051
2017-053	2017-054	2017-056	2017-058	2017-059	2017-061
2017-065					

The State of Oklahoma's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Oklahoma's basic financial statements. We issued our report thereon dated December 21, 2017, which contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on other auditors. Our report also included emphasis paragraphs on the net deficit of the Multiple Injury Trust Fund and the adopted provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; GASB Statement No. 77, *Tax Abatement Disclosures*; GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*; GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*; GASB Statement No. 80, *Blending Requirements for Certain Component Units*; and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* effective July 1, 2016.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described previously, and the reports of other auditors, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR AND INSPECTOR

June 29, 2018 except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 21, 2017

Schedule of Findings and Questioned Costs

Schedule of Findings

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiencies identified that are not
considered to be material weakness(es)? Yes

Noncompliance material to financial statements noted? No

For fiscal year 2017, the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards* was issued with the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the year ended June 30, 2017, dated December 21, 2017.

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiencies identified that are not
considered to be material weakness(es)? Yes

Type of auditor's report issued on compliance for major programs: Unmodified for all major programs except for #17.225 - Unemployment Insurance; #84.010 - Title I Grants to Local Educational Agencies; #84.367 - Supporting Effective Instruction State Grants; #93.658 - Foster Care – Title IV-E; #93.505/#93.870 - Maternal, Infant, and Early Childhood Home Visiting Cluster; and #97.036 - Disaster Grants - Public Assistance which were qualified.

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? Yes

Dollar threshold used to distinguish between
type A and type B programs: \$21,428,039

Auditee qualified as low-risk auditee? No

Schedule of Findings

Summary of Auditor's Results

Identification of Major Programs:

		CFDA Number and Program	State Agency Name
	12.401	National Guard Military Operations and Maintenance Projects	Military Department
	14.228	Community Development Block Grant	Department of Commerce
	14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	Department of Commerce
Fish and Wildlife Cluster	15.605	Sport Fish Restoration Program	Department of Wildlife Conservation
	15.611	Wildlife Restoration and Basic Hunter Education	
	16.575	Crime Victim Assistance	District Attorney's Council, Attorney General, State Bureau of Investigation, Medicolegal Investigation
	17.225	Unemployment Insurance	Employment Security Commission
	81.042	Weatherization Assistance for Low-Income Persons	Department of Commerce
	84.010	Title I Grants to Local Educational Agencies	Department of Education, Office of Juvenile Affairs
Special Education Cluster	84.027	Special Education Grants to States	Department of Education, Office of Juvenile Affairs, Department of Corrections
	84.173	Special Education Preschool Grants	Department of Education
	84.367	Supporting Effective Instruction State Grants	Department of Education, Office of Juvenile Affairs
Maternal, Infant, and Early Childhood Home Visiting Cluster	93.505	Affordable Care Act (ACA) - Maternal, Infant, and Early Childhood Home Visiting Program	State Department of Health
	93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	State Department of Health
	93.568	Low-Income Home Energy Assistance	Department of Human Services, Department of Commerce
	93.569	Community Services Block Grant	Department of Commerce
	93.658	Foster Care IV-E	Department of Human Services, Commission on Children and Youth, Office of Juvenile Affairs
	93.659	Adoption Assistance	Department of Human Services
	93.767	Children's Health Insurance Program	Health Care Authority

Schedule of Findings

Summary of Auditor's Results

Medicaid Cluster	93.775	State Medicaid Fraud Control Units	Attorney General
	93.777	State Survey and Certification of Health Care Providers and Suppliers (TitleXVIII) Medicare	Department of Health
	93.778	Medical Assistance Program (Regular and ARRA)	Health Care Authority, Department of Human Services, Department of Health, Department of Mental Health, and Office of Juvenile Affairs
	93.917	HIV Care Formula Grants	Department of Health
	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Emergency Management, Department of Public Safety

Schedule of Findings And Questioned Costs

FINANCIAL STATEMENT FINDINGS

Reference Number: 17-090-006

State Agency: Office of Management and Enterprise Services (OMES)

Fund Type: General Fund

Other Information: Cash; Revenue; Fund Balance

Criteria: The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

A component objective of an effective internal control system is to ensure accurate and reliable information through a proper review and approval process.

Condition: The Office of Management and Enterprise Services failed to record the general fund clearing account (1695) cash for the Oklahoma Tax Commission as presented on the Generally Accepted Accounting Principles (GAAP) Package S-1.

Cause: The review by OMES of the GAAP Package S-1 was not adequate to ensure that all general and agency fund clearing account cash was properly recorded.

Effect: OMES failure to record the modified accrual entry for general fund clearing account cash resulted in an understatement of cash/revenue totaling \$460,289,000. However, OMES did record the agency fund portion of the clearing account cash correctly.

Recommendation: We recommend the agency continue to work on strengthening their review process by ensuring all relevant amounts on the GAAP Packages are properly supported and then recorded.

Views of Responsible Official(s)

Contact Person: Matt Clarkson

Anticipated Completion Date: December 31, 2017

Corrective Action Planned: The Office of Management and Enterprise Services concurs with the finding. Please refer to the corrective action plan on page 86.

Reference Number: 17-340-008

State Agency: Oklahoma State Department of Health

Fund Type: General Fund

Other Information: Payroll Expenditures

Criteria: A basic objective of Generally Accepted Accounting Principles is to provide accurate and reliable information. Furthermore, an effective internal control system provides for adequate review and approval of expenditure related transactions and record keeping functions.

According to OMES GAAP Conversion Manual, the CAFR presents a liability for any goods and services received but for which no payment has been made on June 30.

Also, per the Statewide Accounting Manual, 50.10.05 General Information and Prohibited Acts (C). “The following acts are prohibited: 1. Payment of prior fiscal year expenditures with current year appropriated class fundings and payment of current fiscal year expenditures with prior fiscal year appropriated class fundings, without specific statutory authority.”

Schedule of Findings And Questioned Costs

Condition: During our testing of payroll procedures, we noted:

- When determining whether the agency's timesheet review and approval control was properly designed and implemented, we noted one timesheet that was not reviewed and approved by an employee's supervisor prior to the associated payroll being completed. Per OSDH procedures, in such cases the employee is paid with state funding and then adjusted to proper funding sources once the timesheet is approved. We noted that the portion of the payroll covering that employee was included as part of payroll not posted. Therefore, we were unable to verify the funding source of the employee's payroll indicating the control was not properly implemented.
- As part of procedures to ensure that the expenditures per the agency's internal system (FISCAL) and the Statewide Accounting System agreed, we noted an approximate variance of \$9,148,181 between the payroll accounts (511, 512, 513, and 519) in the two systems. We also noted that as of 6/28/2017, approximately \$9,124,392 of the agency's payroll expenditures were not posted in FISCAL as indicated on OSDH's *Payroll Not Posted* spreadsheet but had been posted in the Statewide Accounting System.
- Finally, while testing OSDH accrued payroll we noted an adjustment of approximately \$2.5 million had been made in the Statewide Accounting System moving payroll expenditures applicable to FY17 to FY18 by OSDH on 8/21/2017. However, OMES obtained the data for the entry from the Statewide Accounting System prior to the adjustment; therefore, no effect was noted for the amounts presented in the CAFR.

Cause: Agency personnel are not following established accounting procedures to ensure timesheets are reviewed and approved prior to payroll completion and payroll is posted to FISCAL in a timely manner.

The pay period for the adjusted payroll was from 6/25/17 to 7/8/17 which falls in two separate state fiscal years. OSDH procedure (not in accordance with GAAP) was to record payroll to the fiscal year in which the pay period ended. Based on that procedure, they made an adjustment to move the entire pay period costs for this payroll to FY18 since the pay period ended 7/8/17.

Effect: The agency's internal controls over timesheet approval and the posting of payroll expenditures into their internal system are not operating effectively, which could lead to inaccurate fund balances and paying employees with incorrect funding sources.

Accrued payroll could be misstated since services were received by OSDH on or before 6/30/17 but were recorded to the FY18 budget reference. In addition, accurate information may not be available for management decisions.

Recommendation: We recommend that OSDH review their processes related to timesheet approval and the posting of payroll in the FISCAL system to ensure it is posted accurately and in a timely manner. In addition, OSDH should ensure that any payroll not posted to their internal system is investigated and resolved/posted prior to the completion of the subsequent payroll.

We also recommend OSDH make an entry to move the applicable payroll costs back to the FY17 budget reference in the Statewide Accounting System for the payroll noted above. Finally, we recommend OSDH implement procedures to apply payroll to the applicable fiscal year according to the actual days worked rather than the pay period ending date for the FISCAL and the Statewide Accounting System.

Views of Responsible Official(s):

Contact Person: Michael Romero

Anticipated Completion Date: December 15, 2017

Corrective Action Planned: The Oklahoma State Department of Health concurs with the finding. Please refer to the corrective action plan on page 113.

Reference Number: 17-340-012

State Agency: Oklahoma State Department of Health (OSDH)

Fund Type: General Fund

Schedule of Findings And Questioned Costs

Criteria: The Statewide Accounting Manual for the State of Oklahoma in paragraph 70.10.01 states, “Management’s attitude, actions, and values set the tone of an organization, influencing the control consciousness of its people. Internal controls are likely to function well if management believes that those controls are important and communicates that view to employees at all levels. If management views internal controls as unrelated to achieving its objectives, or even worse, as an obstacle, this attitude will also be communicated.”

In addition, GAO *Standards for Internal Control in the Federal Government* states the following:

Paragraph 1.02 – “The oversight body and management demonstrate the importance of integrity and ethical values through their directives, attitudes, and behavior”

Paragraph 1.03 – “...The oversight body and management set the tone at the top and throughout the organization by their example, which is fundamental to an effective internal control system...”

Paragraph 1.04 – “The oversight body’s and management’s directives, attitudes, and behaviors reflect the integrity and ethical values expected throughout the entity. The oversight body and management reinforce the commitment to doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws and regulations...”

Paragraph 1.05 – “Tone at the top can be either a driver, as shown in the preceding paragraphs, or a barrier to internal control...”

While the GAO *Standards for Internal Control in the Federal Government* are not required to be implemented at the State government level, this criterion can be treated as best practices.

Condition: Senior management’s actions/behaviors were a barrier to adequate internal control at the agency. Senior management exercised excessive and unreasonable control of financial activities within the agency and disregarded information provided by financial staff. Additionally, senior management overrode established internal controls. Finally, by not establishing an appropriate tone at the top, and overriding internal controls, senior management created an environment that was not conducive to ensuring the operations of OSDH were in the best interest of the state. Examples provided by financial management staff, and corroborated with other employees of the agency, include:

- Internal fiscal year closings were not performed
- Submitted budgets were not supported by historical or expected revenue amounts
- Payroll was not fully posted to OSDH’s internal accounting system
- Information provided by senior management to the Board of Health was not transparent, accurate, or timely

The items noted above are currently being investigated further as part of our separate, ongoing special investigative audit.

Cause: Senior management failed to ensure that fundamental aspects of the established internal control structure were maintained.

Effect: Established internal controls over budgeting and financial reporting do not operate effectively when senior management overrides controls, and information provided to an oversight body (the Board of Health) is not accurate and suitable to enable proper oversight of the agency. Such an environment does not foster an atmosphere of openness, transparency, and integrity. When internal controls do not operate effectively, material misstatements may not be prevented or detected in a timely manner during the financial reporting process.

Recommendation: We recommend interim senior management recognize the risks associated with this type of environment and work with the Board of Health towards evaluating and addressing the situation to ensure the mission of the OSDH is accomplished in the most efficient and positive manner possible. Our separate, special investigative audit is still ongoing and may offer additional recommendations at its conclusion.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Michael Romero

Anticipated Completion Date: Ongoing

Corrective Action Planned: The Oklahoma State Department of Health concurs with the finding. Please refer to the corrective action plan on page 113.

Reference Number: 17-807-004 (Repeat 16-807-018)

State Agency: Oklahoma Health Care Authority

Fund Type: General Fund

Other Information: Accounts Payable/Expenditures

Criteria/Condition: The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

The GAO Standards for Internal Control in the Federal Government 10.13 states, in part, “Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties.”

Adequate internal controls over access and accountability for resources include (1) limiting access to resources and records to authorized individuals and (2) assigning and maintaining accountability for the custody and use of resources.

Adequate internal controls over separation of duties and supervision include separating key duties and responsibilities in authorizing, processing, recording, and reviewing official agency transactions.

The Independent Service Auditor’s Report on the Service Organization’s System (SOC-1) for the period of September 1, 2015 to August 31, 2016 indicated (1) a segregation of duties control issue related to the organization and administration control objective and related controls for transaction processing; and (2) control issues related to the application, operating system and database development and maintenance and access to data and programs control objectives and related controls for the general computer controls.

The SOC-1 for the period of September 1, 2016 to August 31, 2017 indicated control issues related to the job scheduling and access to data and programs control objectives and related controls for the general computer controls.

Cause/Effect: There was a lack of segregation of duties over the production changes within the application. However, change requests, implemented by developers who promoted their own changes during the period of examination were approved prior to implementation of each change. Lack of segregation of duties over the production changes within the application increases the risk of waste, loss, unauthorized use or misappropriation of State funds.

The Service Organization did not ensure users were restricted only to either development or production access in the job scheduling. Access to both development and production increases the risk of waste, loss, unauthorized use or misappropriation of State funds.

The Service Organization did not ensure active users had appropriate access or terminated users were eliminated from the access to data and programs. Inappropriate user access increases the risk of waste, loss, unauthorized use or misappropriation of State funds.

Recommendation: We recommend the agency continue to follow-up with the service organization and ensure noted deficiencies are addressed and corrective actions noted in the SOC-1 report are implemented in a timely manner.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Josh Richards

Anticipated Completion Date: March 31, 2018

Corrective Action Planned: The Oklahoma Health Care Authority concurs with the finding. Please refer to the corrective action plan on page 111.

Auditor Response: The Authority indicated in its corrective action plan that the deficiencies noted in the SOC-1 report were followed-up on with their service provider and corrective actions were implemented. These corrective actions occurred outside the audit period. Therefore, no determinations on the corrections were made.

End of Financial Statement Findings

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Note: Findings are presented alphabetically by state agency.

DISTRICT ATTORNEY'S COUNCIL

FINDING NO: 2017-006

STATE AGENCY: District Attorneys Council

FEDERAL AGENCY: Department of Justice

CFDA NO: 16.575

FEDERAL PROGRAM NAME: Crime Victim Assistance

FEDERAL AWARD NUMBER: 2014VAGX0009, 2015VAGX0002, 2016VAGX0026

FEDERAL AWARD YEAR: 2014, 2015, 2016

CONTROL CATEGORY: Reporting

Criteria: Per 2 CFR §200.62, “*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports.”

Per 2 CFR §200.510 (b), “*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended...”

Per 2 CFR §200.502 (a), “*Determining Federal awards expended*. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs...”

Condition and Context: The FY 2017 *Schedule of Expenditures of Federal Awards* (SEFA – GAAP Package Z) submitted by the District Attorney’s Council to OMES understated the cash basis expenditure amount by \$1,370,577 and overstated the amount transferred to State Agencies by \$9,636 for Catalog of Federal Domestic Assistance (CFDA) #16.575.

Cause: It appears the District Attorney’s Council calculated the CFDA #16.575 cash basis expenditure amount on the budget reference (FY 2017) rather than when the expense occurred and the error was not detected during review.

Effect: CFDA #16.575 cash basis expenditures on the SEFA were understated \$1,370,577 and the amount transferred to State Agencies was over stated \$9,636.

Schedule of Findings And Questioned Costs

Recommendation: We recommend the District Attorney's Council amend the FY 2017 SEFA to reflect the correct amounts expended during FY 2017. Further, we recommend the District Attorney's Council review the current procedures and implement the necessary procedures to ensure accurate reporting of expenditures on the SEFA in the future.

Views of Responsible Official(s)

Contact Person: Timothy B. Webster

Anticipated Completion Date: 04/06/2018

Corrective Action Planned: The District Attorneys Council (DAC) concurs with the finding. Please refer to the corrective action plan on page 87.

FINDING NO: 2017-022

STATE AGENCY: District Attorneys Council

FEDERAL AGENCY: Department of Justice

CFDA NO: 16.575

FEDERAL PROGRAM NAME: Crime Victim Assistance

FEDERAL AWARD NUMBER: 2014VAGX0009, 2015VAGX0002, 2016VAGX0026

FEDERAL AWARD YEAR: 2014, 2015, 2016

CONTROL CATEGORY: Subrecipient Monitoring

Criteria: 2 CFR §200.331 states in part, "All pass-through entities must: (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements."

Per 2 CFR §200.501(b), "*Single audit.* A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted...."

2 CFR §200.62 states in part, "*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: 3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Condition and Context: The District Attorneys Council (DAC) requires subrecipients to report whether total federal funds over \$750,000 are expended and, if so, to submit to the single audit to the District Attorneys Council. However, the District Attorneys Council has no processes designed and implemented to track whether subrecipients expending over \$750,000 in federal funds are receiving and/or submitting an audit.

However, we noted that for subrecipients expending more than \$750,000 as indicated on their application, DAC had received a copy of the required single audit and reviewed the audit for deficiencies and appropriate corrective actions.

Cause: The District Attorneys Council does not have a process in place to track whether subrecipients expending over \$750,000 in federal funds are receiving and/or submitting the required single audit.

Effect: The lack of a tracking mechanism could allow subrecipients that expend in excess of \$750,000 in federal funds to not receive an audit, and DAC could be unaware of the audits performed on subrecipients.

Recommendation: We recommend the District Attorneys Council review the current procedures and implement the necessary procedures to track subrecipient expenditure information per their grant application to ensure all required subrecipient single audits are received/tracked in the future.

Views of Responsible Official(s)

Contact Person: Suzanne Breedlove

Anticipated Completion Date: 4/26/2018

Schedule of Findings And Questioned Costs

Corrective Action Planned: The District Attorneys Council (DAC) concurs with the finding. Please refer to the corrective action plan on page 87.

FINDING NO: 2017-024

STATE AGENCY: District Attorneys Council

FEDERAL AGENCY: Department of Justice

CFDA NO: 16.575

FEDERAL PROGRAM NAME: Crime Victim Assistance

FEDERAL AWARD NUMBER: 2014VAGX0009, 2015VAGX0002, 2016VAGX0026

FEDERAL AWARD YEAR: 2014, 2015, 2016

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 2 CFR §200.62 states in part, “*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports.”

Condition and Context: The District Attorneys Council (DAC) submits Subgrantee Award Report (SAR) information and Performance Measurement (PMT) information into the Office of Justice Programs’ Performance Measurement Platform System on behalf of subrecipients. However, the District Attorneys Council has no review process in place to ensure the SAR and PMT data entered by DAC is correct.

We tested all quarterly PMT reports pertaining to fifteen of 123 subrecipients. Of the 132 quarterly PMT reports tested, 2 (1.52%) contained input errors, and the errors were carried forward to the annual PMT report.

Cause: There is no review process in place at the agency level to ensure the SAR and PMT information obtained from the subrecipient is correctly entered in the Office of Justice Programs Performance Measurement Platform System.

Effect: The SAR and/or PMT information submitted on behalf of the subrecipient may be not reported correctly.

Recommendation: We recommend that the District Attorneys Council review their SAR and PMT reporting processes and develop procedures to ensure that reports are reviewed prior to submission and contain accurate information.

Views of Responsible Official(s)

Contact Person: Suzanne Breedlove

Anticipated Completion Date: Immediately

Corrective Action Planned: The District Attorneys Council (DAC) concurs with the finding. Please refer to the corrective action plan on page 87.

FINDING NO: 2017-027

STATE AGENCY: District Attorneys Council

FEDERAL AGENCY: Department of Justice

CFDA NO: 16.575

FEDERAL PROGRAM NAME: Crime Victim Assistance

FEDERAL AWARD NUMBER: 2014VAGX0009, 2015VAGX0002, 2016VAGX0026

FEDERAL AWARD YEAR: 2014, 2015, 2016

CONTROL CATEGORY: Cash Management

Criteria: 2 CFR §200.62 states in part, “*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (2) Maintain accountability over assets.”

Schedule of Findings And Questioned Costs

Condition and Context: The District Attorneys Council has procedures that require separation of duties in the draw process as an internal control. However, there is no documentation of which staff member(s) performed the duties within the draw process, and therefore we could not verify the duties are separated among more than one staff member.

Cause: The District Attorneys Council has not implemented their internal control procedure to ensure separation of duties in the draw process.

Effect: Without adequate separation of duties, it may possible for one person to authorize and record a transaction without approval or oversight of the transaction.

Recommendation: We recommend that the District Attorneys Council review their draw process and develop the necessary procedures to ensure documentation of which staff members are performing the duties throughout the process.

Views of Responsible Official(s)

Contact Person: Suzanne Breedlove

Anticipated Completion Date: Immediately

Corrective Action Planned: The District Attorneys Council (DAC) concurs with the finding. Please refer to the corrective action plan on page 87.

OKLAHOMA DEPARTMENT OF EDUCATION

FINDING NO: 2017-011

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)

FEDERAL AWARD NUMBER: S010A160036

FEDERAL AWARD YEAR: 2016/2017

CONTROL CATEGORY: Period of Performance

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

20 U.S. Code § 6339 *Carryover and waiver (a) - Limitation on carryover* states, “Notwithstanding section 1225(b) of this title or any other provision of law, not more than 15 percent of the funds allocated to a local educational agency for any fiscal year under this subpart (but not including funds received through any reallocation under this subpart) may remain available for obligation by such agency for one additional fiscal year.”

20 U.S. Code § 6339 *Carryover and waiver (c) - Exclusion* states, “The percentage limitation under subsection (a) of this section shall not apply to any local educational agency that receives less than \$50,000 under this subpart for any fiscal year.”

Condition and Context: While testing controls over the excess carryover calculation process for period of performance, we noted that four (4) LEAs were not included on the initial Excess Carryover Worksheet that should have been. In addition, we noted that the Excess Carryover worksheet included an incorrect transfer amount for three Districts (none of the errors changed the LEA’s status of whether or not they had excess carryover in accordance with 20 U.S. Code § 6339(a)).

Schedule of Findings And Questioned Costs

While performing compliance testwork on 19 of 39 LEAs with carryover amounts in excess of \$50,000, we noted that two LEAs were not in compliance with excess carryover requirements. OSDE failed to release (reduce) FY16 Title I Part A funds in the amount of \$32,446.24 when one LEA did not meet period of performance and inappropriately included the amount in the LEA's FY17 Title I Part A allocation. In addition, OSDE failed to release (reduce) FY16 Title I Part A funds in the amount of \$107,797.64 for another LEA that did not meet period of performance and inappropriately included the amount in the LEA's FY17 Title I Part A allocation.

Cause: It appears that OSDE does not have an adequate tracking and review process to 1) ensure that all LEAs subject to carryover requirements are included in the calculation of excess carryover; 2) to ensure that amounts used in the calculation of excess carryover are correct and, 3) to ensure that excess carryover funds that don't meet period of performance are released (reduced) appropriately.

Effect: Failure to 1) appropriately identify LEAs subject to excess carryover requirements; 2) ensure excess carryover amounts are calculated correctly and; 3) to release excess carryover funds timely could result in inappropriate use of Federal funds. In addition, the vendor released (reduced) the LEA's excess carryover funds in the wrong year, FY2017 instead of FY2016 (year of the excess carryover). However, neither LEA was able to expend the excess carryover funds that became part of their 2017 allocation based on other mitigating controls.

Recommendation: We recommend that OSDE develop and implement an adequate tracking process which is reviewed by someone other than the preparer to ensure that all LEAs subject to carryover requirements are included in the calculation of excess carryover and to ensure that amounts used in the calculation of excess carryover are correct. In addition, we recommend that OSDE develop procedures to ensure the release of excess carryover funds is performed appropriately and timely.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: December 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-018

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.027 and 84.173

FEDERAL PROGRAM NAME: Special Education Cluster (IDEA)

FEDERAL AWARD NUMBER: H027A160051; H173A160084

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.331(b) – *Requirements for pass-through entities* states, “All pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring, which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F - Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).”

2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing

Schedule of Findings And Questioned Costs

the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition and Context: The OSDE Special Education Department has not implemented risk assessment procedures to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the Special Education subawards for purposes of determining the appropriate subrecipient monitoring. Per management and review of the OSDE-Special Education Services (SES) General Supervision System Monitoring and Results-Based Accountability manual, a risk assessment procedure will be put into place beginning in 2017. However, no risk assessment process was in place for the 2016-2017 school year, which SFY 2017 encompassed.

Cause: It appears that staff turnover within the Special Education Services department along with changes to the OMB Compliance Requirements resulted in a lag to implement this new requirement.

Effect: Failure to properly evaluate risk for subrecipient monitoring may lead to an increased risk of noncompliance by the subgrantees with the terms and conditions of the Special Education subawards.

Recommendation: We recommend that the Oklahoma State Department of Education immediately develop and implement the required risk assessment processes to ensure that each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward is appropriately evaluated for monitoring purposes.

Views of Responsible Official(s)

Contact Person: Todd Loftin

Anticipated Completion Date: July 1, 2017

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-019

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)

FEDERAL AWARD NUMBER: S010A160036

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Special Tests and Provisions - Comparability

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

20 U.S. Code § 6321 – *Fiscal Requirements – (c) Comparability of Services* states in part:

“(1) In general

(A) Comparable services

Except as provided in paragraphs (4) and (5), a local educational agency may receive funds under this part only if State and local funds will be used in schools served under this part to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving funds under this part.

(B) Substantially comparable services

If the local educational agency is serving all of such agency's schools under this part, such agency may receive funds under this part only if such agency will use State and local funds to provide services that, taken as a whole, are substantially comparable in each school.

....

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(3) Procedures and records

Each local educational agency assisted under this part shall--

(A) develop procedures for compliance with this subsection.”

Non-Regulatory Guidance - Title I Fiscal Issues: B-9 states in part, "If an LEA is using the student/instructional staff ratio method to demonstrate comparability, should all figures used (enrollment and instructional staff FTE) reflect data from the same day in the school year? A: Yes. An LEA should be consistent with regard to what day of the year the data collected reflect.”

Condition and Context: In our testing of four (4) out of forty (40) Comparability Applications received and reviewed by OSDE, we noted the following:

- One (1) District out of four (4) did not submit any Comparability Procedures;
- One (1) District out of four (4) submitted Comparability Procedures which did not include all the required elements;
- Three (3) out of four (4) Districts did not submit appropriate supporting documentation to verify that all figures used in the Comparability calculations on the District’s Comparability Application (enrollment and instructional staff FTE, Supplies, etc.) reflected data from the same day in the school year;
- Three (3) out of four (4) Districts did not submit appropriate supporting documentation to verify that the LEA included only staff paid with State and Local funds in their Comparability calculations on the District’s Comparability Application;
- For three (3) out of four (4) Districts, the supporting documentation submitted by the LEA was not sufficient to ensure that the LEA’s comparability data [on the Comparability Application] traced to appropriate supporting records.
- For three (3) out of four (4) Districts, the supporting documentation submitted by the LEA was not adequate to ensure compliance with the comparability requirements denoting that an effective review was not performed by OSDE.

Cause: It appears that the Title I comparability application review process performed by OSDE is not designed appropriately. OSDE does not obtain appropriate supporting documentation to adequately verify that the LEA is complying with the comparability requirements.

Effect: Comparability calculations may not reflect the correct ratios if data (enrollment and instructional staff FTE, Supplies, etc.) is not from the same day in the school year. In addition, LEAs may inappropriately include instructional staff FTE and/or supplies and materials expenditures paid with Federal funds in their comparability calculations if appropriate supporting data is not obtained by OSDE and traced to the figures used in the LEA’s comparability calculations. Lastly, failure to verify the LEAs have appropriate comparability procedures can lead to incorrect comparability calculations by the LEAs.

Recommendation: We recommend that OSDE develop policies and procedures to ensure and verify supporting documentation is submitted by LEAs that appropriately:

- supports the calculations on the District’s Comparability Application (enrollment and instructional staff FTE, supplies, etc.)
- reflects data from the same day in the school year
- supports that the LEA included only staff paid with State and Local funds

In addition, we recommend OSDE’s review of the Title I Comparability Application includes procedures to trace figures for enrollment, instructional staff FTE, and materials and supplies to appropriate supporting documentation.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: December 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

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FINDING NO: 2017-026

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)

FEDERAL AWARD NUMBER: S010A160036

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Special Tests and Provisions – Annual Report Card, High School Graduation Rate

QUESTIONED COSTS: \$0

Criteria: 34 CFR § 200.19(b)(1) *Other academic indicators - High Schools – Graduation Rate* states in part:

“Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

- (i) (A) A State must calculate a “four-year adjusted cohort graduation rate,” defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class.
(B) For those high schools that start after grade nine, the cohort must be calculated based on the earliest high school grade.
- (ii) The term “adjusted cohort” means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.
(A) The term “students who transfer into the cohort” means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.
(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.
 - (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.
 - (2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort.
- (iii) The term “students who graduate in four years” means students who earn a regular high school diploma at the conclusion of their fourth year, before the conclusion of their fourth year, or during a summer session immediately following their fourth year.
- (iv) The term “regular high school diploma” means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State's academic content standards or a higher diploma and does not include a GED credential, certificate of attendance, or any alternative award.
- (v) In addition to calculating a four-year adjusted cohort graduation rate, a State may propose to the Secretary for approval an “extended-year adjusted cohort graduation rate.”
 - (A) An extended-year adjusted cohort graduation rate is defined as the number of students who graduate in four years or more with a regular high school diploma divided by the number of students who form the adjusted cohort for the four-year adjusted cohort graduation rate, provided that the adjustments account for any students who transfer into the cohort by the end of the year of graduation being considered minus the number of students who transfer out, emigrate to another country, or are deceased by the end of that year.
 - (B) A State may calculate one or more extended-year adjusted cohort graduation rates.”

2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition and Context: OSDE does not have appropriate policies and procedures in place to ensure that LEAs are maintaining appropriate documentation to confirm when students have been removed from the regulatory adjusted cohort. In addition, OSDE does not verify that the LEA maintains appropriate written documentation to support the removal of a student from the regulatory adjusted cohort.

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Cause: It appears that OSDE Federal Programs Office was unaware of the compliance requirements related to *Part N6 – Special Tests and Provisions, Annual Report Card, High School Graduation Rate*.

Effect: Failure to review and verify changes to the State’s regulatory adjusted cohort could result in faulty graduation rate data being reported.

Recommendation: We recommend that OSDE develop policies and procedures to ensure that LEAs are maintaining appropriate documentation to confirm when students have been removed from the regulatory adjusted cohort. In addition, we recommend that OSDE develop procedures to adequately verify that LEAs are maintaining appropriate written documentation to support the removal of a student from the regulatory adjusted cohort.

Views of Responsible Official(s)

Contact Person: Michael Tamborski

Anticipated Completion Date: 2/1/2019

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-031

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010 and 84.367

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

FEDERAL AWARD NUMBER: S010A160036; S367A160035

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.331(b) – *Requirements for pass-through entities* states:

“All pass-through entities must evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring, which may include consideration of such factors as:

- (1) The subrecipient’s prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F - Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).”

2 CFR § 200.331(d) – *Requirements for pass-through entities* states in part, “All pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition and Context: The OSDE Federal Programs Department has not implemented adequate risk assessment procedures to evaluate subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and

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conditions of the Title I Part A and Improving Teacher Quality State Grants subawards for purposes of determining the appropriate subrecipient monitoring.

Based on the risk assessment procedures not being adequate, the OSDE Federal Programs Department is not ensuring that all Districts with a noncompliant status in the prior year are included in consolidated monitoring for the next year as required. Of the four Districts that failed consolidated monitoring in FY16, two (2) out of the four (4) Districts were not re-monitored in FY17 as required. One District was correctly identified on the Risk Assessment Tool and the Consolidated Monitoring Log as having failed monitoring in the prior year, however, OSDE failed to include the district in FY17 consolidated monitoring. For the other district, OSDE failed to identify the LEA on the Risk Assessment Tool as having failed consolidated monitoring in FY 16, and therefore the LEA was not included on the consolidated monitoring for FY 17.

Cause: It appears that turnover of staff within the Federal Programs department resulted in a failure to adequately review the Risk Assessment Tool and the Consolidated Monitoring Log.

Effect: Failure to properly evaluate risk for subrecipient monitoring may lead to an increased risk of noncompliance by the subgrantees with the terms and conditions of the Title I Part A and Improving Teacher Quality State Grants.

Recommendation: We recommend that the Oklahoma State Department of Education develop and implement appropriate internal controls to ensure the risk assessment process identifies all districts with a non-compliant status, and ensures that all noncompliant LEAs are included in consolidated monitoring for the following year.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: October 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-035

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)

FEDERAL AWARD NUMBER: S010A160036

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

20 U.S. Code § 6315 - *Targeted assistance schools* states in part:

“(a) In general

In all schools selected to receive funds under section 6313(c) of this title that are ineligible for a schoolwide program under section 6314 of this title, have not received a waiver under section 6314(a)(1)(B) of this title to operate such a schoolwide program, or choose not to operate such a schoolwide program, a local educational agency serving such school may use funds received under this part only for programs that provide services to eligible children under subsection (c) identified as having the greatest need for special assistance.

....

(c) Eligible children

(1) Eligible population

(A) In general

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The eligible population for services under this section is—

- (i) children not older than age 21 who are entitled to a free public education through grade 12; and
- (ii) children who are not yet at a grade level at which the local educational agency provides a free public education.

(B) Eligible children from eligible population

From the population described in subparagraph (A), eligible children are children identified by the school as failing, or most at risk of failing, to meet the challenging State academic standards on the basis of multiple, educationally related, objective criteria established by the local educational agency and supplemented by the school, except that children from preschool through grade 2 shall be selected solely on the basis of criteria, including objective criteria, established by the local educational agency and supplemented by the school.

(2) Children included

(A) In general

Children who are economically disadvantaged, children with disabilities, migrant children or English learners, are eligible for services under this part on the same basis as other children selected to receive services under this part.

(B) Head Start and preschool children

A child who, at any time in the 2 years preceding the year for which the determination is made, participated in a Head Start program, the literacy program under subpart 2 of part B of subchapter II, or in preschool services under this subchapter, is eligible for services under this part.

(C) Migrant children

A child who, at any time in the 2 years preceding the year for which the determination is made, received services under part C is eligible for services under this part.

(D) Neglected or delinquent children

A child in a local institution for neglected or delinquent children and youth or attending a community day program for such children is eligible for services under this part.

(E) Homeless children

A child who is homeless and attending any school served by the local educational agency is eligible for services under this part.”

Title I, Part A § 1115. *TARGETED ASSISTANCE SCHOOLS* states in part...

(c) COMPONENTS OF A TARGETED ASSISTANCE SCHOOL PROGRAM-

(2) REQUIREMENTS- Each school conducting a program under this section shall assist participating children selected in accordance with subsection (b) to meet the State's proficient and advanced levels of achievement by--

(A) the coordinating of resources provided under this part with other resources; and

(B) reviewing, on an ongoing basis, the progress of participating children and revising the targeted assistance program, if necessary, to provide additional assistance to enable such children to meet the State's challenging student academic achievement standards, such as an extended school year, before- and after-school, and summer programs and opportunities, training for teachers regarding how to identify students who need additional assistance, and training for teachers regarding how to implement student academic achievement standards in the classroom.

Condition and Context: While testing controls over Eligibility, we noted the following:

- OSDE is not adequately verifying that the required eligibility determinations for students served under targeted assistance programs are being performed appropriately by the LEA, and
- Targeted assistance plans or the targeted assistance plan annual reviews required to be performed by the LEAs are not adequately reviewed by OSDE to ensure that the plans are updated appropriately every year and that schools operating a targeted assistance program are using Title I, Part A funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State's challenging student academic achievement standards.

Cause: OSDE does not collect or review existing targeted assistance plans or the targeted assistance plan annual reviews required to be performed annually by the LEAs. In addition, the ‘Eligibility Criteria’ submitted by the LEAs

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in the *Comprehensive District Academic Plan* does not contain sufficient information to identify 1) the individual students being served by the Title I A funds, and 2) whether the students served were eligible in accordance with the compliance requirements of the program. We noted that the consolidated monitoring process includes a review of the Title I site plan (a sample of a schoolwide or targeted assistance plan from at least one school) and the Title I targeted assistance programs student eligibility criteria from at least one school (if applicable). However, the District decides which site plan to submit and no methodology is utilized by OSDE to ensure that the complete population of all targeted assistance plans have the possibility of being selected for review. In addition, the district determines the school site for which the Title I targeted assistance programs student eligibility criteria is submitted and no methodology is utilized by OSDE to ensure that student eligibility criteria from the complete population of all targeted assistance program sites have the possibility of being selected for review.

Effect: Children that are failing, or most at risk of failing, to meet the State's challenging student academic achievement standards may not be identified appropriately by the LEA and, Federal funds may be used inappropriately.

Recommendation: We recommend that OSDE develop policies and procedures to ensure that targeted assistance plans or the targeted assistance plan annual reviews required to be performed annually by the LEAs are included in the consolidated monitoring process. In addition, we recommend OSDE ensure that an appropriate methodology is utilized to ensure that targeted assistance plans or the targeted assistance plan annual reviews and student eligibility criteria come from the complete population of all targeted assistance program sites to ensure all sites have the possibility of being selected for review.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: September 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-037

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010 and 84.367

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

FEDERAL AWARD NUMBER: S010A160036; S367A160035

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Level of Effort - Maintenance of Effort

QUESTIONED COSTS: \$0

Criteria: ESEA Title I, Part A, Section 1120A(a) - *FISCAL REQUIREMENTS - MAINTENANCE OF EFFORT* states in part, "A local educational agency may receive funds under this part for any fiscal year only if the State educational agency involved finds that the local educational agency has maintained the agency's fiscal effort in accordance with section 9521."

2 CFR § 200.303(a) – *Internal Controls* states in part, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

A component objective of an effective internal control system is to ensure accurate and reliable information through a process of proper review and approval.

Condition and Context: When testing 60 out of 544 LEAs, we noted that for 59 of the sample items, the Maintenance of Effort (MOE) calculations were incorrect with regard to the following OCAS system reports:

- Percentage Change in Expenditures

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- The expenditures reported for FY13/14 to FY14/15 *Maintenance of Effort Using Enrollment Report* and the FY13/14 to FY14/15 *Maintenance of Effort Using ADA* did not include the Federal COOP inputs in the calculation for FY13/14 and did not include the non-Federal COOP inputs in the calculation for FY 14/15.
- Percentage Change in Per Capita using Enrollment
 - The enrollment numbers reported on the FY13/14 to FY14/15 *Maintenance of Effort Using Enrollment Report* were incorrect for FY14/15 year;
 - The total state enrollment number for FY13/14 reported on the FY13/14 to FY14/15 *Maintenance of Effort Using Enrollment Report* did not agree with the total state enrollment number on the October 1, 2013 WAVE Student Enrollment report.
- Percentage Change in Per Capita using ADA
 - The expenditures reported for FY13/14 to FY14/15 *Maintenance of Effort Using Enrollment Report* and the FY13/14 to FY14/15 *Maintenance of Effort Using ADA* did not include the Federal COOP inputs in the calculation for FY13/14 and did not include the non-Federal COOP inputs in the calculation for FY 14/15.
 - The 2014/2015 *OCAS Maintenance of Effort Report Check Page – ADA* did not include COOP inputs for Project # 698.

After we notified OSDE of the OCAS system report errors, OSDE was not able to appropriately identify what caused the OCAS system to pull incorrect information into the reports listed above. Also, OSDE was unable to identify why the total state enrollment numbers for FY13/14 reported on the OCAS report did not agree with the WAVE system.

Cause: It appears that staff turnover within the Federal Programs department and a lack of adequate policies and procedures with regard to review of MOE calculations and supporting OCAS reports used in the calculations contributed to OSDE's failure to identify the errors in the OCAS MOE Reports.

Effect: The failure to accurately review OCAS system reports and other supporting information included in the calculation of MOE can lead to incorrect MOE penalty calculations and Federal funds being allocated inappropriately. However, we recalculated the MOE for all 60 sampled items and it appears that all LEAs were in compliance with MOE requirements based on the revised totals.

Recommendation: We recommend that OSDE develop policies and procedures to ensure that OCAS reports and other supporting information used in the calculations include accurate information, and that the MOE calculations are reviewed by someone other than the preparer to ensure that the MOE is calculated correctly.

Views of Responsible Official(s)

Contact Person: Katherine Black

Anticipated Completion Date: June 30, 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-038

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010 and 84.367

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

FEDERAL AWARD NUMBER: S010A160036; S367A160035

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Level of Effort - Supplement not Supplant

QUESTIONED COSTS: \$0

Criteria: 20 U.S. Code § 6321 - *Fiscal requirements* states in part:

“(b) *Federal funds to supplement, not supplant, non-Federal funds -*

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(1) *IN GENERAL* - A State educational agency or local educational agency shall use Federal funds received under this part only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds.”

20 U.S. Code § 6314 (a) (2) - *Schoolwide programs* states in part:

“(B) *SUPPLEMENTAL FUNDS*- A school participating in a schoolwide program shall use funds available to carry out this section only to supplement the amount of funds that would, in the absence of funds under this part, be made available from non-Federal sources for the school, including funds needed to provide services that are required by law for children with disabilities and children with limited English proficiency.”

20 U.S. Code § 6623 – *Local uses of funds* states in part:

“(b) *SUPPLEMENT, NOT SUPPLANT*- Funds received under this subpart shall be used to supplement, and not supplant, non-Federal funds that would otherwise be used for activities authorized under this subpart.”

2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition and Context: OSDE was not able to quantifiably demonstrate that Federal expenditures are in compliance with *Level of Effort – Supplement not Supplant* requirements. A review of budgeted items on the Consolidated Application is performed; however, it is a non-documented, cursory review of budgeted items and no system based calculations or manual calculations are used to determine if the budgeted items are in compliance with *Level of Effort – Supplement not Supplant* requirements. Also, the current supplement not supplant procedures are performed only on budgeted items and not on the actual expenditures.

In addition, OSDE did not perform the following *Level of Effort – Supplement not Supplant* determinations:

Non-schoolwide programs-

- a. If the LEA used Federal funds to provide services which they were required to make available under Federal, State, or local law and were also made available by funds subject to a supplement not supplant requirement.
- b. If the LEA used Federal funds to provide services which were provided with non-Federal funds in the prior year:
 - 1) Identify the federally funded services.
 - 2) Perform procedures to determine whether the Federal program funded services that were previously provided with non-Federal funds.
 - 3) Perform procedures to ascertain if the total level of services applicable to the requirement increased in proportion to the level of Federal contribution.

Schoolwide programs (Title I, Part A only) – For Federal funds consolidated with State and local funds, the LEA provided the school all of the non-Federal funds it would otherwise have received from the LEA if it were not operating a schoolwide program.

Cause: OSDE has not developed and implemented appropriate procedures to quantifiably demonstrate that Federal expenditures are in compliance with the *Level of Effort – Supplement not Supplant* requirements.

Effect: OSDE is unable to accurately identify if Federal funds are being used inappropriately to supplant funds from non-Federal sources.

Recommendation: We recommend that OSDE develop adequate policies and procedures to quantifiably demonstrate that federal expenditures are in compliance with *Level of Effort – Supplement not Supplant* requirements.

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Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: December 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-039

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)

FEDERAL AWARD NUMBER: S010A160036

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Special Tests and Provisions – Participation of Private School Children

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

34 CFR 200.62 - *Responsibilities for providing services to private school children* states,

“(a) After timely and meaningful consultation with appropriate officials of private schools, an LEA must -

- (1) In accordance with §§ 200.62 through 200.67 and section 1120 of the ESEA, provide special educational services or other benefits under subpart A of this part, on an equitable basis and in a timely manner, to eligible children who are enrolled in private elementary and secondary schools; and
- (2) Ensure that teachers and families of participating private school children participate on a basis equitable to the participation of teachers and families of public school children receiving these services in accordance with § 200.65.

(b)

(1) Eligible private school children are children who -

- (i) Reside in participating public school attendance areas of the LEA, regardless of whether the private school they attend is located in the LEA; and
- (ii) Meet the criteria in section 1115(b) of the ESEA.

(2) Among the eligible private school children, the LEA must select children to participate, consistent with § 200.64.

(c) The services and other benefits an LEA provides under this section must be secular, neutral and nonideological.”

34 CFR 200.64 - *Factors for determining equitable participation of private school children* states in part,

“(a) *Equal expenditures.*

(1) Funds expended by an LEA under subpart A of this part for services for eligible private school children in the aggregate must be equal to the amount of funds generated by private school children from low-income families under paragraph (a)(2) of this section.

(2) An LEA must meet this requirement as follows:

(i)

(A) If the LEA reserves funds under § 200.77 to provide instructional and related activities for public elementary or secondary school students at the district level, the LEA must also provide from those funds, as applicable, equitable services to eligible private school children.

(B) The amount of funds available to provide equitable services from the applicable reserved funds must be proportionate to the number of private school children from low-income families residing in participating public school attendance areas.

(ii) The LEA must reserve the funds generated by private school children under § 200.78 and, in consultation with appropriate officials of the private schools, may -

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(A) Combine those amounts, along with funds under paragraph (a)(2)(i) of this section, if appropriate, to create a pool of funds from which the LEA provides equitable services to eligible private school children, in the aggregate, in greatest need of those services; or

(B) Provide equitable services to eligible children in each private school with the funds generated by children from low-income families under § 200.78 who attend that private school.

(b) Services on an equitable basis.

(1) The services that an LEA provides to eligible private school children must be equitable in comparison to the services and other benefits that the LEA provides to public school children participating under subpart A of this part.

(2) Services are equitable if the LEA -

(i) Addresses and assesses the specific needs and educational progress of eligible private school children on a comparable basis as public school children;

(ii) Meets the equal expenditure requirements under paragraph (a) of section; and

(iii) Provides private school children with an opportunity to participate that -

(A) Is equitable to the opportunity provided to public school children; and

(B) Provides reasonable promise of the private school children achieving the high levels called for by the State's student academic achievement standards or equivalent standards applicable to the private school children."

34 CFR § 200.65(a) *Determining equitable participation of teachers and families of participating private school children states in part,*

"(1) From applicable funds reserved for parent involvement and professional development under § 200.77, an LEA shall ensure that teachers and families of participating private school children participate on an equitable basis in professional development and parent involvement activities, respectively.

(2) The amount of funds available to provide equitable services from the applicable reserved funds must be proportionate to the number of private school children from low-income families residing in participating public school attendance areas."

According to the *Title I Fiscal Issues Non-Regulatory Guidance section D-17*, the following provisions are applicable for private school carry-over funds:

"For circumstances in which equitable services for private school students were provided, any carryover funds would be considered additional funds for the entire Title I program in the subsequent year and would be part of the LEA's Title I resource base in the next year.

For circumstances in which equitable services for private school students were not provided, any private school carry-over amounts should be used to provide services to private school children in the following year. These carryover funds would be in addition to funds that the LEA would otherwise be required to use to provide equitable services for private school students out of the LEA's current-year allocation."

Condition and Context: While documenting controls over Participation of Private School Children under Title I Part A, we noted that OSDE does not have policies or procedures to verify that 1) equitable services for private school students were actually provided, and 2) amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year.

In addition, while performing testwork on 6 of the 10 LEA's for equitable participation of private school children under Title I Part A, we noted the following issues:

- For one LEA, the private school low income enrollment figure submitted in the Private School Packet did not agree with the Consolidated Application Low Income Step # 4 and, the discrepancy was not identified in the review process.
- For one LEA, the participating private school children were not included in the Title I Part A allocation calculation on the Consolidated Application and, the discrepancy was not identified in the review process. In addition, the per pupil allocation (PPA) generated by private school children from low-income families

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living in participating public school attendance areas was not equal to the PPA generated by public school children from low-income families living in the same attendance areas

- For three LEAs, the amount allocated for private school students on the Low- Income step #4 of the Consolidated Application did not agree with the budgeted amount for private school services and, it appears that the LEAs failed to set aside the required amount for private school children. In addition, the discrepancies were not identified in the review process;
- For one LEA, the amount set-aside for private school students for parental involvement, professional development and/or extended time programs was not equitable to the amount set-aside for public school students and, the discrepancy was not identified in the review process;
- For two LEAs it does not appear that all private school educational services that were planned were actually provided and, the unexpended funds were not carried forward appropriately to be used to provide services to private school children in the following year. It also appears that the per pupil private school expenditures were not equitable to the public per pupil expenditures.

Cause: It appears that OSDE does not have adequate policies and procedures to verify the following:

- All participating private school children are included in the allocation process;
- Equitable services for private school students were actually provided, and
- Amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year. Also, it appears that discrepancies in the Consolidated Applications were not identified due to inadequate review procedures.

Effect: Inadequate policies and procedures and an inadequate review process could result in a failure to provide equitable services to Private/ Nonpublic School children.

Recommendation: We recommend that OSDE develop appropriate policies and procedures to verify the following:

- All participating private school children are included in the allocation process;
- Equitable services for private school students are actually provided; and
- Amounts that should have been used to provide services to private school children in the current year are carried forward appropriately to be used to provide services to private school children in the following year.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: July 1, 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-040

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010 and 84.367

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

FEDERAL AWARD NUMBER: S010A160036; S367A160035

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Special Tests and Provisions – Schoolwide Programs

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

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34 CFR § 200.26 - *Core elements of a schoolwide program* states:

“(a) *Comprehensive needs assessment.*

(1) A school operating a schoolwide program must conduct a comprehensive needs assessment of the entire school that -

(i) Is based on academic achievement information about all students in the school, including all groups under § 200.13(b)(7) and migratory children as defined in section 1309(2) of the ESEA, relative to the State's academic standards under § 200.1 to -

(A) Help the school understand the subjects and skills for which teaching and learning need to be improved; and

(B) Identify the specific academic needs of students and groups of students who are not yet achieving the State's academic standards; and

(ii) Assesses the needs of the school relative to each of the components of the schoolwide program under § 200.28.

(2) The comprehensive needs assessment must be developed with the participation of individuals who will carry out the schoolwide program plan.

(3) The school must document how it conducted the needs assessment, the results it obtained, and the conclusions it drew from those results.

(b) *Comprehensive plan.* Using data from the comprehensive needs assessment under paragraph (a) of this section, a school that wishes to operate a schoolwide program must develop a comprehensive plan, in accordance with § 200.27, that describes how the school will improve academic achievement throughout the school, but particularly for those students furthest away from demonstrating proficiency, so that all students demonstrate at least proficiency on the State's academic standards.

(c) *Evaluation.* A school operating a schoolwide program must -

(1) Annually evaluate the implementation of, and results achieved by, the schoolwide program, using data from the State's annual assessments and other indicators of academic achievement;

(2) Determine whether the schoolwide program has been effective in increasing the achievement of students in meeting the State's academic standards, particularly for those students who had been furthest from achieving the standards; and

(3) Revise the plan, as necessary, based on the results of the evaluation, to ensure continuous improvement of students in the schoolwide program.”

34 CFR § 200.28 - *Schoolwide program components* states in part, “A schoolwide program must include the following components:

(a) *Schoolwide reform strategies.* The schoolwide program must incorporate reform strategies in the overall instructional program.

....

(b) *Instruction by highly qualified teachers.* A schoolwide program must ensure instruction by highly qualified teachers and provide ongoing professional development.

....

(c) *Parental involvement.*

....

(d) *Additional support.* A schoolwide program school must include activities to ensure that students who experience difficulty attaining the proficient or advanced levels of academic achievement standards required by §200.1 will be provided with effective, timely additional support, including measures to -

(1) Ensure that those students' difficulties are identified on a timely basis; and

(2) Provide sufficient information on which to base effective assistance to those students.

(e) *Transition.* A schoolwide program in an elementary school must include plans for assisting preschool students in the successful transition from early childhood programs, such as Head Start, Even Start, Early Reading First, or a preschool program under IDEA or a State-run preschool program, to the schoolwide program.”

Condition and Context: While testing controls over Schoolwide Programs, we noted the following:

- OSDE is not verifying that the schoolwide program plan annual evaluation is conducted as required under 34 CAFR § 200.26 (c) by all schools operating under a schoolwide program, and

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- OSDE is not verifying that existing schoolwide plans are modified appropriately each year in accordance with the schoolwide program plan annual evaluation results.

Cause: It appears that OSDE was unaware of the compliance requirements related to verification that the schoolwide program plan annual evaluation is conducted by the LEA and that the LEA appropriately revised the schoolwide program plan based on the results of the annual evaluation. In addition, we noted that the consolidated monitoring process includes a review of the Title I Site Plan (a sample of a schoolwide or targeted assistance plan from at least one school); however, the District decides which site plan to submit and no methodology is utilized by OSDE to ensure that the complete population of all existing schoolwide program plans have the possibility of being selected for review.

Effect: Schools operating under schoolwide programs may not have included the required core elements in the schoolwide program plan and, the schoolwide program plan may not include the required components. In addition, Federal funds included in the schoolwide program may not be used to address specific educational needs that the school identified in the needs assessment and that were articulated in the schoolwide program plan.

Recommendation: We recommend that OSDE develop policies and procedures to ensure that existing schoolwide program plans and the schoolwide program plan annual evaluations required to be performed annually by the LEAs are included in the consolidated monitoring process. In addition, we recommend OSDE ensure that an appropriate monitoring methodology is utilized to ensure that schoolwide program plans and the schoolwide program plan annual evaluations come from the complete population of all schoolwide program sites and have the possibility of being selected for review.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: September 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-041

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010, 84.367

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

FEDERAL AWARD NUMBER: S010A160036; S367A160035

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Special Tests and Provisions - Access to Federal Funds for New or Significantly Expanded Charter Schools

QUESTIONED COSTS: \$0

Criteria: 34 CFR § 76.787 *What definitions apply to this subpart?* - states in part, “For purposes of this subpart - *Significant expansion of enrollment* means a substantial increase in the number of students attending a charter school due to a significant event that is unlikely to occur on a regular basis, such as the addition of one or more grades or educational programs in major curriculum areas. The term also includes any other expansion of enrollment that the SEA determines to be significant.”

34 CFR § 76.789 *What are an SEA's responsibilities under this subpart?* - states in part,

“(a) *Information.* Upon receiving notice under § 76.788(a) of the date a charter school LEA is scheduled to open or significantly expand its enrollment, an SEA must provide the charter school LEA with timely and meaningful information about each covered program in which the charter school LEA may be eligible to participate, including notice of any upcoming competitions under the program.

(b) *Allocation of Funds.*

(1) An SEA must allocate funds under a covered program in accordance with this subpart to any charter school LEA that -

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(i) Opens for the first time or significantly expands its enrollment during an academic year for which the State awards funds by formula or through a competition under the program;

....

(3) (ii) Except as provided in § 76.792(c), an SEA that receives less than 120 days' actual notice of the date an eligible charter school LEA is scheduled to open or significantly expand its enrollment must allocate funds to the charter school LEA on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year.”

34 CFR § 76.791 *On what basis does an SEA determine whether a charter school LEA that opens or significantly expands its enrollment is eligible to receive funds under a covered program?*- states,

“(a) For purposes of this subpart, an SEA must determine whether a charter school LEA is eligible to receive funds under a covered program based on actual enrollment or other eligibility data for the charter school LEA on or after the date the charter school LEA opens or significantly expands its enrollment.

(b) For the year the charter school LEA opens or significantly expands its enrollment, the eligibility determination may not be based on enrollment or eligibility data from a prior year, even if the SEA makes eligibility determinations for other LEAs under the program based on enrollment or eligibility data from a prior year.”

34 CFR § 76.792 *How does an SEA allocate funds to eligible charter school LEAs under a covered program in which the SEA awards subgrants on a formula basis?* – states in part,

“(a) For each eligible charter school LEA that opens or significantly expands its enrollment on or before November 1 of an academic year, the SEA must implement procedures that ensure that the charter school LEA receives the proportionate amount of funds for which the charter school LEA is eligible under each covered program.”

34 CFR § 76.796 *What are the consequences of an SEA allocating more or fewer funds to a charter school LEA under a covered program than the amount for which the charter school LEA is eligible when the charter school LEA actually opens or significantly expands its enrollment?* - states,

“(a) An SEA that allocates more or fewer funds to a charter school LEA than the amount for which the charter school LEA is eligible, based on actual enrollment or eligibility data when the charter school LEA opens or significantly expands its enrollment, must make appropriate adjustments to the amount of funds allocated to the charter school LEA as well as to other LEAs under the applicable program.

(b) Any adjustments to allocations to charter school LEAs under this subpart must be based on actual enrollment or other eligibility data for the charter school LEA on or after the date the charter school LEA first opens or significantly expands its enrollment, even if allocations or adjustments to allocations to other LEAs in the State are based on enrollment or eligibility data from a prior year.”

34 CFR § 76.797 *When is an SEA required to make adjustments to allocations under this subpart?* - states in part,

“(a) The SEA must make any necessary adjustments to allocations under a covered program on or before the date the SEA allocates funds to LEAs under the program for the succeeding academic year.”

2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition and Context: When documenting controls over newly opening and significantly expanding charter schools, we determined that the federal programs department (Title I-Part A, Title II -Part A) do not currently have any policies and procedures to define the criteria used to determine if a school has significantly expanded (addition of grade level, addition of major curriculum area, etc.).

In addition, when performing testwork for all newly opening and significantly expanding charter schools, we noted the following:

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- OSDE federal programs department (Title I-Part A, Title II -Part A) was not required to provide funds within five months of November 1st to any of the charter schools in accordance with 34 CFR § 76.792; however, the federal programs department was still bound by the requirements in the final regulations because all schools did provide notice to OSDE that they were newly opening or expanding by one or more grade levels effective for the start of school year 2016-2017. Because the charter school opening/expansions were effective prior to November 1st, OSDE is required to ensure that all the charter schools receive the amount of federal formula funds for which they are eligible (based on current year enrollment and poverty figures) for the entire school year 2016-2017 on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year.
- OSDE federal programs department (Title I-Part A, Title II -Part A) did not properly base the new or expanding charter school LEA's/charter school's eligibility and allocation amount on actual eligibility or enrollment data for the year in which the school opened or expanded for any of the ten (10) charter schools which notified the OSDE accreditation department that they [charter school] were newly opening or expanding by one or more grade levels effective for the start of the 2016-2017 school year and, did not ensure that all the charter schools received the amount of Federal formula funds for which they are eligible (based on current year enrollment and poverty figures) on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year.

Cause: It appears that staff turnover within the federal programs department along with a failure to correctly apply all of the compliance requirements resulted in OSDE not incorporating appropriate policies and procedures that would ensure that new or significantly expanding charter schools receive the amount of Federal formula funds for which they were eligible in a timely manner.

Effect: New or significantly expanding charter schools did not receive the amount of Federal formula funds for which they were eligible in a timely manner.

Recommendation: We recommend that OSDE develop policies and procedures to:

- Define the criteria used to determine if a school has significantly expanded (addition of grade level, addition of major curriculum area, etc.)
- Track the date the OSDE Accreditation department first receives notice that a charter school is newly opening or significantly expanding to ensure that allocations are adjusted in a timely manner.
- Follow-up on any allocations which are required to be adjusted on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: September 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-042

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)

FEDERAL AWARD NUMBER: S010A160036

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Special Tests and Provisions – Qualifications of Paraprofessionals

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Schedule of Findings And Questioned Costs

34 CFR § 200.58 *Qualifications of paraprofessionals* states:

“(a) *Applicability.*

(1) An LEA must ensure that each paraprofessional who is hired by the LEA and who works in a program supported with funds under subpart A of this part meets the requirements in paragraph (b) of this section and, except as provided in paragraph (e) of this section, the requirements in either paragraph (c) or (d) of this section.

(2) For the purpose of this section, the term “paraprofessional” -

(i) Means an individual who provides instructional support consistent with § 200.59; and

(ii) Does not include individuals who have only non-instructional duties (such as providing technical support for computers, providing personal care services, or performing clerical duties).

(3) For the purpose of paragraph (a) of this section, a paraprofessional working in “a program supported with funds under subpart A of this part” is -

(i) A paraprofessional in a targeted assisted school who is paid with funds under subpart A of this part;

(ii) A paraprofessional in a schoolwide program school; or

(iii) A paraprofessional employed by an LEA with funds under subpart A of this part to provide instructional support to a public school teacher covered under § 200.55 who provides equitable services to eligible private school students under § 200.62.

(b) *All paraprofessionals.* A paraprofessional covered under paragraph (a) of this section, regardless of the paraprofessional's hiring date, must have earned a secondary school diploma or its recognized equivalent.

(c) *New paraprofessionals.* A paraprofessional covered under paragraph (a) of this section who is hired after January 8, 2002 must have -

(1) Completed at least two years of study at an institution of higher education;

(2) Obtained an associate's or higher degree; or

(3) (i) Met a rigorous standard of quality, and can demonstrate - through a formal State or local academic assessment - knowledge of, and the ability to assist in instructing, as appropriate -

(A) Reading/language arts, writing, and mathematics; or

(B) Reading readiness, writing readiness, and mathematics readiness.

(ii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.

(d) *Existing paraprofessionals.* Each paraprofessional who was hired on or before January 8, 2002 must meet the requirements in paragraph (c) of this section no later than January 8, 2006.

(e) *Exceptions.* A paraprofessional does not need to meet the requirements in paragraph (c) or (d) of this section if the paraprofessional -

(1) (i) Is proficient in English and a language other than English; and

(ii) Acts as a translator to enhance the participation of limited English proficient children under subpart A of this part; or

(2) Has instructional-support duties that consist solely of conducting parental involvement activities.”

Condition and Context: OSDE did not have adequate procedures in place to verify that paraprofessionals hired during the audit period by the LEA and who work in a program supported with Title I, Part A funds met specific qualification requirements under 34 CFR § 200.58. While testing controls over the review of paraprofessional credentials, which is performed during consolidated monitoring, we noted that, for one school district with 164 Paraprofessionals listed on their Title IA Consolidated Application, OSDE obtained the paraprofessional credentials for only three employees, which were selected by the school district and not the consolidated monitoring reviewer. Of the three employees, only two were funded by Title IA funds and one employee was funded under the Special Education Program.

In addition, the list of paraprofessionals provided by the school district did not include a field identifying the Federal Funding Project Code for each paraprofessional, therefore, it was not possible to ascertain which Federal program the paraprofessionals were funded through by reviewing the list submitted by the school district.

Cause: OSDE reviews paraprofessional credentials during consolidated monitoring; however, the school district (not the monitoring reviewer) decides which (and how many) paraprofessional's credentials to submit for monitoring. In addition, the OSDE Monitoring unit does not have a specific protocol for selecting Title I, Part A

Schedule of Findings And Questioned Costs

funded paraprofessional credentials for review to ensure that the entire population of paraprofessionals paid with Title I, Part A Federal funds are subject to the possibility of being selected for monitoring review.

Effect: Because the school district can decide which credentials they want to submit, we have determined that the control would not provide adequate assurance that the paraprofessionals hired by the LEA and who work in a program supported with Title I, Part A funds meet specific qualification requirements. In addition, failure to ensure that paraprofessionals hired by the LEA meet specific qualification requirements could result in Title I, Part A being used to pay unqualified individuals.

Recommendation: We recommend that OSDE develop policies and procedures to verify that paraprofessionals hired during the monitoring period by the LEA and who work in a program supported with Title I, Part A funds meet specific qualification requirements. In addition, we recommend that OSDE utilize an appropriate methodology to ensure that the complete population of all paraprofessionals who work in a program supported with Title I, Part A funds have the possibility of being selected for review.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: September 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-043

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.027 and 84.173

FEDERAL PROGRAM NAME: Special Education Cluster (IDEA)

FEDERAL AWARD NUMBER: H027A160051; H173A160084

FEDERAL AWARD YEAR: 2016/2017

CONTROL CATEGORY: Level of Effort – Maintenance of Effort

QUESTIONED COSTS: \$0

Criteria: 34 CFR § 300.203 *Maintenance of effort* – states,

“(a) *Eligibility standard.*

(1) For purposes of establishing the LEA's eligibility for an award for a fiscal year, the SEA must determine that the LEA budgets, for the education of children with disabilities, at least the same amount, from at least one of the following sources, as the LEA spent for that purpose from the same source for the most recent fiscal year for which information is available:

- (i) Local funds only;
- (ii) The combination of State and local funds;
- (iii) Local funds only on a per capita basis; or
- (iv) The combination of State and local funds on a per capita basis.

(2) When determining the amount of funds that the LEA must budget to meet the requirement in paragraph (a)(1) of this section, the LEA may take into consideration, to the extent the information is available, the exceptions and adjustment provided in §§ 300.204 and 300.205 that the LEA:

- (i) Took in the intervening year or years between the most recent fiscal year for which information is available and the fiscal year for which the LEA is budgeting; and
- (ii) Reasonably expects to take in the fiscal year for which the LEA is budgeting.

(3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraph (a)(1) of this section.”

2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing

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the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition and Context: While documenting controls over *Maintenance of Effort (MOE) – Eligibility Standard*, we noted that the Compliance Data Finance (CDF) Specialists are not ensuring that the amounts reported on the MOE tab of the IDEA Part B application trace to supporting records. We noted that the LEA financial data for the immediate fiscal year may not be available at the time the LEA Agreement or IDEA Part B Budget is completed; however, the LEAs are not required to update their MOE tab once their data is complete. In addition, OSDE does not adequately substantiate the accuracy of the amounts/estimates reported and does not adequately verify that only allowable categories of expenditures or other effort indicators were included in the computation and that categories were consistent with prior years.

For our sample of 60 out of a total of 549 LEAs, we noted the following while performing compliance testing over MOE – Eligibility Standard:

- It appears that 21 LEAs did not meet the Eligibility Standard;
- It appears that for 32 LEAs,
 - The amounts used in the computation do not agree to supporting documentation,
 - OSDE did not adequately substantiate the accuracy of the amounts reported, and
 - OSDE did not verify that only expenditure categories allowable in the calculation of MOE or other effort indicators were included in the computation and that categories were consistent with prior years.

Cause: It appears that staff turnover within the Special Education Services department along with changes to the OMB Compliance Requirements resulted in inadequate policies and procedures related to review of the MOE Eligibility Standard calculations.

Effect: Failure to adequately substantiate the accuracy of the amounts reported and to verify that only allowable categories of expenditures or other effort indicators were included in the computation and that categories were consistent with prior years could lead to noncompliance with MOE requirements.

Recommendation: We recommend that management develop policies and procedures to adequately substantiate the accuracy of the amounts reported and to verify that only allowable categories of expenditures or other effort indicators were included in the computation and that categories were consistent with prior years.

Views of Responsible Official(s)

Contact Person: Todd Loftin

Anticipated Completion Date: May 4, 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-044

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)

FEDERAL AWARD NUMBER: S010A160036

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0

Criteria: 34 CFR § 200.77 - *Reservation of funds by an LEA* states in part, “Before allocating funds in accordance with § 200.78, an LEA must reserve funds as are reasonable and necessary to -

- (a) Provide services comparable to those provided to children in participating school attendance areas and schools to serve -

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(1) Homeless children who do not attend participating schools, including providing educationally related support services to children in shelters and other locations where homeless children may live.”

2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition and Context: For our sample of 60 of the total of 544 LEA’s consolidated applications for Eligibility, we noted that 4 LEAs did not set aside any allocations for homeless children and 4 out of the 60 LEAs set aside less than 1% of the total current year allocations (plus transfers in) for homeless children.

Cause: It appears that turnover of staff within the Federal Programs department resulted in a failure to adequately review the homeless set-aside amounts.

Effect: Failure to set aside the appropriate amount of funds for homeless children could result in services for homeless children not being provided as required.

Recommendation: We recommend OSDE develop policies and procedures to ensure an adequate review is performed on the amounts set-aside for homeless services.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: September 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-053

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.367

FEDERAL PROGRAM NAME: Supporting Effective Instruction State Grant

FEDERAL AWARD NUMBER: S367A160035

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Special Tests and Provisions – Participation of Private School Children

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

34 CFR 200.62 - *Responsibilities for providing services to private school children* states,

“(a) After timely and meaningful consultation with appropriate officials of private schools, an LEA must -

- (1) In accordance with §§ 200.62 through 200.67 and section 1120 of the ESEA, provide special educational services or other benefits under subpart A of this part, on an equitable basis and in a timely manner, to eligible children who are enrolled in private elementary and secondary schools; and
- (2) Ensure that teachers and families of participating private school children participate on a basis equitable to the participation of teachers and families of public school children receiving these services in accordance with § 200.65.

(b)

(1) Eligible private school children are children who -

- (i) Reside in participating public school attendance areas of the LEA, regardless of whether the private school they attend is located in the LEA; and
- (ii) Meet the criteria in section 1115(b) of the ESEA.

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(2) Among the eligible private school children, the LEA must select children to participate, consistent with § 200.64.

(c) The services and other benefits an LEA provides under this section must be secular, neutral and nonideological.”

34 CFR § 299.7 *What are the factors for determining equitable participation of children and teachers in private schools? – states,*

“(a) *Equal expenditures.*

(1) Expenditures of funds made by an agency or consortium of agencies under a program listed in § 299.6 (b) for services for eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the amount of funds expended for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of those children and their teachers and other educational personnel.

(2) Before determining equal expenditures under paragraph (a)(1) of this section, an agency or consortium of agencies shall pay for the reasonable and necessary administrative costs of providing services to public and private school children and their teachers and other educational personnel from the agency's or consortium of agencies' total allocation of funds under the applicable ESEA program.

(b) *Services on an equitable basis.*

(1) The services that an agency or consortium of agencies provides to eligible private school children and their teachers and other educational personnel must also be equitable in comparison to the services and other benefits provided to public school children and their teachers or other educational personnel participating in a program under this subpart.”

The U.S. Department of Education publication *Title II, Part A – Teacher and Principal Training and Recruiting Fund Equitable Services to Private School Teachers*, states in part:

“G-2. What is meant by “equitable participation?”

Participation is considered to be equitable if the public and private educational agencies and institutions: (1) assess, address, and evaluate the needs and progress of both groups of teachers in the same manner; (2) provide approximately the same amount of training and, where appropriate, instruction to teachers with similar needs; (3) spend an equal amount of funds per student to serve public and private school teachers; and (4) provide private school teachers with an opportunity to participate in Title II, Part A program activities equivalent to the opportunity provided public school teachers.....

G-9. Must the expenditures that the LEA provides for professional development for private school teachers be equal on a per-pupil basis?

Title IX, Section 9501 of ESEA requires that Title II, Part A services for professional development that are provided to private school teachers and other educational personnel be equitable in comparison to those provided to public school teachers. It also requires that funds provided for professional development for private school teachers be equal on a per-pupil basis.”

Condition and Context: While documenting controls over Participation of Private School Children under Title II Part A, we noted that OSDE does not have policies or procedures to verify that 1) equitable services for private school students were actually provided, and 2) amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year.

In addition, while performing testwork on 10 of 25 LEA's for equitable participation of private school children under Title II Part A, we noted the following issues:

- For four LEAs the amount budgeted for Title IIA private schools (account code 5500) does not agree with the amount calculated by the GMS on the Private /Nonpublic Schools share page of the Title IIA application (line 13) and the review did not identify the discrepancy. In addition, the Private /Nonpublic Schools share page of the Title IIA application in the GMS does not allow for the deduction of non-

Schedule of Findings And Questioned Costs

professional development costs categorized under Function code 2570 which the LEA is allowed to exclude from the base amount used to allocate private school funds;

- For nine LEAs they failed to set aside the required amount for private school children;
- For seven LEAs, OSDE did not appropriately verify that the educational services that were planned were provided;
- For nine LEAs expenditures are not equal on a per-pupil basis for public and private school students, teachers and other educational personnel, taking into consideration their numbers and needs as required by 34 CFR section 299.7.

Cause: It appears that OSDE does not have adequate policies and procedures to verify the following:

- Private/ Nonpublic School allocations are calculated correctly and the appropriate amounts are set aside for private school children;
- Equitable services for private school students were actually provided, and
- Amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year. Also, it appears that discrepancies in the Consolidated Applications were not identified due to inadequate review procedures.

Effect: Inadequate policies and procedures and an inadequate review process could result in a failure to provide equitable services to Private/ Nonpublic School children.

Recommendation: We recommend that OSDE develop appropriate policies and procedures to verify the following:

- Private/ Nonpublic School allocations are calculated correctly and, the appropriate amounts are set aside for private school children;
- Equitable services for private school students are actually provided, and
- Amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: July 1, 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

FINDING NO: 2017-054

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.027, 84.173

FEDERAL PROGRAM NAME: Special Education Cluster (IDEA)

FEDERAL AWARD NUMBER: H027A160051; H173A160084

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Special Tests and Provisions - Access to Federal Funds for New or Significantly Expanded Charter Schools

QUESTIONED COSTS: \$0

Criteria: 34 CFR § 76.787 *What definitions apply to this subpart?* - states in part, “For purposes of this subpart - *Significant expansion of enrollment* means a substantial increase in the number of students attending a charter school due to a significant event that is unlikely to occur on a regular basis, such as the addition of one or more grades or educational programs in major curriculum areas. The term also includes any other expansion of enrollment that the SEA determines to be significant.”

34 CFR § 76.789 *What are an SEA's responsibilities under this subpart?* - states in part,

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“(a) Information. Upon receiving notice under § 76.788(a) of the date a charter school LEA is scheduled to open or significantly expand its enrollment, an SEA must provide the charter school LEA with timely and meaningful information about each covered program in which the charter school LEA may be eligible to participate, including notice of any upcoming competitions under the program.

(b) Allocation of Funds.

(1) An SEA must allocate funds under a covered program in accordance with this subpart to any charter school LEA that -

(i) Opens for the first time or significantly expands its enrollment during an academic year for which the State awards funds by formula or through a competition under the program;

(3)

(ii) Except as provided in § 76.792(c), an SEA that receives less than 120 days' actual notice of the date an eligible charter school LEA is scheduled to open or significantly expand its enrollment must allocate funds to the charter school LEA on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year.”

34 CFR § 76.791 *On what basis does an SEA determine whether a charter school LEA that opens or significantly expands its enrollment is eligible to receive funds under a covered program?* - states,

“(a) For purposes of this subpart, an SEA must determine whether a charter school LEA is eligible to receive funds under a covered program based on actual enrollment or other eligibility data for the charter school LEA on or after the date the charter school LEA opens or significantly expands its enrollment.

(b) For the year the charter school LEA opens or significantly expands its enrollment, the eligibility determination may not be based on enrollment or eligibility data from a prior year, even if the SEA makes eligibility determinations for other LEAs under the program based on enrollment or eligibility data from a prior year.”

34 CFR § 76.792 *How does an SEA allocate funds to eligible charter school LEAs under a covered program in which the SEA awards subgrants on a formula basis?* – states in part,

“(a) For each eligible charter school LEA that opens or significantly expands its enrollment on or before November 1 of an academic year, the SEA must implement procedures that ensure that the charter school LEA receives the proportionate amount of funds for which the charter school LEA is eligible under each covered program.”

34 CFR § 76.796 *What are the consequences of an SEA allocating more or fewer funds to a charter school LEA under a covered program than the amount for which the charter school LEA is eligible when the charter school LEA actually opens or significantly expands its enrollment?* - states,

“(a) An SEA that allocates more or fewer funds to a charter school LEA than the amount for which the charter school LEA is eligible, based on actual enrollment or eligibility data when the charter school LEA opens or significantly expands its enrollment, must make appropriate adjustments to the amount of funds allocated to the charter school LEA as well as to other LEAs under the applicable program.

(b) Any adjustments to allocations to charter school LEAs under this subpart must be based on actual enrollment or other eligibility data for the charter school LEA on or after the date the charter school LEA first opens or significantly expands its enrollment, even if allocations or adjustments to allocations to other LEAs in the State are based on enrollment or eligibility data from a prior year.”

34 CFR § 76.797 *When is an SEA required to make adjustments to allocations under this subpart?* - states in part,

“(a) The SEA must make any necessary adjustments to allocations under a covered program on or before the date the SEA allocates funds to LEAs under the program for the succeeding academic year.”

2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition and Context: When documenting controls over newly opening and significantly expanding charter schools, we determined that the special education department (IDEA Part B and IDEA Preschool) do not currently

Schedule of Findings And Questioned Costs

have any policies and procedures to define the criteria used to determine if a school has significantly expanded (addition of grade level, addition of major curriculum area, etc.).

In addition, when performing testwork for all newly opening and significantly expanding charter schools, we noted the following:

- Of the ten (10) charter schools which notified the OSDE accreditation department that they [charter school] were newly opening or expanding by one or more grade levels effective for the start of the 2016-2017 school year, we determined that for six (6) out of those ten (10) charter schools, OSDE special education department did not appropriately adjust the amount of federal formula funds for which the Charter schools were eligible (based on the 2016-2017 Low Income Report) on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year (2017-2018).

Cause: It appears that staff turnover within the federal programs and the special education services department along with a failure to correctly apply all of the compliance requirements resulted in OSDE not incorporating appropriate policies and procedures that would ensure that new or significantly expanding charter schools receive the amount of Federal formula funds for which they were eligible in a timely manner.

Effect: New or significantly expanding charter schools did not receive the amount of Federal formula funds for which they were eligible in a timely manner.

Recommendation: We recommend that OSDE develop policies and procedures to:

- Define the criteria used to determine if a school has significantly expanded (addition of grade level, addition of major curriculum area, etc.)
- Track the date the OSDE Accreditation department first receives notice that a charter school is newly opening or significantly expanding to ensure that allocations are adjusted in a timely manner.
- Follow-up on any allocations which are required to be adjusted on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year.

Views of Responsible Official(s)

Contact Person: Todd Loftin

Anticipated Completion Date: September 2018

Corrective Action Planned: The Department of Education concurs with the finding. Please refer to the corrective action plan on page 90.

OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT

FINDING NO: 2017-014 (Repeat 2016-001)

STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance

FEDERAL AWARD NUMBER: FEMA-1712, FEMA-1754, FEMA-1883, FEMA-1970, FEMA-1989, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299

FEDERAL AWARD YEAR: 2016/2017

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Earmarking

QUESTIONED COSTS: \$36,209

Criteria:

Applicable to FEMA-1712, FEMA-1754, FEMA-1883, FEMA-1970, FEMA-1989, FEMA-4064, FEMA-4109, & FEMA-4117:

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FEMA Public Assistance Program Interim Guidance on 2 CFR Part 200: *VI Guidance Details* states, “On December 26, 2014, DHS adopted, in its entirety, 2 C.F.R. Part 200 through 79 FR 75871, which supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidance, including 2 C.F.R. Parts 215, 220, 225, and 230); OMB Circulars A-89, A-102, and A-133; and the guidance in OMB Circular A-50 on Single Audit Act follow-up. At the same time, FEMA removed Part 13 from Title 44 of the Code of Federal Regulations. These superseded OMB Circulars and guidance, including 44 C.F.R. Part 13, will continue to apply to Federal awards made under emergency or major disaster declarations declared prior to December 26, 2014.

44 CFR § 207.8 (c) - *Reporting Requirements* states, “The grantee must provide quarterly progress reports on management cost funds to the Regional Administrator as required by the FEMA-State Agreement.”

44 CFR § 207.5 (b)(4)(i) – *Rates* states, “For major disaster declarations, FEMA will determine the lock-in for PA based on a flat percentage rate of the Federal share of projected eligible program costs for financial assistance pursuant to sections 403, 406, and 407 of the Stafford Act, 42 U.S.C. 5170b, 5172, and 5173, respectively, but not including direct Federal assistance. For major disaster declarations on or after November 13, 2007, the PA rate will be 3.34 percent.”

A-133 Subpart C § .300 (b) – *Auditee responsibilities* states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

Applicable to FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, & FEMA-4299:

2 CFR § 200.303 (a) – *Internal Control* states, “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Condition and context: While reviewing cumulative management draws for all disasters open during FY 2017, we noted the following:

- The Department did not ensure that the amount drawn/expended for disaster 1754 did not exceed the amount authorized by FEMA per Project Worksheet (PW) #0898. As of 6/30/2017, for disaster 1754, OEM had drawn/expended approximately \$469,511.50 in management costs and the amount authorized by FEMA per Project Worksheet (PW) #0898 was \$438,172; resulting in questioned costs of \$31,339.50.
- The Department did not ensure that the amount drawn/expended for disaster 4064 did not exceed the amount authorized by FEMA per Project Worksheet (PW) #0001. As of 6/30/2017, for disaster 4064, OEM had drawn/expended approximately \$97,280.56 in management costs and the amount authorized by FEMA per Project Worksheet (PW) #0001 was \$92,411.00 resulting in questioned costs of \$4,869.56. In addition, the Department failed to ensure that the amount drawn/expended for disaster 4064 did not exceed the 3.34% allowed by FEMA (\$94,547.29 was maximum allowed per this disaster).

In addition, the agency has not provided the quarterly progress reports to the Regional Administrator as required for the \$2,371,043 in management costs drawn during FY 2017.

Cause: The Department did not have procedures/internal controls in place to ensure that both funds drawn/expended for ***management costs*** are in compliance with applicable Federal requirements, to ensure that the costs had not exceeded the earmarking threshold by disaster, and to ensure that the quarterly progress reports on management costs are submitted to the Regional Administrator.

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Effect: The Department may incur management costs that are unallowable costs or activities, the management cost earmarking ceiling of 3.34% was exceeded, amounts drawn/expended exceeded amounts authorized on the PW, and the agency was not in compliance with 44 CFR § 207.8 (c).

Recommendation: We recommend the Department develop policies and procedures/internal controls to ensure funds expended/drawn for *management costs* are for allowable activities and allowable costs, that the amounts by disaster do not exceed the management cost ceiling of 3.34% and/or PW, and that the required reports for management costs are submitted to the Regional Administrator in a timely manner.

Views of Responsible Official(s)

Contact Person: Brianna Thomas

Anticipated Completion Date: 05-31-2018

Corrective Action Planned: The Oklahoma Department of Emergency Management (OEM) concurs with the finding. Please refer to the corrective action plan on page 106.

FINDING NO: 2017-015 (Repeat 2016-002)

STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance

FEDERAL AWARD NUMBER: FEMA-1712, FEMA-1883, FEMA-1970, FEMA-1989, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299

FEDERAL AWARD YEAR: 2016/2017

CONTROL CATEGORY: Activities Allowed or Unallowed, Allocable Cost/Cost Principle, Cash Management, Matching, Subrecipient Monitoring, and Special Tests and Provisions - Project Accounting

QUESTIONED COSTS: \$21

Criteria:

Applicable to FEMA-1712, FEMA-1883, FEMA-1970, FEMA-1989, FEMA-4064, FEMA-4109, & FEMA-4117:

FEMA Public Assistance Program Interim Guidance on 2 CFR Part 200: *VI Guidance Details* states, “On December 26, 2014, DHS adopted, in its entirety, 2 C.F.R. Part 200 through 79 FR 75871, which supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidance, including 2 C.F.R. Parts 215, 220, 225, and 230); OMB Circulars A-89, A-102, and A-133; and the guidance in OMB Circular A-50 on Single Audit Act follow-up. At the same time, FEMA removed Part 13 from Title 44 of the Code of Federal Regulations. These superseded OMB Circulars and guidance, including 44 C.F.R. Part 13, will continue to apply to Federal awards made under emergency or major disaster declarations declared prior to December 26, 2014.

44 CFR § 13.40(a) – *Monitoring by grantees* states, “Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity”

44 CFR § 13.21(c) – *Advances* states, “Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.”

A-133 Subpart C § .300 (b) – *Auditee responsibilities* states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

Applicable to FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, & FEMA-4299:

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2 CFR § 200.331(b) – *Requirements for pass-through entities* states, “All pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.”

2 CFR § 200.331(d) – *Requirements for pass-through entities* states, “All pass-through entities must Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”

2 CFR § 200.305(b) (1) – *Payments* states, “... Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project.”

Applicable to all disasters: A component objective of an effective internal control system is to ensure accurate and reliable information through a process of proper review and approval.

Condition and Context: We reviewed all advances and identified \$26,145,856.49 that was advanced during FY 2017 to subgrantees without ensuring supported activities were in compliance with applicable Federal requirements prior to the closeout of the project. The advances represent 38% of the funds provided to subgrantees during the fiscal year. In addition, the Department did not ensure that the subgrantee had the willingness and the ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement. Also, the Department did not evaluate each subgrantee’s risk of noncompliance to determine the appropriate subrecipient monitoring.

In addition, for our sample of 14 of the 38 advance payments made to subgrantees, we noted the following:

- All fourteen advances were not made in accordance with 44 CFR 13.21(c) as OEM failed to monitor the subrecipient to ensure the time was minimized between the transfer of funds and disbursement by the subrecipient;
- Six Request for Advance or Reimbursement form (15-Alpha) payments were approved as an advance; however, the payments appear to meet the definition of a reimbursement;
- One 15-Alpha was approved by the Governor’s Authorized Representative for an amount greater than the amount requested by the subgrantee;
- One 15-Alpha in combination with prior advance payments made the total payments to the subrecipient for the project worksheet greater than the federal share of the approved project expenditures (Questioned Costs - \$20.98).

Lastly, we noted refunds received from a subrecipient on 7/15/16 related to advances for disaster 1718 totaling \$1,934,537.63 (PW 1266 for \$1,073,019.94 & PW 1280 for \$861,517.69) for projects that were abandoned shortly after the 1/21/09 receipt date. There appears to have been no monitoring prior to closeout to ensure that project advances that get closed are returned in a timely manner. These refunds were then paid back to FEMA on 7/25/17.

Cause: The Department did not have during the award monitoring procedures/internal controls in place to ensure that funds **advanced** to subgrantees were being used in compliance with applicable Federal requirements and to ensure that the subgrantee had the willingness and the ability to minimize the time elapsing between the transfer of the funds and their disbursement. The Department did not implement procedures to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and the disbursement of such funds for program purposes by the subrecipient was minimized. In addition, the Department did not have procedures/internal controls to evaluate each subrecipient’s risk of noncompliance.

Lastly, the Department did not properly review the 15-Alphas to ensure that the payments met the definition of an advance.

Effect: The Department is not in compliance with the requirements of 44 CFR 13.40 (a), 44 CFR 13.21 (c), 2 CFR 200.331 (d), and 2 CFR 200.305 (b) (1) for advance payments. Also, it appears that the Department is not in

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compliance with the requirements of 2 CFR 200.331(b). As a result, failure to perform during the award monitoring of subgrantees for advance payments could lead to federal funds not being disbursed timely and/or in accordance with Federal regulations.

Recommendation: We recommend the Department develop policies and procedures/internal controls to ensure subgrantees receiving *advance* funds are monitored prior to the closeout of the project to ensure compliance with the applicable Federal regulations, ensure that subgrantees are minimizing the time between the receipt of funds and their disbursement, and to evaluate each subrecipient's risk of noncompliance. Lastly, we recommend the Department closely review the Advance or Reimbursement form (15-Alpha) prior to payment to ensure the correct payment method is selected.

Views of Responsible Official(s)

Contact Person: Alden Greybill and Mike Teague

Anticipated Completion Date: 06-30-2018

Corrective Action Planned: The Oklahoma Department of Emergency Management (OEM) concurs with the finding. Please refer to the corrective action plan on page 106.

FINDING NO: 2017-016 (Repeat 2016-045)

STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance

FEDERAL AWARD NUMBER: FEMA-1970, FEMA-4256

FEDERAL AWARD YEAR: 2016/2017

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, Subrecipient Monitoring, Special Tests and Provisions – Project Accounting

QUESTIONED COSTS: \$0

Criteria:

Applicable to FEMA-1970:

FEMA Public Assistance Program Interim Guidance on 2 CFR Part 200: *VI Guidance Details* states, “On December 26, 2014, DHS adopted, in its entirety, 2 C.F.R. Part 200 through 79 FR 75871, which supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidance, including 2 C.F.R. Parts 215, 220, 225, and 230); OMB Circulars A-89, A-102, and A-133; and the guidance in OMB Circular A-50 on Single Audit Act follow-up. At the same time, FEMA removed Part 13 from Title 44 of the Code of Federal Regulations. These superseded OMB Circulars and guidance, including 44 C.F.R. Part 13, will continue to apply to Federal awards made under emergency or major disaster declarations declared prior to December 26, 2014.

44 CFR § 206.205(b)(1) - *Large projects* states, “The Grantee shall make an accounting to the Regional Administrator of eligible costs for each approved large project. In submitting the accounting the Grantee shall certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project have been made in accordance with 2 CFR 200.305, Payments. Each large project shall be submitted as soon as practicable after the subgrantee has completed the approved work and requested payment.”

A-133 Subpart C § .300 (b) – *Auditee responsibilities* states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

Applicable to FEMA-4256:

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2 CFR § 200.303 (a) – *Internal Control* states, “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Applicable to both disasters: A component objective of an effective internal control system is to ensure accurate and reliable information through a process of proper review and approval.

Condition and Context: For our sample of 21 out of 72 payments for **large projects** made to subgrantees, we noted the following:

- Three payments made to a subgrantee without the *Project Certification Report* being completed.
- Two State extensions on projects for which the associated Project Worksheets (PW) were not maintained, and therefore we were unable to determine if they were approved.

Cause: The Department did not follow established practices by completing the Project Certification Report (validating the costs) prior to the subgrantee payment, and extending or maintaining State approved extensions.

Effect: When payments are issued prior to the completion of the *Project Certification Report* the costs reimbursed may not have been incurred by the subgrantee or may not be supported. In addition, a subgrantee could potentially not receive the correct federal share of the payment. Lastly, without maintaining State approved extensions we are unsure if the PW should have been extended.

Recommendation: We recommend the Department follow established procedures to ensure that the *Project Certification Report* is completed for all large projects prior to payment to ensure subgrantee reimbursements are adequately supported. In addition, we recommend the Department ensure all State approved extensions are maintained.

Views of Responsible Official(s)

Contact Person: Alden Greybill and Mike Teague

Anticipated Completion Date: 05-31-2018

Corrective Action Planned: The Oklahoma Department of Emergency Management (OEM) concurs with the finding. Please refer to the corrective action plan on page 106.

FINDING NO: 2017-028 (Repeat 2016-003)

STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance

FEDERAL AWARD NUMBER: FEMA-1712, FEMA-1883, FEMA-1970, FEMA-1989, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299

FEDERAL AWARD YEAR: 2016/2017

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria:

Applicable to FEMA-1712, FEMA-1883, FEMA-1970, FEMA-1989, FEMA-4064, FEMA-4109, & FEMA-4117: FEMA Public Assistance Program Interim Guidance on 2 CFR Part 200: *VI Guidance Details* states, “On December 26, 2014, DHS adopted, in its entirety, 2 C.F.R. Part 200 through 79 FR 75871, which supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidance, including 2 C.F.R. Parts 215, 220, 225, and 230); OMB Circulars A-89, A-102, and A-133; and the guidance in OMB Circular A-50 on Single Audit Act follow-up. At the same time, FEMA removed Part 13 from Title 44 of the

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Code of Federal Regulations. These superseded OMB Circulars and guidance, including 44 C.F.R. Part 13, will continue to apply to Federal awards made under emergency or major disaster declarations declared prior to December 26, 2014.

44 CFR § 13.26 – *Non-Federal audit* states, “(a) *Basic rule*: Grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507); 31 U.S.C. 503, 1111; Executive Order 8248; Executive Order 11541; and revised OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” The audits shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial audits. (b) *Subgrantees*: State or local governments, as those terms are defined for purposes of the Single Audit Act Amendments of 1996, that provide Federal awards to a subgrantee, which expends \$500,000 or more (or other amount as specified by OMB) in Federal awards in a fiscal year, shall: (1) Determine whether State or local subgrantees have met the audit requirements of the Act and whether subgrantees covered by OMB Circular A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,” have met the audit requirements of the Act. Commercial contractors (private for-profit and private and governmental organizations) providing goods and services to State and local governments are not required to have a single audit performed. State and local governments should use their own procedures to ensure that the contractor has complied with laws and regulations affecting the expenditure of Federal funds; (2) Determine whether the subgrantee spent Federal assistance funds provided in accordance with applicable laws and regulations. This may be accomplished by reviewing an audit of the subgrantee made in accordance with the Act, Circular A-110, or through other means (e.g., program reviews) if the subgrantee has not had such an audit; (3) Ensure that appropriate corrective action is taken within six months after receipt of the audit report in instance of noncompliance with Federal laws and regulations; (4) Consider whether subgrantee audits necessitate adjustment of the grantee's own records; and (5) Require each subgrantee to permit independent auditors to have access to the records and financial statements.”

Applicable to FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, & FEMA-4299:

2 CFR § 200.501 - *Audit requirements* states, “(a) *Audit required*. A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.”

Condition and Context: The Department did not have an adequate controls in place to track the subgrantees that expend over \$750,000 in total federal expenditures from all agencies for a given year.

Cause: The Department does not have procedures/internal controls in place to ensure that subgrantees expenditures are being tracked for a given fiscal year. For Public Assistance grant funds the department failed to track what subgrantees had an approved Project Worksheet(s) (PW) and the associated expenditures for that same fiscal year.

Effect: The Department may be unaware of potential subgrantee Single Audits with noncompliance issues related to the Public Assistance program. In addition, the Department may fail to ensure that the subgrantee took appropriate corrective action on findings within the required timeframe.

Lastly, based on the current process the Department was getting audits from the subgrantees that were not Single Audit in nature.

Recommendation: We recommend the Department develop policies and procedures/internal controls to ensure that all subgrantees subject to Single Audit requirements are tracked.

Views of Responsible Official(s)

Contact Person: Daniel Piltz, Brianna Thomas, and Sandy Henry

Anticipated Completion Date: 05-31-2018

Corrective Action Planned: The Oklahoma Department of Emergency Management (OEM) concurs with the finding. Please refer to the corrective action plan on page 106.

FINDING NO: 2017-046 (Repeat 2016-044)

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STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: FEMA-1754, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274

FEDERAL AWARD YEAR: 2016 / 2017

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$0

Criteria: 31 CFR § 205.33 (a) states, “A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.”

A-133 Subpart C § .300 (b) – *Auditee responsibilities* states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

2 CFR § 200.303(a) – *Internal Controls* states in part, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

44 CFR § 207.5(b)(4) – *Determination of management cost funding – Lock-in – Rates* – states in part, . . . “For major disaster declarations on or after November 13, 2007, the PA rate is 3.34 percent.”

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information. In addition, a key element of internal controls is the performance of a reconciliation of funds between the agency and external records. The reconciliation process is essential because it ensures that accounting records are accurate and errors are detected and corrected in a timely manner.

Condition and Context: When testing our sample of seven (7) draws out of a total population of 28 draws, it appears that the Department was unable to support one (1) management draw on June 28, 2017 in the amount of \$2,324,901.03 for disasters 1754-PA, 4117-PA, 4222-PA, 4247-PA, 4256-PA, and 4274-PA. In addition, without supporting documentation showing that each disaster has been reconciled, we were unable to determine if the 3.34 % maximum for management costs were exceeded for any disaster(s).

Cause: The Department did not have procedures/internal controls in place to ensure that funds drawn/expended for management costs were reconciled over the life of the disasters to ensure compliance with 44 CFR § 207.5(b)(4).

Effect: The Department could make management draws for amounts that are not owed to the Department if they are exceeding the requirements of 44 CFR § 207.5(b)(4) for any disaster.

Recommendation: We recommend the Department develop policies and procedures/internal controls to ensure funds drawn/expended for management costs are reconciled to ensure compliance with federal guidelines.

Views of Responsible Official(s)

Contact Person: Brianna Thomas

Anticipated Completion Date: 05-31-2018

Corrective Action Planned: The Oklahoma Department of Emergency Management (OEM) concurs with the finding. Please refer to the corrective action plan on page 106.

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FINDING NO: 2017-048 (Repeat 2016-012)

STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance

FEDERAL AWARD NUMBER: FEMA-1677, FEMA-1678, FEMA-1707, FEMA-1712, FEMA-1718, FEMA-1735, FEMA-1754, FEMA-1775, FEMA-1803, FEMA-1823, FEMA-1876, FEMA-1883, FEMA-1917, FEMA-1926, FEMA-1970, FEMA-1985, FEMA-1988, FEMA-1989, FEMA- 4064, FEMA-4109, FEMA-4117, FEMA-4164, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299.

FEDERAL AWARD YEAR: 2016/2017

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: The instructions for SF-425 for line 10b – *Cash Disbursements* states, “enter the cumulative amount of Federal fund disbursements by the grantee (such as cash or checks) as of the reporting period end date. Disbursements are the sum of actual cash disbursements (of Federally authorized funds) for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments (of Federally authorized funds) made to subrecipients and contractors.”

The instructions for SF-425a for line 10b – *Cumulative Federal Cash Disbursements* states, “enter the cumulative amount of the Federal share of cash disbursed for each award. Cash disbursements are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to subrecipients and contractors.”

The instructions for SF-425 and SF-425a for line 10c – *Cash on Hand* states, “In computing the total amount of Cash on Hand for its Federal awards in the aggregate, a recipient must exclude any negative balance of Federal Cash on Hand for an individual award or for a group of awards paid through a consolidated payment request.”

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information. In addition, a key element of internal controls is the performance of a reconciliation of funds between the agency and external records. The reconciliation process is essential because it ensures that accounting records are accurate and errors are detected and corrected in a timely manner.

Condition and Context: The Department is responsible for reporting cumulative disbursements (line 10b) for each open disaster on the SF-425 and SF-425a quarterly to FEMA. We compared the amounts reported on the SF-425a and SF-425 at 9/30/16, 12/31/16, 3/31/17, and 6/30/17 and noted the following variances for the disasters reported on:

Recipient Account Number	1st Quarter Ending 9/30/16			2nd Quarter Ending 12/31/16		
	SF-425a Cumulative Federal Cash Disbursements	SF-425 Cash Disbursements (Line 10b.)	Disbursement Variances (SF425a-SF425)	SF-425a Cumulative Federal Cash Disbursements	SF-425 Cash Disbursements (Line 10b.)	Disbursement Variances (SF425a-SF425)
1623-PA			-			
1677- PA		6,768,439.14	(6,768,439.14)			
1678-PA			-			
1707-PA					5,918,785.05	(5,918,785.05)
1712-PA	23,874,249.30	23,874,249.30	-	23,872,291.42	23,874,249.30	(1,957.88)
1718-PA	17,751,999.41	17,751,999.41	-	17,751,999.41	17,751,999.41	-
1735-PA	98,996,014.97	98,996,014.97	-	98,996,014.97	98,996,014.97	-
1754-PA	20,333,175.05	20,333,175.05	-	20,333,175.05	20,333,175.05	-
1756-PA						
1775-PA		9,638,507.73	(9,638,507.73)		9,638,507.73	(9,638,507.73)
1803-PA		6,149,283.51	(6,149,283.51)		6,149,283.51	(6,149,283.51)
1820-PA						
1823-PA	9,203,600.91	9,203,600.91	-	9,203,00.91	9,203,600.91	-

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1876-PA	18,063,583.71	18,063,583.71	-	18,063,583.81	18,063,583.71	0.10
1883-PA	112,753,966.82	112,753,966.82	-	112,753,966.82	112,753,966.82	-
1917-PA	5,997,664.40	5,997,664.40	-	5,997,664.40	5,997,664.40	-
1926-PA	3,363,736.78	3,363,736.78	-	3,363,736.78	3,363,736.78	-
1970-PA	3,740,646.02	3,740,646.02	-	3,740,646.02	3,740,646.02	-
1985-PA					3,490,382.10	(3,490,382.10)
1988-PA	3,860,283.53	3,860,283.53	-	3,860,283.53	3,860,283.53	-
1989-PA	7,213,170.33	7,213,170.33	-	7,213,170.33	7,213,170.33	-
4064-PA	2,723,747.68	2,723,747.68	-	2,723,747.68	2,723,747.68	-
4109-PA	46,286,045.33	46,286,045.33	-	46,286,045.33	46,286,045.33	-
4164-PA	3,990,899.35	3,990,899.35	-	3,947,030.06	3,990,899.35	(43,869.29)
4117-PA	42,722,783.54	42,722,783.54	-	42,722,783.54	42,722,783.54	-
4222-PA	40,904,876.48	40,904,876.48	-	44,746,302.24	40,904,876.48	3,841,425.76
4247-PA	15,682,514.76	15,682,514.76	-	15,904,876.37	15,682,514.76	222,361.61
4256-PA	7,078,261.86	7,078,261.86	-	9,582,355.77	7,078,261.86	2,504,093.91
4274-PA						
4299-PA						
4315-PA						
Totals	484,541,220.23	507,097,450.61	(22,556,230.38)	491,063,274.44	509,738,178.62	(18,674,904.18)

Recipient Account Number	3rd Quarter Ending 3/31/17			4th Quarter Ending 6/30/17		
	SF-425a Cumulative Federal Cash Disbursements	SF 425 Cash Disbursements (Line 10b.)	Disbursement Variances (SF425a-SF425)	SF-425a Cumulative Federal Cash Disbursements	SF-425 Cash Disbursements (Line 10b.)	Disbursement Variances (SF425a- SF425)
1623-PA						
1677- PA						
1678-PA					75,910,130.60	(75,910,130.60)
1707-PA						
1712-PA	24,194,919.43	23,874,249.30	320,670.13		23,874,249.30	(23,874,249.30)
1718-PA		17,751,999.41	(17,751,999.41)			
1735-PA		98,996,014.97	(98,996,014.97)		98,911,591.97	(98,911,591.97)
1754-PA		20,333,175.05	(20,333,175.05)	20,399,506.88	20,399,506.88	-
1756-PA						
1775-PA		9,638,507.73	(9,638,507.73)		9,688,895.06	(9,688,895.06)
1803-PA						
1820-PA						
1823-PA		9,203,600.91	(9,203,600.91)		9,203,600.91	(9,203,600.91)
1876-PA		18,063,583.71	(18,063,583.71)		18,063,583.71	(18,063,583.71)
1883-PA	116,157,777.48	112,753,996.82	3,403,780.66	116,236,678.67	116,236,678.67	-
1917-PA	5,997,664.40	5,997,664.40	-		5,997,664.40	(5,997,664.40)
1926-PA	3,363,736.78	3,363,736.78	-		3,363,736.78	(3,363,736.78)
1970-PA		3,741,062.14	(3,741,062.14)	4,872,861.62	4,872,861.62	-
1985-PA						
1988-PA		3,860,283.53	(3,860,283.53)		3,860,283.53	(3,860,283.53)
1989-PA	7,221,515.88	7,221,515.88	-		7,221,515.88	(7,221,515.88)
4064-PA	2,732,177.40		2,732,177.40	2,732,177.40	2,732,177.40	-
4109-PA	57,578,935.48		57,578,935.48	57,621,789.89	57,621,789.89	-
4164-PA	3,947,030.06		3,947,030.06		3,947,030.06	(3,947,030.06)
4117-PA	43,014,270.60		43,014,270.60	43,305,757.66	43,305,757.66	-
4222-PA*	45,071,305.67		45,071,305.67	47,821,153.68	47,821,153.68	-
4247-PA*	16,776,504.77		16,776,504.77	21,569,324.27	22,878,267.80	(1,308,943.53)
4256-PA*	23,391,600.56		23,391,600.56	27,685,823.17	42,903,516.59	(15,217,693.42)
4274-PA	212,217.84		212,217.84	407,868.41	406,110.25	1,758.16
4299-PA*				241,209.56	241,209.56	-
4315-PA					-	-
Totals	349,659,656.35	334,799,390.63	14,860,265.72	342,894,151.21	619,461,312.20	(276,567,160.99)

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In addition, the agency completed line 10c of the SF-425 incorrectly on 4 (as indicated by * above next to Recipient Account Number) reports submitted by reporting the Cash on Hand amount at less than zero. Also, the agency completed line 10c of the SF-425a for quarter ending 9/30/16 incorrectly by reporting the Cash on Hand amount at less than zero.

Lastly, to determine what cumulative cash disbursements should have been we took last year's total at 6/30/16 of \$552,842,527.76 plus 2017 subrecipient payments of \$68,819,301.41; plus 2017 administrative draws of \$2,371,042.79; for a 6/30/17 cumulative expenditure total of \$624,032,871.96.

Cause: The Department stated they were removing legacy disasters from the SF-425 and SF-425a when all funds had been expended and the disasters were closed. However, they were not consistent in removing the disasters from both reports resulting in the variances noted above. In addition, the Department did not have controls in place to ensure the SF-425 and SF-425a were reconciled on a quarterly basis prior to submission to FEMA.

Effect: We were unable to determine what the cumulative expenditures should have been since the Department did not consistently apply the removal of legacy grants from both reports.

Recommendation: We recommend the Department of Emergency Management develop policies and procedures/internal controls to ensure that the amounts and disasters reported on the SF-425 and SF-425a are calculated in accordance with the instructions for each report and agree to the accounting records. Also, we recommend the Department perform an adequate and timely reconciliation of SF-425a and SF-425 prior to submitting to FEMA.

Views of Responsible Official(s)

Contact Person: Sandy Henry

Anticipated Completion Date: 06-30-2018

Corrective Action Planned: The Oklahoma Department of Emergency Management (OEM) concurs with the finding. Please refer to the corrective action plan on page 106.

OKLAHOMA EMPLOYMENT SECURITY COMMISSION

FINDING NO: 2017-032

FEDERAL AGENCY: U.S. Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-27997-16-55-A-40 and UI-29862-17-55-A-40

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 2 CFR §200.303(a) states in part, "The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Condition and Context: We tested two of the four ETA 581 quarterly reports submitted in SFY 2017 and noted that values reported on the 6/30/17 ETA 581 quarterly report did not agree to supporting data. Additionally, lines 101 through 404 of the 9/30/16 ETA 581 report could not be tested because supporting data was not available.

Cause: The Agency's reporting process did not ensure that the values reported on the ETA 581 report agreed to supporting data. Additionally, the Agency failed to maintain supporting data related to the September 30, 2017 report.

Schedule of Findings And Questioned Costs

Effect: Information reported to the U.S. Department of Labor (USDOL) Employment and Training Administration may be incorrect.

Recommendation: We recommend OESC perform procedures to validate the information reported on the ETA 581 report. We also recommend OESC maintain relevant data supporting all ETA 581 reports submitted to the USDOL.

Views of Responsible Official(s)

Contact Person: Pete Shipman, CIO

Anticipated Completion Date: 04/19/2018

Corrective Action Planned: The Oklahoma Employment Security Commission partially concurs with the finding. Please refer to the corrective action plan on page 108.

FINDING NO: 2017-055

FEDERAL AGENCY: U.S. Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-27997-16-55-A-40 and UI-29862-17-55-A-40

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Special Tests and Provisions

QUESTIONED COSTS: \$0

Criteria: 2 CFR Part 200.303(a) states, “The Non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

42 U.S. Code § 503 (a) (11) states, “The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by the Secretary of Labor under the Federal Unemployment Tax Act [26 U.S.C. 3301 et seq.], includes provision for -

- (A) At the time the State agency determines an erroneous payment from its unemployment fund was made to an individual due to fraud committed by such individual, the assessment of a penalty on the individual in an amount of not less than 15 percent of the amount of the erroneous payment; and
- (B) The immediate deposit of all assessments paid pursuant to subparagraph (A) into the unemployment fund of the State.”

40 O.S. § 2-613 (1) states, “Fraud overpayment: in which an individual intentionally makes a false statement or representation or fails to disclose a material fact, and has received any sum as benefits to which the individual was not entitled. The individual shall be liable to repay this sum, plus a penalty of twenty-five percent (25%) of the amount of the original overpayment and interest at the rate of one percent (1%) per month on the unpaid balance of the overpayment, to the Oklahoma Employment Security Commission. Three-fifths (3/5) of the penalty amount collected shall be deposited in the Unemployment Trust Fund for the State of Oklahoma and the remaining two-fifths (2/5) shall be deposited in the Oklahoma Employment Security Commission Revolving Fund. The interest shall cease to accrue when the total accrued interest equals the amount of the overpayment. If an overpayment is modified, the interest shall cease to accrue when the total accrued interest equals the amount of the modified overpayment. The Commission shall deduct the principal sum from any future benefits payable to the individual;”

Per 2 CFR Part 200, Appendix XI (Compliance Supplement) Part 4 –Unemployment Insurance: UI Program Integrity (Part N5), “The Bipartisan Budget Act of 2013 (Pub. L. No. 113-67) amended Section 303 of the Social Security Act to require States to utilize the Treasury Offset Program (TOP), authorized by Section 6402(f)(4), Internal Revenue Code, to recover overpayments that remain uncollected one year after the debt was determined to be due.”

Condition and Context: During SFY 2017, the Agency failed to assess and collect penalties applicable to overpayments that were due to fraud. Additionally, the Agency did not take action under section 6402(f) of the

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Internal Revenue Code of 1986 to recover debt resulting from fraudulent overpayments determined to be uncollected after 1 year by participating in the Treasury Offset Program of the U.S. Department of Treasury.

Cause: The Agency does not have an adequate system in place to ensure compliance with 40 O.S. § 2-613 (1). Additionally, the Agency did not enter into an agreement to collect overpayments via the Treasury Offset Program, and the Agency's procedures are not designed to maximize the collection of unemployment compensation debt that remained uncollected one year after the debt was determined to be due.

Effect: The Agency is not in compliance with the criteria above. Additionally, overpayments are not properly recovered and the program may be losing funds by not participating in the Treasury Offset Program.

Recommendation: We recommend the Agency design its system to ensure compliance with 40 O.S. § 2-613 (1) to include the assessment of a 25% penalty applicable to fraud overpayments with 3/5 of the penalty amount collected being deposited into the Unemployment Trust Fund. Additionally, we recommend the Agency take immediate action to enter into an agreement with the U.S. Department of the Treasury to participate in the Treasury Offset Program in accordance with 26 U.S.C. 6402(f) and design its procedures to maximize the collection of unemployment compensation debt related to fraudulent overpayments that remain uncollected one year after the debt was determined to be due.

Views of Responsible Official(s)

Contact Person: Shalonda Sanders and Pete Shipman

Anticipated Completion Date: 4/18/2019

Corrective Action Planned: The Oklahoma Employment Security Commission concurs with the finding. Please refer to the corrective action plan on page 108.

FINDING NO: 2017-056

FEDERAL AGENCY: U.S. Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-27997-16-55-A-40 and UI-29862-17-55-A-40

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Special Tests and Provisions

Criteria: 2 CFR §200.303(a) states, "The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

40 O.S. §2-613 states in part, "An overpayment of unemployment benefits shall be classified in one of three ways with recovery and recoupment to be conducted. . . ." The three classifications of overpayments listed are fraud overpayment, claimant error overpayment, and administrative overpayment.

Condition and Context: For 6 out of 51 overpayments tested from a population of 7,844, the reason code was improperly identified as "employer errors".

Cause: The Agency's procedures did not ensure consistent and accurate classification of overpayments processed in SFY 2017.

Effect: Improper classification of overpayments will lead to improper handling of these payments and inaccurate assessment of required penalties and interest.

Recommendation: We recommend the Agency review and correct its current procedures to ensure accurate and consistent classification of overpayments.

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Views of Responsible Official(s)

Contact Person: Shalonda Sanders

Anticipated Completion Date: 06/15/2018

Corrective Action Planned: The Oklahoma Employment Security Commission concurs with the finding. Please refer to the corrective action plan on page 108.

OKLAHOMA HEALTH CARE AUTHORITY

FINDING NO: 2017-002 (Repeat 2016-004)

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.767; 93.778

FEDERAL PROGRAM NAME: Children's Health Insurance Program (CHIP); Medicaid Cluster (MAP)

FEDERAL AWARD NUMBER: 1605OK5021 and 1705OK0301; 1605OK5MAP and 1705OK5MAP

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility (MAP only)

Criteria: 45 CFR §75.303 states, "The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

The GAO Standards for Internal Control in the Federal Government 10.13 states, in part, "Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties."

Adequate internal controls over access and accountability for resources include (1) limiting access to resources and records to authorized individuals and (2) assigning and maintaining accountability for the custody and use of resources.

Adequate internal controls over separation of duties and supervision include separating key duties and responsibilities in authorizing, processing, recording, and reviewing official agency transactions.

Condition and Context: The Independent Service Auditor's Report on the Service Organization's System (SOC-1) for the period of September 1, 2015 to August 31, 2016 indicated (1) a segregation of duties control issue related to the organization and administration control objective and related controls for transaction processing; and (2) control issues related to the application, operating system and database development and maintenance and access to data and programs control objectives and related controls for the general computer controls.

The SOC-1 for the period of September 1, 2016 to August 31, 2017 indicated control issues related to the job scheduling and access to data and programs control objectives and related controls for the general computer controls.

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Cause: There was a lack of segregation of duties over the production changes within the application. However, change requests, implemented by developers who promoted their own changes during the period of examination were approved prior to implementation of each change.

The Service Organization did not ensure users were restricted only to either development or production access in the job scheduling.

The Service Organization did not ensure active users had appropriate access or terminated users were eliminated from the access to data and programs. Inappropriate user access increases the risk of waste, loss, unauthorized use or misappropriation of State and/or Federal funds.

Effect: Lack of segregation of duties over the production changes within the application, access to both development and production, and inappropriate use access increase the risk of waste, loss, unauthorized use or misappropriation of State and/or Federal funds.

Recommendation: We recommend the Authority continue to follow-up with the service organization and ensure noted deficiencies are addressed and corrective actions noted in the SOC-1 report are implemented in a timely manner.

Views of Responsible Official(s)

Contact Person: Josh Richards

Anticipated Completion Date: March 31, 2018

Corrective Action Planned: The Oklahoma Health Care Authority concurs with the finding. Please refer to the corrective action plan on page 111.

Auditor Response: The Authority indicated in its corrective action plan that the deficiencies noted in the SOC-1 report were followed-up on with their service provider and corrective actions were implemented. These corrective actions occurred outside the audit period. Therefore, no determinations on the corrections were made.

FINDING NO: 2017-004 (Repeat 2016-008)

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster (MAP)

FEDERAL AWARD NUMBER: 1605OK5MAP and 1705OK5MAP

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles; Eligibility

QUESTIONED COSTS: \$1,312

Criteria: 42 CFR §435.916(b) states, “The agency must re-determine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income under §435.603(j) of this part, for circumstances that may change, at least every 12 months”.

42 CFR §431.10(c)(2) states, “The Medicaid agency may delegate authority to make eligibility determinations or to conduct fair hearings under this section only to a government agency which maintains personnel standards on a merit basis.”

42 CFR §431.10(c)(3)(ii) states in part, “The Medicaid agency must exercise appropriate oversight over the eligibility determinations and appeals decisions made by such agencies ...”

45 CFR §75.303 states, “The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government”

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issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Additionally, a component objective of generally accepted accounting principles is to provide accurate and reliable information.

Condition and Context: The Authority delegates the Oklahoma Department of Human Services (DHS) to determine eligibility for non-MAGI (modified adjusted gross income) recipients. For one of the 80 (1.25%) non-MAGI recipients of Medical Assistance Program payments tested, a redetermination of Medicaid eligibility had not been performed within 12 months of the last eligibility determination or redetermination and benefits were not discontinued after the period of eligibility expired. The recipient was ineligible for a portion of state fiscal year 2017. For five of the 80 (6.25%) non-MAGI recipients of Medical Assistance Program payments tested, the recipient passed away during our audit period; however, the recipient had claims paid with date of service after their date of death. The universe included 241,645 non-MAGI recipients with medical expenditures totaling \$2,601,060,240. Payments for medical expenditures for recipients sampled totaled \$2,058,696. Questioned costs include all payments to those six recipients within the time period for which they were ineligible during SFY 2017. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$2,186, of which \$1,312 (\$2,186 times the applicable Federal Medical Assistance Percentage (FMAP) rate (60.99% for the exception claims in the first quarter/59.94% for the claims in the second, third, and fourth quarters) for each exception claim is the federal questioned costs.

Cause: The Authority did not exercise appropriate oversight over the eligibility determinations made by DHS to ensure adequate controls are in place to properly close ineligible cases.

Effect: The Authority may be paying for services for which the recipient is not entitled.

Recommendation: We recommend the Authority investigate the recipients identified and, if considered necessary, recoup any funds paid to providers for services that the recipients were not entitled to. We also recommend the Authority take steps to ensure proper oversight over DHS eligibility determinations in order to identify and timely close any ineligible cases.

Views of Responsible Official(s)

Contact Person: Josh Richards

Anticipated Completion Date: June 1, 2018

Corrective Action Planned: The Oklahoma Health Care Authority concurs with the finding. Please refer to the corrective action plan on page 111.

FINDING NO: 2017-005

STATE AGENCY: Oklahoma Health Care Authority (OHCA)

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.767; 93.778

FEDERAL PROGRAM NAME: Children’s Health Insurance Program (CHIP); Medicaid Cluster (MAP)

FEDERAL AWARD NUMBER: 1605OK5021 and 1705OK0301; 1605OK5MAP and 1705OK5MAP

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles; Matching; Reporting

Criteria: 45 CFR §75.303(a) states, “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

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The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government section OV4.01 states, “Management may engage external parties to perform certain operational processes for the entity, such as accounting and payroll processing, security services, or health care claims processing. For the purpose of the Green Book, these external parties are referred to as service organizations. Management, however, retains responsibility for the performance of processes assigned to service organizations.”

The GAO Standards for Internal Control in the Federal Government section 11.05 states, “Management also evaluates information processing objectives to meet the defined information requirements. Information processing objectives may include ...completeness, accuracy, and validity.”

The GAO Standards for Internal Control in the Federal Government section 15.04 states, “Management receives information through reporting lines from external parties. Information communicated to management includes significant matters relating to risks, changes, or issues that impact the entity’s internal control system. This communication is necessary for the effective operation of internal control. Management evaluates external information received against the characteristics of quality information and information processing objectives and takes any necessary actions so that the information is quality information.”

OHCA’s RMTS Operations Guide states in part, “Surveys not responded to within 48 hours are counted as “nonresponses” and do not contribute to the time study.” In addition, “OHCA calculates the quarterly results based on the total number of moments received, minus the non-responses. Non-responses are excluded for the denominator and are not coded to any activity.”

OHCA’s Cost Allocation Plan states, “The OHCA Federal Reporting Unit will be responsible for coordinating the preparation and revision of the Cost Allocation Plan, the accumulation of all administrative costs, overseeing the collection of data necessary for allocations, and distribution using generally accepted accounting procedures of those costs as described in the plan.”

Condition and Context: For the four quarters during state fiscal year (SFY) 2017, 15 surveys were submitted over 48 hours after being received and appeared to be included in the detailed data provided by the service organization (Interactive Voice Applications (IVA)) that supports the RMTS. This would result in an incorrect amount of surveys being used to calculate the RMTS allocation percentages. In addition, we tested the RMTS allocation results for all four quarters of SFY 2017 and noted that administrative costs were allocated incorrectly by IVA. OHCA did not evaluate IVA’s allocation to ensure complete, accurate and valid information was available before using the information to prepare the CMS-64 Report. The RMTS survey total used for the 529 statistic allocations based on those RMTS percentages were incorrect.

We also noted that a line item was included in the June 2017 quarterly CapPlus report, but was not included in the corresponding RMTS survey summary report. Without that line item being included in the survey summary report, we could not determine if the survey was answered on time.

Cause: The quarterly RMTS results from IVA were not reviewed by OHCA before inclusion on the CMS-64 Report.

Effect: Total administrative expenditures in the subsequent cost allocation calculations were misstated causing an immaterial misstatement on the CMS 64 Reports.

Recommendation: We recommend the Authority utilize check figures relating to the RMTS cost allocation spreadsheets to prevent or detect errors. We also recommend the Authority review the current procedures in place to determine where any additional breakdowns in the internal control processes occurred and implement the necessary procedures to ensure compliance with Federal reporting requirements for accurate reporting of administrative costs on the CMS-64 Report in the future.

Views of Responsible Official(s)

Contact Person: Susan Crooke

Anticipated Completion Date: Completed December 2017 quarter (FFY18)

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Corrective Action Planned: The Oklahoma Health Care Authority concurs with the finding. Please refer to the corrective action plan on page 111.

FINDING NO: 2017-033 (Repeat 2016-006)

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster (MAP)

FEDERAL AWARD NUMBER: 1605OK5MAP and 1705OK5MAP

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles; Matching

QUESTIONED COSTS: \$45

Criteria: 45 CFR §75.403 (Subpart E) states in part, “Costs must...

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, and (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.”

Condition and Context: Medical payments are either direct medical payments that are initiated by the provider, or are indirectly related to medical claims and are not initiated by the provider, such as the cost of non-emergency transportation to appointments or capitation payments to primary care providers based on the number of enrolled members. Based on a medical professional’s review of 57 direct medical claims initiated by the provider for Medical Assistance Program recipients, two (3.51%) claims had payment errors. One claim was billed using an incorrect rendering provider, while the other claim billed more units than the support documented. For these claims, since the supporting documentation indicated the services provided did not meet Medicaid policy/regulatory requirements and were not adequately supported by medical records or other evidence indicating that the services were actually provided and/or necessary, we will question the costs. The universe included 24,178,498 direct medical payments totaling \$4,045,332,849. Payments for direct medical expenditures sampled totaled \$40,056. Payments for direct medical expenditures with non-compliance noted in the sample totaled \$74, of which \$45 (\$74 times the applicable Federal Medical Assistance Percentage (FMAP) rate (60.99% for the exception claim in the first quarter/59.94% for the claim in the second quarter) for each exception claim is the federal questioned costs.

Cause: One (1) claim submitted by a provider was not appropriately supported by medical records, and one (1) claim had documentation submitted to the Authority which indicated an incorrect provider number.

Effect: The Authority may be paying for services that are not being performed or are not medically necessary

Recommendation: We recommend the Authority investigate the items identified and, if considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

Contact Person: Josh Richards

Anticipated Completion Date: June 30, 2018

Corrective Action Planned: The Oklahoma Health Care Authority concurs with the finding. Please refer to the corrective action plan on page 111.

FINDING NO: 2017-034 (Repeat 2016-007)

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.767

FEDERAL PROGRAM NAME: Children’s Health Insurance Program

FEDERAL AWARD NUMBER: 1605OK5021 and 1705OK0301

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles; Matching

QUESTIONED COSTS: \$122

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Criteria: 45 CFR §75.403 (Subpart E) states in part, “Costs must...

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, and (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.”

Condition and Context: Medical payments are either direct medical payments that are initiated by the provider, or are indirectly related to medical claims and are not initiated by the provider, such as the cost of non-emergency transportation to appointments or capitation payments to primary care providers based on the number of enrolled members. Based on a medical professional’s review of 70 direct medical claims initiated by the provider for Children’s Health Insurance Program recipients, three (4.29%) claims had payment errors. For these claims, since the supporting documentation indicated the services provided did not meet Medicaid policy/regulatory requirements and were not adequately supported by medical records or other evidence indicating that the services were actually provided and/or necessary, we will question the costs. The universe included 2,248,310 direct medical payments totaling \$288,903,321. Payments for direct medical expenditures sampled totaled \$21,042. Payments for direct medical expenditures with non-compliance noted in the sample totaled \$128, of which \$122 (\$128 x the applicable Federal Medical Assistance Percentage (FMAP) rate (94.96%) for each exception claim) is the federal questioned costs.

In addition, three (3) claims had documentation errors. For these claims, since the supporting documentation indicated the services provided did meet Medicaid policy/regulatory requirements and were adequately supported by medical records or other evidence indicating that the services were actually provided and/or necessary, we will not question the costs.

Cause: Three (3) claims submitted by a provider were not appropriately supported by medical records, and three (3) claims had documentation submitted to the Authority which were missing an electronic signature.

Effect: The Authority may be paying for services that are not being performed or are not medically necessary

Recommendation: We recommend the Authority investigate the items identified and, if considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

Contact Person: Josh Richards

Anticipated Completion Date: June 30, 2018

Corrective Action Planned: The Oklahoma Health Care Authority concurs with the finding. Please refer to the corrective action plan on page 111.

OKLAHOMA STATE DEPARTMENT OF HEALTH

FINDING NO: 2017-057

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.505; 93.870; 93.917

FEDERAL PROGRAM NAME: Maternal, Infant, and Early Child Home Visits Cluster; HIV Care Grant

FEDERAL AWARD NUMBER: Various

FEDERAL AWARD YEAR: Various

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Level of Effort, Earmarking, Period of Performance, Procurement and Suspension and Debarment, Reporting, Subrecipient Monitoring

QUESTIONED COSTS: \$0.00

Criteria: The Statewide Accounting Manual for the State of Oklahoma in paragraph 70.10.01 states, “Management’s attitude, actions, and values set the tone of an organization, influencing the control consciousness of

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its people. Internal controls are likely to function well if management believes that those controls are important and communicates that view to employees at all levels. If management views internal controls as unrelated to achieving its objectives, or even worse, as an obstacle, this attitude will also be communicated.”

In addition, GAO *Standards for Internal Control in the Federal Government* states the following:

Paragraph 1.02 – “The oversight body and management demonstrate the importance of integrity and ethical values through their directives, attitudes, and behavior”

Paragraph 1.03 – “...The oversight body and management set the tone at the top and throughout the organization by their example, which is fundamental to an effective internal control system...”

Paragraph 1.04 – “The oversight body’s and management’s directives, attitudes, and behaviors reflect the integrity and ethical values expected throughout the entity. The oversight body and management reinforce the commitment to doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws and regulations...”

Paragraph 1.05 – “Tone at the top can be either a driver, as shown in the preceding paragraphs, or a barrier to internal control...”

While the GAO *Standards for Internal Control in the Federal Government* are not required to be implemented at the State government level, this criterion can be treated as best practices.

Condition and Context: Senior management’s actions/behaviors were a barrier to adequate internal control at the agency. Senior management exercised excessive and unreasonable control of financial activities within the agency and disregarded information provided by financial staff. Additionally, senior management overrode established internal controls. Finally, by not establishing an appropriate tone at the top, and overriding internal controls, senior management created an environment that was not conducive to ensuring the operations of OSDH were in the best interest of the state. Examples provided by financial management staff, and corroborated with other employees of the agency, include:

- Internal fiscal year closings were not performed
- Submitted budgets were not supported by historical or expected revenue amounts
- Payroll was not fully posted to OSDH’s internal accounting system
- Information provided by senior management to the Board of Health was not transparent, accurate, or timely

The items noted above are currently being investigated further as part of our separate, ongoing special investigative audit.

Cause: Senior management failed to ensure that fundamental aspects of the established internal control structure were maintained.

Effect: Established internal controls over budgeting and financial reporting do not operate effectively when senior management overrides controls, and information provided to an oversight body (the Board of Health) is not accurate and suitable to enable proper oversight of the agency. Such an environment does not foster an atmosphere of openness, transparency, and integrity. When internal controls do not operate effectively, material misstatements may not be prevented or detected in a timely manner during the financial reporting process.

Recommendation: We recommend interim senior management recognize the risks associated with this type of environment and work with the Board of Health towards evaluating and addressing the situation to ensure the mission of the OSDH is accomplished in the most efficient and positive manner possible. Our separate, special investigative audit has been completed and offered additional recommendations.

Views of Responsible Official(s):

Contact Person: Michael Romero

Schedule of Findings And Questioned Costs

Anticipated Completion Date: Ongoing

Corrective Action Planned: The Oklahoma State Department of Health concurs with the finding. Please refer to the corrective action plan on page 113.

FINDING NO: 2017-058

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.917

FEDERAL PROGRAM NAME: HIV Care Grant

FEDERAL AWARD NUMBER: 6X07HA000048-26 and 6X07HA000048-27

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0.00

Criteria: Per 2 CFR §200.62, “*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports.”

Per 2 CFR §200.510 (b), “*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended....”

Per 2 CFR §200.502 (a), “*Determining Federal awards expended*. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs....”

Condition and Context: The FY 2017 *Schedule of Expenditures of Federal Awards* (SEFA – GAAP Package Z) submitted by the Department to the Office of Management and Enterprise Services (OMES) incorrectly reports the cash basis for federal cash balance at the beginning of the year by \$6,617,824 (should be \$0), total federal revenue by \$-2,069,592 (should be \$1), total federal expenditures by \$1,091,843 (should be \$1), federal cash balance at end of year by \$3,456,390 (should be \$0) for Catalog of Federal Domestic Assistance (CFDA) #93.917.

Cause: It appears the Department calculated the CFDA #93.917 cash basis amounts by including rebates in calculation. Per Federal guidance, the rebates are not considered Federal funds for reporting purposes.

Effect: By incorrectly reporting the amounts in the SEFA, the Federal awarding agency is unable to determine Federal expenditures for the program.

Recommendation: We recommend OMES amend the SFY 2017 SEFA to reflect the correct amounts during SFY 2017. Further, we recommend the Department review the current procedures and implement the necessary procedures to ensure accurate reporting of federal cash balance at the beginning of the year, federal revenue, total federal expenditures, and federal cash balance end of year on the SEFA.

Views of Responsible Official(s):

Contact Person: Kim Bailey, OSDH COO

Anticipated Completion Date: July 1, 2018

Corrective Action Planned: The Oklahoma State Department of Health concurs with the finding. Please refer to the corrective action plan on page 113.

FINDING NO: 2017-059

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.505; 93.870

FEDERAL PROGRAM NAME: Maternal, Infant, and Early Childhood Home Visiting Cluster

Schedule of Findings And Questioned Costs

FEDERAL AWARD NUMBER: D89MC23154, D89MC28275, X01MC28241, X10MC29496, UH4MC30745
FEDERAL AWARD YEAR: 2012, 2015, 2016, 2017
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$0

Criteria: Per 2 CFR §200.62, “*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports.”

Per 2 CFR §200.510 (b), “*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.... At a minimum, the schedule must: (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available....”

Per 2 CFR §200.502 (a), “*Determining Federal awards expended*. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs....”

Condition and Context: The FY 2017 *Schedule of Expenditures of Federal Awards* (SEFA – GAAP Package Z) submitted by the Oklahoma State Department of Health to the Office of Management and Enterprise Services (OMES):

- overstated the cash basis federal expenditure for CFDA #93.505 by \$1,190,425 and understated the cash basis federal expenditure for CFDA #93.870 by \$1,108,611;
- overstated the cash basis federal revenue for CFDA #93.505 by \$815,846 and understated the cash basis federal revenue for CFDA #93.870 by \$831,675; and,
- omitted the Federal grantor for 13 of 41 (31.71%) programs reported.

Cause: The Oklahoma State Department of Health did not list CFDA #93.870 on the SEFA; the federal expenditures and revenue for CFDA #93.505 and CFDA #93.870 were combined under CFDA #93.505. The review process did not detect this error.

Effect: By incorrectly reporting the amounts in the SEFA, the Federal awarding agency is unable to determine Federal expenditures for the program by CFDA number for the cluster. In addition, by not including the Federal grantor incorrect information was reported in the SEFA.

Recommendation: We recommend OMES amend the FY 2017 SEFA to separately report the correct amounts for CFDA #93.870 and CFDA #93.807. Further, we recommend the Oklahoma State Department of Health review the current procedures and implement the necessary procedures to ensure accurate reporting of programs on the SEFA in the future.

Contact Person: Kim Bailey, OSDH COO

Anticipated Completion Date: July 1, 2018

Corrective Action Planned: The Oklahoma State Department of Health concurs with the finding. Please refer to the corrective action plan on page 113.

FINDING NO: 2017-061

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.505; 93.870

FEDERAL PROGRAM NAME: Maternal, Infant, and Early Childhood Home Visiting Cluster

FEDERAL AWARD NUMBER: D89MC23154, D89MC28275, X01MC28241, X10MC29496, UH4MC30745

FEDERAL AWARD YEAR: 2012, 2015, 2016, 2017

Schedule of Findings And Questioned Costs

CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$0

Criteria: 2 CFR §200.62 states in part, “*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports.”

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: The Oklahoma State Department of Health submits Demographic and Service Utilization Data for Enrollees and Children (DGIS-HV) information into the Health Resources and Services Administration’s (HRSA) Electronic Handbooks (EHB). Prior to the submission, the Oklahoma State Department of Health has no review process in place to ensure the DGIS-HV information entered is correct. In addition, OSDH does not maintain the results of the query used to generate the information utilized in the report and is unable to support the amounts reported.

Cause: The agency has not implemented a process to ensure that the supporting documentation for the report is maintained and that the report is reviewed and approved before submission.

Effect: The DGIS-HV information submitted is not adequately supported.

Recommendation: We recommend that the Oklahoma State Department of Health review their DGIS-HV reporting processes and develop procedures to ensure that reports are reviewed prior to submission, contain accurate information, and that supporting documentation is maintained.

Contact Person: Kim Bailey, OSDH COO

Anticipated Completion Date: July 31, 2018

Corrective Action Planned: The Oklahoma State Department of Health concurs with the finding. Please refer to the corrective action plan on page 113.

FINDING NO: 2017-062

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.917

FEDERAL PROGRAM NAME: HIV Care Grant

FEDERAL AWARD NUMBER: 6X07HA00048-26 and 6X07HA00048-27

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

QUESTIONED COSTS: \$0.00

Criteria: 2 CFR 200.302 Financial management. (a) states, “Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.”

2 CFR 200.302 (b)(4) states, “Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

Schedule of Findings And Questioned Costs

Condition and Context: The Department did not maintain separate accounting/fund for the HIV Care Grant (Ryan White program) rebates in the Statewide Accounting System. The rebate funds were comingled with other federal funds in Class Fund 400; therefore, OSDH is unable to support that Ryan White program rebate funds were used in accordance with Federal regulations and the terms and conditions of the Federal award.

Cause: During the implementation of the Statewide Accounting System, no process/class fund was put in place to account for Ryan White program funds independently of other Federal funds.

Effect: Restricted Ryan White rebate funds could be used for purposes unrelated to the Ryan White program.

Recommendation: We recommend the Department establish a separate restricted fund in the Statewide Accounting System for Ryan White program rebates in order to ensure compliance with Federal regulations.

Contact Person: Kim Bailey, OSDH COO

Anticipated Completion Date: July 1, 2018

Corrective Action Planned: The Oklahoma State Department of Health concurs with the finding. Please refer to the corrective action plan on page 113.

FINDING NO: 2017-063

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.505; 93.870

FEDERAL PROGRAM NAME: Maternal, Infant, and Early Childhood Home Visiting Cluster

FEDERAL AWARD NUMBER: D89MC23154, D89MC28275, X01MC28241, X10MC29496, UH4MC30745

FEDERAL AWARD YEAR: 2012, 2015, 2016, 2017

CONTROL CATEGORY: Level of Effort/Earmarking

QUESTIONED COSTS: \$0

Criteria: Per 2 CFR §200.62, “*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program.”

Per 42 U.S. Code § 711, “Funds provided to an eligible entity receiving a grant under this section shall supplement, and not supplant, funds from other sources for early childhood home visitation programs or initiatives.”

Per 42 U.S. Code § 704(d), “Of the amounts paid to a State from an allotment for a fiscal year, not more than 10 percent may be used for administering the funds.”

Condition and Context: We were unable to determine whether OSDH was meeting the Level of Effort - Supplement Not Supplant requirement. OSDH stated that they contribute significant amounts of state funding towards home visiting programs and continues to provide significant funding. However, OSDH was unable to provide any supporting documentation to substantiate they were maintaining non-Federal funding as required.

OSDH was also unable to provide any support documenting that they were tracking the total amount of administrative costs being charged to the program to ensure compliance with the earmarking requirement.

Cause: The Oklahoma State Department of Health did not have proper controls in place to track non-Federal funds being spent on early childhood home visitation programs or initiatives. Also, OSDH did not have proper controls in place to track and monitor administrative costs being charged to early childhood home visitation programs or initiatives.

Schedule of Findings And Questioned Costs

Effect: By not having proper control procedures in place to track non-federal funds OSDH is unable to substantiate they are meeting the supplement not supplant compliance requirement. Without proper controls in place to track and monitor administrative costs OSDH could charge more than the allowable 10% of a grant award to administrative activities.

Recommendation: We recommend the Department implement the necessary process/controls to track non-Federal funds and administrative costs associated with early childhood home visitation programs or initiatives to ensure compliance with Federal regulations.

Contact Person: Kim Bailey, OSDH COO

Anticipated Completion Date: July 31, 2018

Corrective Action Planned: The Oklahoma State Department of Health concurs with the finding. Please refer to the corrective action plan on page 113.

FINDING NO: 2017-065

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.505; 93.870

FEDERAL PROGRAM NAME: Maternal, Infant, and Early Childhood Home Visiting Cluster

FEDERAL AWARD NUMBER: D89MC23154, D89MC28275, X01MC28241, X10MC29496, UH4MC30745

FEDERAL AWARD YEAR: 2012, 2015, 2016, 2017

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR §200.303(a) states in part, “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Per 2 CFR Part 200, Appendix XI (Compliance Supplement) Part 3 – Subrecipient Monitoring, A pass-through entity (PTE) must:

- *Determine Subrecipient Eligibility (applicable to subawards made prior to December 26, 2014)* – Determine whether an applicant for a subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or before award.
- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).
- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:
 1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
 2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

Schedule of Findings And Questioned Costs

3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

2 CFR § 200.501 - *Audit requirements* states, “(a) *Audit required*. A non-Federal entity that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.”

2 CFR § 200.510 – *Financial statements* states, “(b) *Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must (4) Include the total amount provided to subrecipients from each Federal program.”

Condition and Context: For a sample of one out of nine (11.1%) subrecipients, the Department did not maintain adequate documentation to support that every subaward is clearly identified to the subrecipient as a subaward and includes required information.

For a sample of one of nine (11.1%) subrecipients, the Department did not maintain adequate documentation to support that it determined subrecipient eligibility by obtaining the subrecipient’s DUNS number before award.

The Department did not adequately consider whether the results of the subrecipient’s audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity’s own records. Specifically,

- For a sample of two out of thirteen (15.4%) subrecipients, an audit in accordance with Subpart F was not obtained;
- For a sample of four out of nine (44.4%) subrecipients, a site visit was not documented.

The Department did not have adequate controls in place to identify subrecipients subject to reporting on the schedule of expenditures of Federal awards (SEFA). We noted one subrecipient that was improperly excluded from the Department’s SEFA resulting in an understatement of subrecipient expenditures related to CFDA # 93.505 in the amount of \$639,408 and an understatement of subrecipient expenditures related to CFDA # 93.870 in the amount of \$626,629.

Cause: The Department’s control process does not ensure proper documentation is maintained to support the identification of the subaward to the subrecipient, the receipt of subrecipient’s DUNS number, and its monitoring visits.

The Department failed to follow procedures to ensure that subrecipients subject to reporting on the Department’s SEFA were properly included.

The Department requires subrecipients of a multi-year contract to complete an annual *Sub-recipient Contractor’s Questionnaire* for the purpose of identify subrecipients that expect to expend Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements. Subrecipient contracts operating on an extension of the contract period are not subject to the Departments control process.

Effect: OSDH did not identify award requirements to or monitor subrecipients, which may not be aware of the requirements of the program and may not use the subaward for authorized purposes, comply with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)); required single audits of the subrecipient may not have been performed, and possible program findings in single audits that were performed and which the Department did not obtain were not followed up on; and the SEFA information related to the amounts passed to subrecipients was incorrect.

Schedule of Findings And Questioned Costs

Recommendation: We recommend the Department modify its current processes to ensure adequate documentation is maintained related to its identification of subawards, subrecipient monitoring activities, and review of subrecipients' single audit.

Additionally, we recommend the Department review its financial reporting procedures to ensure subrecipients are properly included and reported on the Department's SEFA. Finally, OMES adjust the SEFA to reflect the correct amounts passed to subrecipients for the program in FY 2017.

Contact Person: Kim Bailey, OSDH COO

Anticipated Completion Date: September 1, 2018

Corrective Action Planned: The Oklahoma State Department of Health concurs with the finding. Please refer to the corrective action plan on page 113.

FINDING NO: 2017-066

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.505; 93.870

FEDERAL PROGRAM NAME: Maternal, Infant, And Early Childhood Home Visiting Cluster

FEDERAL AWARD NUMBER: D89MC23154, D89MC28275, X01MC28241, X10MC29496, UH4MC30745

FEDERAL AWARD YEAR: 2012, 2015, 2016, 2017

CONTROL CATEGORY: Activities Allowed/Unallowed and Allowable Costs/Cost Principles

QUESTIONED COSTS: \$289,371

Criteria: 2 CFR 200.405 (d) *Allocable costs* states, "Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, ..., the costs may be allocated or transferred to benefitted projects on any reasonable documented basis."

2 CFR §200.62, "*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: We reviewed the payroll payments recorded in the TE105BDS reports from the OSDH Time and Effort system for all pay periods in SFY 2017 for the MIECHV program identified by the applicable program codes "290", "291", and "293". We then compared the amount from the reports to the amount of payroll recorded in the GraceR20 FISCAL data for applicable funds "400DH", "400DI", "400DK", which agreed to the amounts reported in the SEFA. Based on this comparison, we identified \$289,371 in payroll expenditures charged in the GraceR20 FISCAL data to the MIECHV program that were not supported by the TE105BDS reports.

Cause: The agency did not ensure that amounts allocated in the Grace R20 FISCAL data to the program were reconciled or adjusted to actual costs per the Time and Effort system reports.

Effect: Payroll expenditures charged to the Federal program were in excess of the actual payroll incurred for the program.

Recommendation: We recommend the Department establish procedures to reconcile and adjust the GraceR20 FISCAL data to reflect the actual payroll costs charged to the grant and in the accounting records.

Schedule of Findings And Questioned Costs

Contact Person: Kim Bailey, OSDH COO

Anticipated Completion Date: July 31, 2018

Corrective Action Planned: The Oklahoma State Department of Health concurs with the finding. Please refer to the corrective action plan on page 113.

OKLAHOMA DEPARTMENT OF HUMAN SERVICES

FINDING NO: 2017-008 (Repeat 2016-041)

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low-Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: 2016G992201 (Cooling); 2017G992201 (Heating)

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Activities Allowed or Unallowed; Eligibility

QUESTIONED COSTS: \$695

Criteria: Per OAC 340:20-1-10(c)(3), “There is one authorization for heating or cooling assistance per household.”

Condition and Context: In a sample of 60 of 1,124 duplicated household addresses, 5 households (8.3%) received multiple payments of a given benefit type (heating or cooling).

Cause: The system edits failed to detect that the same household received multiple benefits.

Effect: Households have received benefits in excess of allowable amounts.

Recommendation: We recommend that OKDHS evaluate the system edits in place to ensure the same household does not receive duplicate LIHEAP benefits.

Views of Responsible Official(s)

Contact Person: Casey Killion-Letran

Anticipated Completion Date: 09/30/2018

Corrective Action Planned: The Department of Human Services partially concurs with the finding. Please refer to the corrective action plan on page 118.

FINDING NO: 2017-009

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: 2016G992201 and 2016G992625

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 2 CFR §200.303(a) states in part, “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Instructions for the *LIHEAP Household Report Long Form for FFY'16* state, “The purpose of the LIHEAP Household Report is to report on the number of households assisted with all available LIHEAP funds during FY 2016, including those LIHEAP funds obligated in FY 2015, but not expended until FY 2016. Household data are for the reporting period for FY 2016 (October 1, 2015 – September 30, 2016). Grantees may operate their programs

Schedule of Findings And Questioned Costs

on a different program year (e.g. starting January 1 or July 1). However, complete household data still need to be reported for the reporting period of FY 2016. Final LIHEAP household data for FY 2016 is to be submitted to OCS through ACF's OLDC by Friday, December 16, 2016 in preparation of the Department's LIHEAP Report to Congress for FY 2016"

Condition and Context: Using the LIHEAP benefit data provided by DHS and the LIHEAP Household Report Long Form for FFY16 instructions, we tested the one yearly household report submitted for FFY16. We noted the following:

- The total number of households receiving "any type of LIHEAP assistance" as reported in the FFY16 household report exceeded underlying data by 2,568 households or 2.11% (2,568/121,680)
- 9 of 12 categories listed under Cooling Assisted Household and 4 of 7 categories listed under Cooling Applicant Household exceeded the underlying data

Cooling Assisted HH				
Data Type	HH Report Amount (A)	FFY 2016 LIHEAP Data Amount (B)	Variance (A) – (B)	Variance % (A) – (B) / (A)
Total HH Assisted	89,931	86,008	3,923	4.36%
Under 75% poverty	46,073	43,697	2,376	5.16%
75% - 100% poverty	38,095	36,902	1,193	3.13%
101% - 125% poverty	5,762	5,405	357	6.20%
60 years or older	23,957	23,368	589	2.46%
Disabled	26,260	25,529	731	2.78%
Age 5 years or under	19,158	18,113	1,045	5.45%
Age 2 years or under	11,036	10,368	668	6.05%
Age 3 to 5 years	12,875	12,223	652	5.06%

Cooling Applicant HH				
Data Type	HH Report Amount (A)	FFY 2016 LIHEAP Data Amount (B)	Variance (B) – (B)	Variance % (B) – (B) / (A)
Total HH Assisted	97,959	95,682	2,277	2.32%
Under 75% poverty	49,735	48,369	1,366	2.75%
75% - 100% poverty	40,176	39,520	656	1.63%
101% - 125% poverty	6,854	6,596	258	3.76%

- Household totals related to LIHEAP cooling assistance reported in section III, line 2D (Elderly, disabled, or young child), did not include all households assisted in FFY 2016. Households reported in the category were understated by 22,592 households (53,597 actual - 31,005 reported).
- Final submission of the Household report was submitted late (February 28, 2017).

Cause: The Agency incorrectly included payments after 9/30/2016 in the FFY2016 Household report causing an overstatement in 9 categories of Cooling Assisted HH, 4 categories of Cooling Applicant HH, and the total number of households assisted in FFY 2016.

The Agency did not include all households that received benefits in FFY 2016 and included elderly, disabled, or young children in section III, line 2D of the report.

The agency did not have adequate internal controls in place that should prevent and/or detect misinformation and late submission of the household report.

Effect: The FFY2016 LIHEAP Household Report is not accurate or timely.

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Recommendation: We recommend that OKDHS implement procedures to ensure correct and timely data and cutoff dates are used to complete the LIHEAP Household Report each year and the report is submitted timely in accordance with Federal reporting guidelines. Additionally, we recommend the Department revise the FFY 2016 Household Report to reflect the household counts using a 9/30/2016 cutoff for payments made in FFY 2016 and correct totals related to section III, line 2D (cooling assistance).

Views of Responsible Official(s)

Contact Person: Casey Letran

Anticipated Completion Date: 09/30/2018

Corrective Action Planned: The Department of Human Services does not concur with the finding. Please refer to the corrective action plan on page 118.

Auditor Response: The preliminary household report referred to by the Agency in its corrective action plan was not subjected to audit procedures. Only the FY 2016 Final Household Report was tested and the variances noted in the finding above relate only to the Final FY2016 Household Report.

Per the FY 2016 Household Report instructions as referenced in the criteria above, “household data are for the reporting period for FY 2016 (**October 1, 2015 – September 30, 2016**). Grantees may operate their programs on a different program year (e.g. starting January 1 or July 1). However, complete household data still need to be reported for the reporting period of FY 2016.” Therefore, based on these instructions, only those households with completed applications processed on or prior to September 30, 2016 should be included in the report’s population.

Further, per review of the FY 2017 Household Report instructions, “the purpose of the LIHEAP Household Report is to report on the number of households assisted with all available LIHEAP funds during FY 2017, including those LIHEAP funds obligated in FY 2016, but not expended until FY 2017.” These instructions appear to address those applications described in the response above in that they were pending at September 30, 2016 and still had to be processed and paid after September 30, 2016. Per these instructions, those households should be reported on the FY 2017 report rather than the FY 2016 report.

Additionally, we contacted the Division of Energy Assistance within HHS-ACF for additional clarification on this matter but have not received a response as of the date of our audit report.

FINDING NO: 2017-023 (Repeat 2016-026)

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low-Income Home Energy Assistance Program (LIHEAP)

FEDERAL AWARD NUMBER: 2013G992201 (Cooling); 2017G992201 (Heating/ECAP)

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Eligibility

QUESTIONED COSTS: \$1,105

Criteria: Per 45 CFR § 96.30(a), “Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.”

2 CFR § 200.303(a) states, “The non-Federal entity must establish and maintain internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

OAC 340:20-1-12(6) states, “In order to ensure that payments are made to the correct energy supplier for gas and electricity, the household must provide the account name and number for the appropriate utility bill. For households

Schedule of Findings And Questioned Costs

using gas or electricity, it is necessary to see the household's most recent paid or unpaid bill or to obtain verification from the utility supplier.”

Per Instructions to Staff for OAC 340:20-1-12(2), “A copy of the bill is filed or imaged in the case record, or verification from the energy supplier is recorded in the case record.”

OAC 340:65-1-3 states, “The purposes and objectives of the Oklahoma Department of Human Services (OKDHS) are carried out on a case-by-case basis. The decision on each case must be based on facts, be free of error and prejudice, fair to the person, and within the law and OKDHS policy. The case record is the means used by OKDHS to document the factual basis for decisions.”

Condition and Context: For a sample of 60 of the 77,633 LIHEAP benefits paid during the July 1, 2016 through June 30, 2017 time period we noted:

- Thirteen instances (21.67%) where the energy bill or verification of provider information was not found in the case record. Per discussion with program staff, the agency is in the process of implementing a new policy and staff utilized the draft policy that does not require documentation of the energy bill or provider verification in the case record. However, the official (published) written agency policy still reads as stated in the criteria above. As of March 31, 2018, the new policy had not been published for staff use and therefore is not considered the official written policy of the agency. Based on the household income and size, it appears the households were eligible for the benefit received therefore costs were not questioned. (Questioned Costs \$0)
- Two instances (3.33%) where the name on the supporting energy bill did not match the name on the case. (Questioned Costs \$440)
- Four instances (6.67%) where the count of household members noted on the authorized benefit did not agree to supporting case record information. Case record documentation indicated more household members lived in the household and the additional members were not included in the case and their income was not considered in the eligibility determination. (Questioned Costs: \$665)

Cause: Adequate internal controls are not in place to ensure case records are sufficiently documented to support the eligibility determinations. Additionally, per discussion with program personnel, obtaining the energy bill or verification of provider information caused delays in processing applications therefore the agency policy is being revised.

Effect: The State may be paying ineligible recipients and/or incorrect benefit amounts to recipients. Additionally, benefit payments may be issued for unallowable costs and activities. These conditions may prevent the State from meeting LIHEAP program objectives.

Recommendation: We recommend OKDHS design and implement internal controls to ensure LIHEAP eligibility is adequately documented and properly maintained in the case record. Additionally, we recommend OKDHS provide training to LIHEAP employees stressing the importance of adequately documenting eligibility determinations.

Views of Responsible Official(s)

Contact Person: Casey Killion-Letran

Anticipated Completion Date: 09/30/2018

Corrective Action Planned: The Department of Human Services partially concurs with the finding. Please refer to the corrective action plan on page 118.

Auditor Response:

Bullet #1 – One aspect of an effective internal control structure is current, written agency policy accessible to all staff for use in day to day operations. The agency policy utilized for benefits paid during the August 2016 through February 2017 time period had not been published, was still in proposed form, and contradicted the published policy that was accessible to all staff members. This new policy utilized for SFY17 benefits will not be effective until September 2018 (SFY19). The agency’s use of multiple versions of policy, with some published and some not, does not represent an effective internal control system.

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Bullet #2 and Bullet #3 – Documentation is a necessary part of an effective internal control system and provides the basis for determinations made. When reviewing the case record for the cases questioned, underlying documentation did not fully support the eligibility determinations made at the time the benefits were issued.

FINDING NO: 2017-050

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.658

FEDERAL PROGRAM NAME: Foster Care – Title IV-E

FEDERAL AWARD NUMBER: 1-736017987-E1

FEDERAL AWARD YEAR: 2016 and 2017

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR §200.303(a) states in part, “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Per 2 CFR Part 200, Appendix XI (Compliance Supplement) Part 3 – Subrecipient Monitoring, A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).
- *Evaluate Risk* – Evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:
 1. The subrecipient’s prior experience with the same or similar subawards;
 2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program;
 3. Whether the subrecipient has new personnel or new or substantially changed systems; and
 4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:
 4. Reviewing financial and programmatic (performance and special reports) required by the PTE.
 5. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
 6. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Schedule of Findings And Questioned Costs

Condition and Context: Based on review of four of nine Foster Care subrecipient contracts, we noted OKDHS did not indicate the CFDA title and number, award name and number, award date, amount of the award, contact information for the pass-through entity, if the award is research and development, the name of the Federal Awarding Agency, terms and conditions concerning closeout of subaward, or applicable compliance requirements.

Also, through discussion with Foster Care management, we noted there is no review performed by OKDHS of Foster Care expenditures incurred by each of its subrecipients nor does OKDHS contact its subrecipients to ensure they are administering the award in accordance with the grant requirements. Further, based on review of OIG's database of subrecipients, it appears only two of the nine appear in the database. Therefore, OKDHS does not obtain and review all the single audits of the Foster Care subrecipients as required.

Cause: Management does not appear to be aware of the subrecipient monitoring requirements.

Effect: OKDHS is not in compliance with the criteria above. Additionally, the subrecipient may not be spending federal funds in accordance with program requirements.

Recommendation: We recommend OKDHS immediately implement policies and procedures that would ensure compliance with 2 CFR 200.331. This would include:

- (1) informing subrecipients (current and future) of all necessary information as required by 2 CFR 200.331(a)
- (2) evaluating each subrecipient's risk of material noncompliance with Federal statutes, regulations, and terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring as required by 2 CFR 200.331(b)
- (3) monitoring the activities of the subrecipient by (a) reviewing financial and programmatic reports, (b) following up and ensuring subrecipients take timely and appropriate action on deficiencies noted through agency audits, on-site reviews, and other means, (c) issuing management decisions for audit findings as required by 2 CFR 200.331, and (d) establishing policies and procedures to ensure OKDHS receives and reviews a single audit or program specific audit from those subrecipients who expend \$750,000 or more in Federal awards as required by 2 CFR 200.501

Views of Responsible Official(s)

Contact Person: Kevin Haddock

Anticipated Completion Date: July 1, 2019

Corrective Action Planned: The Department of Human Services concurs with the finding. Please refer to the corrective action plan on page 118.

FINDING NO: 2017-051

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.659

FEDERAL PROGRAM NAME: Adoption Assistance Program

FEDERAL AWARD NUMBER: 1601OKADPT

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Level of Effort – Maintenance of Effort

Criteria: 2 CFR §200.303(a) states in part, "The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

42 USC 673(a)(8)(D)(i) states, "A State shall spend an amount equal to the amount of the savings (if any) in State expenditures under this part resulting from the application of paragraph (2)(A)(ii) to all applicable children for a fiscal year, to provide to children of families any service that may be provided under part B or this part. A State shall spend not less than 30 percent of any such savings on post-adoption services, post-guardianship services, and

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services to support and sustain positive permanent outcomes for children who otherwise might enter into foster care under the responsibility of the State, with at least $\frac{2}{3}$ of the spending by the State to comply with such 30 percent requirement being spent on post-adoption and post-guardianship services.”

Instructions for the *Part 4: Annual Adoption Savings Calculation and Accounting Report* state, “Line 10. Reporting Period - Expenditures of Adoption Savings On Post-Adoption or Post-Guardianship Services (from line 8 amount) – This line consists of the actual title IV-E agency expenditures (without federal matching funds) of calculated cumulative adoption savings for the purposes of providing post-adoption or post-guardianship services. Amounts reported include expenditures made in the current FFY (in Column A) and any expenditures made in a prior FFY subject to Part 4 reporting (Column B) that have not previously been reported on a Part 4 submission.

Condition and Context: OKDHS reported \$2,819,124 in post-adoption/post-guardianship services expenditures of adoption savings on the CB-496 Part E, line 10 for the Federal fiscal year ending on 9/30/2016. OKDHS did not maintain documentation to support that the reported amount was spent on post-adoption/post-guardianship services. Additionally, OKDHS did not implement adequate controls to ensure expenditures are in compliance with 42 USC 673(a)(8)(D)(i).

Cause: Management does not appear to be aware of the requirement to establish and maintain effective internal controls in compliance with 2 CFR §200.303(a).

Effect: OKDHS is not in compliance with the criteria above. Additionally, OKDHS may not be spending adoption savings in accordance with program requirements.

Recommendation: We recommend OKDHS immediately implement policies and procedures that would ensure compliance with 2 CFR §200.303(a) and 42 USC 673(a)(8)(D)(i). This would include:

- (1) maintaining adequate documentation to support amounts reported as Federal expenditures;
- (2) ensuring at least 30 percent of adoption savings are spent on post-adoption and post-guardianship services;
- (3) ensuring reported adoption savings expenditures are comprised of non-federal funds that are not also claimed for either federal reimbursement or as matching funds to secure federal financial participation.

Views of Responsible Official(s):

Contact Person: Kevin Haddock

Anticipated Completion Date: 10/31/2018

Corrective Action Planned: The Department of Human Services partially concurs with the finding. Please refer to the corrective action plan on page 118.

**Schedule of Expenditures of Federal Awards
By Federal Grantor**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture					
Direct and Pass Through Programs:					
Plant and Animal Disease, Pest Control, and Animal Care	10.025		Department of Agriculture	\$ 844,713	
Wildlife Services	10.028		Department of Wildlife Conservation	17,200	
Voluntary Public Access and Habitat Incentive	10.093		Department of Wildlife Conservation	164,535	
Inspection Grading and Standardization	10.162		Department of Agriculture	914,500	
Market Protection and Promotion	10.163		Department of Agriculture	44,109	
Specialty Crop Block Grant Program - Farm Bill	10.170		Department of Agriculture	450,000	418,480
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		Department of Agriculture	992,861	
Supplemental Nutrition Assistance Program	10.551		Department of Human Services	886,115,941	✖
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		Department of Human Services	34,996,625	✖
			SNAP Cluster Total	921,112,566	✖
School Breakfast Program	10.553		Department of Education	60,684,276	✖
National School Lunch Program	10.555	✖	Department of Education	170,601,914	✖
	10.555		Department of Human Services	24,895,824	✖
			Program Total	195,497,738	✖
Special Milk Program for Children	10.556		Department of Education	5,860	✖
Summer Food Service Program for Children	10.559		Department of Education	4,864,178	✖
			Child Nutrition Cluster Total	261,052,052	✖
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		State Department of Health	69,210,111	
Child and Adult Care Food Program	10.558		Department of Education	61,014,419	
	10.558	✖	Department of Human Services	232,212	
			Program Total	61,246,631	
State Administrative Expenses for Child Nutrition	10.560		Department of Education	5,451,717	
	10.560		Department of Human Services	778,367	
			Program Total	6,230,084	
Commodity Supplemental Food Program	10.565		Department of Human Services	1,037,655	✖
Emergency Food Assistance Program (Administrative Costs)	10.568		Department of Human Services	729,391	✖
Emergency Food Assistance Program (Food Commodities)	10.569	✖	Department of Human Services	7,878,860	✖
			Food Distribution Cluster Total	9,645,906	✖
Senior Farmers Market Nutrition Program	10.576		Department of Human Services	59,280	
Child Nutrition Discretionary Grants Limited Availability	10.579		Department of Education	349,891	
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580		Department of Human Services	2,466	
Fresh Fruit and Vegetable Program	10.582		Department of Education	2,688,133	
Forestry Research	10.652		Department of Agriculture	305,123	2,688,133
Cooperative Forestry Assistance	10.664		Department of Agriculture	1,957,539	
Forest Health Protection	10.680		Department of Agriculture	21,500	
Soil and Water Conservation	10.902		Conservation Commission	910,740	
Environmental Quality Incentives Program	10.912		Department of Agriculture	44,963	
Watershed Rehabilitation Program	10.916		Conservation Commission	973,473	
Agricultural Conservation Easement Program	10.931		Department of Wildlife Conservation	28,000	
Cost Reimbursement Contract - McGee Creek Project	10 UNK		Department of Wildlife Conservation	137,616	
U.S. Department of Agriculture-Subtotal				\$ 1,339,403,992	\$ 314,102,346
U.S. Department of Commerce					
Direct and Pass Through Programs:					
Economic Adjustment Assistance	11.307		Department of Commerce	214,013	✖
Cost Reimbursement Contract: Economic Adjustment Assistance	11.307		Oklahoma Center for the Advancement of Science and Technology	112,799	✖
			Economic Development Cluster Total	326,812	✖
State and Local Implementation Grant Program	11.549		Office of Management and Enterprise Services	510,957	
U.S. Department of Commerce-Subtotal				\$ 837,769	\$ -
U.S. Department of Defense					
Direct and Pass Through Programs:					
Procurement Technical Assistance For Business Firms	12.002		Department of Career & Technology Education	616,449	
Cost Reimbursement Contract - State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		Department of Environmental Quality	113,293	
Cost Reimbursement Contract - Military Construction, National Guard	12.400		Oklahoma Military Department	6,117,957	
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401		Oklahoma Military Department	37,567,638	✖
Cost Reimbursement Contract - National Guard ChalleNGe Program	12.404		Oklahoma Military Department	4,779,505	
Troops to Teachers	12 UNK		Department of Education	59,261	
U.S. Department of Defense-Subtotal				\$ 49,254,103	\$ 238,864
U.S. Drug Enforcement Administration					
Direct and Pass Through Programs:					
Other Federal Assistance - Marijuana Eradication Suppression Program	99.UNK		Bureau of Narcotics & Dangerous Drugs Control	70,993	
U.S. Drug Enforcement Administration-Subtotal				\$ 70,993	\$ -
U.S. Department of Housing and Urban Development					
Direct and Pass Through Programs:					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		Department of Commerce	13,763,021	♦
Emergency Solutions Grant Program	14.231		Department of Commerce	1,611,167	
Shelter Plus Care	14.238		Mental Health and Substance Abuse Services	252,622	
Continuum Care Program	14.267		Mental Health and Substance Abuse Services	23	
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269		Department of Commerce	38,064,656	✖
			CDBG-Disaster Recovery Grants - Pub. L. No. 113-2 Cluster Total	38,064,656	✖
U.S. Department of Housing and Urban Development-Subtotal				\$ 53,691,489	\$ 52,399,424

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
U.S. Department of the Interior					
Direct and Pass Through Programs:					
Road Maintenance - Indian Roads	15.033		Department of Transportation	8,450	
	15.033	999183	Pass-through-Delaware County to Department of Transportation	761,257	
			Program Total	769,707	-
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250		Department of Mines	1,004,746	
Abandoned Mine Land Reclamation (AMLR)	15.252		Conservation Commission	2,707,290	
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		State Auditor and Inspector	418,452	
Recreation Resources Management	15.524		Department of Agriculture	17,905	
Fish and Wildlife Management Assistance	15.608		Department of Wildlife Conservation	29,115	
Sport Fish Restoration Program	15.605		Department of Wildlife Conservation	9,509,328	1,701,171
Wildlife Restoration and Basic Hunter Education	15.611		Department of Wildlife Conservation	13,729,383	925,868
			Fish and Wildlife Cluster Total	23,238,711	2,627,039
Cooperative Endangered Species Conservation Fund	15.615		Department of Wildlife Conservation	97,499	59,888
Clean Vessel Act	15.616		Department of Environmental Quality	302,231	
Partners for Fish and Wildlife	15.631		Conservation Commission	88,821	
	15.631		Department of Wildlife Conservation	312,478	
			Program Total	401,299	-
Landowner Incentive	15.633		Department of Wildlife Conservation	150,123	
State Wildlife Grants	15.634		Department of Wildlife Conservation	700,220	523,371
Research Grants (Generic)	15.650		Department of Wildlife Conservation	2,700	
U.S. Geological Survey Research and Data Collection	15.808		Water Resources Board	428	
Historic Preservation Fund Grants-In-Aid	15.904		Historical Society	806,889	
Outdoor Recreation - Acquisition, Development and Planning	15.916		Department of Tourism and Recreation	621,202	621,202
National Ground-Water Monitoring Network	15.980		Water Resources Board	17,211	
Water Use and Data Research	15.981		Water Resources Board	2,520	
U.S. Department of the Interior-Subtotal				\$ 31,288,248	\$ 3,831,500
U.S. Department of Justice					
Direct and Pass Through Programs:					
Sexual Assault Services Formula Program	16.017		District Attorneys Council	339,347	320,013
Juvenile Accountability Block Grants	16.523		Office of Juvenile Affairs	167,484	50,000
Juvenile Justice and Delinquency Prevention	16.540		Office of Juvenile Affairs	534,185	
State Justice Statistics Program for Statistical Analysis Centers	16.550		State Bureau of Investigation	50,293	
National Criminal History Improvement Program (NCHIP)	16.554		District Attorneys Council	48,615	48,615
	16.554		State Bureau of Investigation	1,732,515	
			Program Total	1,781,130	48,615
Crime Victim Assistance	16.575		District Attorneys Council	22,884,042	18,761,499
	16.575		Medicolegal Investigation Board	36,224	
	16.575		Attorney General	152,353	
	16.575		State Bureau of Investigation	91,198	
			Program Total	23,163,817	18,761,499
Crime Victim Compensation	16.576		District Attorneys Council	2,389,542	2,297,596
Crime Victim Assistance/Discretionary Grants	16.582		District Attorneys Council	107,466	11,666
Drug Court Discretionary Grant Program	16.585		Mental Health and Substance Abuse Services	427,780	
Violence Against Women Formula Grants	16.588		District Attorneys Council	1,605,935	908,061
	16.588		Attorney General	190,991	
			Program Total	1,796,926	908,061
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		District Attorneys Council	280,907	8,456
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		District Attorneys Council	145,882	64,649
Residential Substance Abuse Treatment for State Prisoners	16.593		District Attorneys Council	24,603	3,134
	16.593		Department of Corrections	146,335	
	16.593		Office of Juvenile Affairs	3,759	
			Program Total	174,697	3,134
State Criminal Alien Assistance Program	16.606		Department of Corrections	581,560	
Public Safety Partnership and Community Policing Grants	16.710		Bureau of Narcotics & Dangerous Drugs Control	91,865	
Special Data Collections and Statistical Studies	16.734		State Bureau of Investigation	93,388	
PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	16.735		Office of Juvenile Affairs	29,283	
	16.735		District Attorneys Council	(34,821)	
	16.735		Department of Corrections	57,516	
			Program Total	51,978	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		District Attorneys Council	2,924,875	621,033
	16.738		Department of Corrections	24,801	
			Program Total	2,949,676	621,033
Statewide Automated Victim Information Notification (SAVIN) Program	16.740		Attorney General	30,274	
DNA Backlog Reduction Program	16.741		State Bureau of Investigation	769,258	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		District Attorneys Council	22,468	17,432
	16.742		State Bureau of Investigation	46,764	
	16.742		Medicolegal Investigation Board	7,579	
			Program Total	76,811	17,432
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		Mental Health and Substance Abuse Services	107,987	
Support for Adam Walsh Act Implementation Grant Program	16.750		Department of Corrections	24,111	
Harold Rogers Prescription Drug Monitoring Program	16.754		Bureau of Narcotics & Dangerous Drugs Control	206,210	
Second Chance Act Reentry Initiative	16.812		Department of Corrections	151,683	
	16.812		Mental Health and Substance Abuse Services	142,959	
			Program Total	294,642	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
NICS Act Record Improvement Program	16.813		State Bureau of Investigation	893,159	
John R. Justice Prosecutors and Defenders Incentive Act	16.816		District Attorneys Council	1,268	
Emergency Planning for Juvenile Justice Facilities	16.823		Office of Juvenile Affairs	4,196	
Vision 21	16.826		District Attorneys Council	35,241	330
Justice Reinvestment Initiative	16.827		Mental Health and Substance Abuse Services	128,940	
	16.827		Department of Corrections	63,156	
Swift, Certain, and Fair (SCF) Sanctions program: Replicating the Concepts behind Project HOPE	16.828		Department of Corrections	31,175	
U.S. Department of Justice-Subtotal				\$ 37,794,351	\$ 23,112,484
U.S. Department of Labor					
Direct and Pass Through Programs:					
Labor Force Statistics	17.002		Employment Security Commission	854,759	
Compensation and Working Conditions	17.005		Department of Labor	33,401	
Employment Service/Wagner-Peyser Funded Activities	17.207		Employment Security Commission	11,297,608	
Disabled Veterans' Outreach Program (DVOP)	17.801		Employment Security Commission	1,460,329	
Local Veterans' Employment Representative Program	17.804		Employment Security Commission	515,540	
			Employment Service Cluster Total	13,273,477	-
Unemployment Insurance	17.225		Employment Security Commission	349,621,757	
Senior Community Service Employment Program	17.235		Department of Human Services	1,370,900	1,024,616
Trade Adjustment Assistance	17.245		Employment Security Commission	2,786,131	
Incentive Grants - WIA Section 503	17.267	P1-25822-14-55-A-40	Pass-Through-from Oklahoma State University to Career Tech	94,697	
Work Opportunity Tax Credit Program (WOTC)	17.271		Employment Security Commission	254,632	
Temporary Labor Certification for Foreign Workers	17.273		Employment Security Commission	71,420	
Consultation Agreements	17.504		Department of Labor	1,196,853	
Mine Health and Safety Grants	17.600		Department of Mines	123,977	123,977
U.S. Department of Labor-Subtotal				\$ 369,682,004	\$ 1,148,593
U.S. Department of Transportation					
Direct and Pass Through Programs:					
FAA Runway Joint Sealant Project	20.UNK		Space Industry Authority	130,696	
Airport Improvement Program	20.106		Oklahoma Aeronautics Commission	371,911	
Highway Research and Development Program	20.200		Department of Transportation	1,822,318	48
Highway Planning and Construction	20.205		Department of Transportation	689,734,888	4,708,906
	20.205	999573	Pass-Through from Cherokee Nation to Department of Transportation	3,800	
	20.205	998749	Pass-Through from Chickasaw Nation to Department of Transportation	5,025	
	20.205		Department of Public Safety	44,930	
Recreational Trails Program	20.219		Department of Tourism and Recreation	1,739,238	1,725,238
			Highway Planning and Construction Cluster Total	691,527,881	6,434,144
Highway Training and Education	20.215		Department of Transportation	448,264	74,162
Motor Carrier Safety Assistance	20.218		Department of Public Safety	5,066,167	
Motor Carrier Safety Assistance High Priority					
Activities Grants and Cooperative Agreements	20.237		Department of Transportation	146,034	
High Speed Rail Corridors and Intercity Passenger Rail Service -					
Federal Transit Capital Investment Grants	20.500		Department of Transportation	3,919,494	3,470,956
Bus and Bus Facilities	20.526		Department of Transportation	1,469,963	1,469,963
			Federal Transit Cluster Total	5,389,457	4,940,919
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		Department of Transportation	1,514,551	1,300,423
Formula Grants for Rural Areas	20.509		Department of Transportation	13,786,622	13,391,929
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Department of Human Services	715,826	
New Freedom Program	20.521		Department of Transportation	69,685	69,685
			Transit Services Programs Cluster Total	785,511	69,685
Cost Reimbursement Contract - National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		Department of Public Safety	70,110	
State and Community Highway Safety	20.600		Department of Public Safety	3,865,797	3,845,826
National Priority Safety Programs	20.616		Department of Public Safety	3,560,875	3,491,354
	20.616		State Bureau of Investigation	173,224	
	20.616		Mental Health and Substance Abuse Services	129,395	
	20.616		District Attorneys Council	145,390	
			Highway Safety Cluster Total	7,874,681	7,337,180
Cost Reimbursement Contract - Pipeline Safety Program State Based Grant	20.700		Corporation Commission	1,589,031	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		Department of Emergency Management	110,680	22,593
National Infrastructure Investments	20.933		Department of Transportation	1,830,936	
U.S. Department of Transportation- Subtotal				\$ 732,464,850	\$ 33,571,083
U.S. Department of the Treasury					
Direct and Pass Through Programs:					
State Small Business Credit Initiative	21.UNK		Department of Commerce	5,564,124	5,564,124
U.S. Department of the Treasury-Subtotal				\$ 5,564,124	\$ 5,564,124
General Services Administration					
Direct and Pass Through Programs:					
Donation of Federal Surplus Personal Property	39.003		Office of Management and Enterprise Services-DCAM	5,092,003	
Election Reform Payments	39.011		State Election Board	232,526	232,526
General Services Administration-Subtotal				\$ 5,324,529	\$ 232,526
National Foundation on the Arts and the Humanities					
Direct and Pass Through Programs:					
Promotion of the Arts - Partnership Agreements	45.025		State Arts Council	567,112	567,112
Grants to States	45.310		Department of Libraries	2,230,975	447,968
National Foundation on the Arts and the Humanities-Subtotal				\$ 2,798,087	\$ 1,015,080
National Science Foundation					
Direct and Pass Through Programs:					
Education and Human Resources	47.076	14-2-1203355-94814	Pass-Through-from University of Tulsa to Career Technology Centers	27,604	
Office of International Science and Engineering	47.079	EPSCoR-2013-14	Pass-Through-from OK State University to Career Technology Centers	36,493	
Office of Cyberinfrastructure	47.080	EPSCoR-2013-14	Pass-Through-from OK State University to Career Technology Centers	14,600	
National Science Foundation-Subtotal				\$ 78,697	\$ -

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
U.S. Small Business Administration					
Direct and Pass Through Programs:					
State Trade Expansion	59.061		Department of Commerce	184,868	-
U.S. Small Business Administration-Subtotal				\$ 184,868	\$ -
U.S. Department of Veterans Affairs					
Direct and Pass Through Programs:					
Grants to States for Construction of State Home Facilities	64.005		Department of Veterans Affairs	3,963,840	
Veterans State Nursing Home Care	64.015		Department of Veterans Affairs	95,257,803	
All-Volunteer Force Educational Assistance	64.124		Department of Veterans Affairs	435,909	
U.S. Department of Veterans Affairs-Subtotal				\$ 99,657,552	\$ -
U.S. Environmental Protection Agency					
Direct and Pass Through Programs:					
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		Department of Environmental Quality	399,308	
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	OK292PT2928126216	Pass-Through from Sec. of Energy & Enviro. to Dept of Enviro. Quality	3,272,894	
	66.419	OK292PT6458129316	Pass-Through from Sec. of Energy & Enviro. to Conservation Commission	45,607	
	66.419	OK292PT8358129416	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	331,191	
			Program Total	3,649,692	-
State Underground Water Source Protection	66.433		Corporation Commission	336,326	
Water Quality Management Planning	66.454	OK292PT8358129716	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	84,352	
Capitalization Grants for Clean Water State Revolving Funds	66.458		Water Resources Board	5,811,293	⊗
			Clean Water State Revolving Fund Cluster Total	5,811,293	⊗ -
Nonpoint Source Implementation Grant	66.460	OK292PT6458131417	Pass-Through from Sec. of Energy & Enviro. to Conservation Commission	3,438,029	
Regional Wetland Program Development Grant	66.461	OK292PT6458129616	Pass-Through from Sec. of Energy & Enviro. to Conservation Commission	278,120	
	66.461	OK292PT8358133817	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	40,920	
			Program Total	319,040	-
Capitalization Grants for Drinking Water State Revolving Fund	66.468		Department of Environmental Quality	11,690,401	⊗
			Drinking Water State Revolving Fund Cluster Total	11,690,401	⊗ -
Performance Partnership Grants	66.605		Department of Environmental Quality	5,380,953	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	582-15-52533	Pass-Through-from Texas Comm on Environ Quality to Water Resources	33,219	
Consolidated Pesticide Enforcement Cooperative Agreements	66.700		Department of Agriculture	614,601	133,216
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		Department of Labor	194,725	
Pollution Prevention Grants Program	66.708		Department of Environmental Quality	16,781	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		Department of Environmental Quality	4,669,397	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		Corporation Commission	459,000	
Leaking Underground Storage Tank Trust Fund	66.805		Corporation Commission	808,000	
Corrective Action Program	66.811		Department of Commerce	578,032	
Brownfield Pilots Cooperative Agreements	66.817		Corporation Commission	217,051	
State and Tribal Response Program Grants	66.817		Department of Environmental Quality	425,590	
			Program Total	642,641	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		Department of Environmental Quality	65,076	
U.S. Environmental Protection Agency-Subtotal				\$ 39,190,866	\$ 133,216
U.S. Department of Energy					
Direct and Pass Through Programs:					
State Energy Program	81.041		Department of Commerce	455,128	251,493
Weatherization Assistance for Low-Income Persons	81.042		Department of Commerce	2,674,581	◆ 2,448,909
Conservation Research and Development	81.086		Department of Commerce	1,195	
U.S. Department of Energy-Subtotal				\$ 3,130,904	\$ 2,700,402
U.S. Department of Education					
Direct and Pass Through Programs:					
Adult Education - Basic Grants to States	84.002		Department of Corrections	189,142	
	84.002		Department of Career & Technology Education	6,389,173	5,424,413
			Program Total	6,578,315	5,424,413
Title I Grants to Local Educational Agencies	84.010		Department of Education	165,088,157	163,212,155
	84.010		Office of Juvenile Affairs	49,216	
			Program Total	165,137,373	● 163,212,155
Migrant Education State Grant Program	84.011		Department of Education	1,375,939	1,292,672
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		Department of Education	(21,443)	
	84.013		Department of Corrections	57,377	
	84.013		Office of Juvenile Affairs	153,773	
			Program Total	189,707	-
Special Education Grants to States	84.027		Department of Education	142,611,003	⊗ 132,911,344
	84.027		Office of Juvenile Affairs	35,756	⊗
	84.027		Department of Corrections	119	⊗
Special Education Preschool Grants	84.173		Department of Education	3,358,453	⊗ 3,332,190
			Special Education Cluster (IDEA) Total	146,005,331	⊗ ● 136,243,534
Career and Technical Education - Basic Grants to States	84.048		Department of Career & Technology Education	15,778,905	13,386,026
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		Department of Rehabilitation Services	51,540,440	
Migrant Education Coordination Program	84.144		Department of Education	60,102	
Rehabilitation Services Client Assistance Program	84.161		Office of Disability Concerns	126,757	122,469
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		Department of Rehabilitation Services	360,328	
Special Education Grants for Infants and Families	84.181		Department of Education	245,114	
	84.181		State Department of Health	9,403,018	
			Program Total	9,648,132	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		Department of Rehabilitation Services	300,000	
Education for Homeless Children and Youth	84.196		Department of Education	712,641	709,095
Twenty-First Century Community Learning Centers	84.287		Department of Education	11,459,393	11,111,129
Special Education - State Personnel Development	84.323		Department of Education	755,509	
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330		Department of Education	294,554	
Rural Education	84.358		Department of Education	3,735,957	3,446,304
English Language Acquisition State Grants	84.365		Department of Education	4,323,985	4,057,568
Mathematics and Science Partnerships	84.366		Department of Education	2,176,846	2,166,292
Supporting Effective Instruction State Grants	84.367		Office of Juvenile Affairs	7,802	
(formerly Improving Teacher Quality State Grants)	84.367		Department of Education	21,476,111	20,906,867
			Program Total	21,483,913	20,906,867
Grants for State Assessments and Related Activities	84.369		Department of Education	4,026,807	
Statewide Longitudinal Data Systems	84.372		Department of Education	447,978	
School Improvement Grants	84.377		Department of Education	3,071,289	2,611,928
Performance Partnership Pilots for Disconnected Youth	84.420		Department of Human Services	376,569	200,532
U.S. Department of Education-Subtotal				\$ 449,966,770	\$ 364,890,984
National Archives and Records Administration					
Direct and Pass Through Programs:					
National Historical Publications and Records Grants	89.003		Department of Libraries	21,261	2,485
Help America Vote Act Requirements Payments	90.401		State Election Board	621,801	579,804
National Archives and Records Administration-Subtotal				\$ 643,062	\$ 582,289
U.S. Department of Health and Human Services					
Direct and Pass Through Programs:					
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		Department of Human Services	67,803	67,803
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042		Department of Human Services	182,322	182,322
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043		Department of Human Services	160,367	138,175
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		Department of Human Services	4,164,268	3,971,449
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		Department of Human Services	7,513,417	7,238,483
Nutrition Services Incentive Program	93.053		Department of Human Services	2,071,307	2,056,624
			Aging Cluster Total	13,748,992	13,266,556
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048		Department of Human Services	298,090	27,228
	93.048		Oklahoma Insurance Department	276,478	
			Program Total	574,568	27,228
National Family Caregiver Support, Title III, Part E	93.052		Department of Human Services	1,617,216	1,521,932
Public Health Emergency Preparedness	93.069		State Department of Health	86,093	
Medicare Enrollment Assistance Program	93.071		Oklahoma Insurance Department	127,689	
	93.071		Department of Human Services	158,359	
			Program Total	286,048	-
Lifespan Respite Care Program	93.072		Department of Human Services	5,684	
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreement	93.074		State Department of Health	10,552,000	3,485,753
	93.074		Mental Health and Substance Abuse Services	4,830	
			Program Total	10,556,830	3,485,753
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		State Department of Health	69,363	
Enhance Safety of Children Affected by Substance Abuse	93.087		Mental Health and Substance Abuse Services	740,792	187,738
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		State Department of Health	801,989	650,734
Food and Drug Administration - Research	93.103		Department of Agriculture	184,316	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		Mental Health and Substance Abuse Services	1,149,358	
Maternal and Child Health Federal Consolidated Programs	93.110		State Department of Health	152,338	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		State Department of Health	567,071	56,918
Injury Prevention and Control Research and State and Community Based Programs	93.136		State Department of Health	1,195,414	147,386
Projects for Assistance in Transition from Homelessness (PATH)	93.150		Mental Health and Substance Abuse Services	642,936	
Family Planning - Services	93.217		State Department of Health	4,420,424	1,314,167
Research on Healthcare Costs, Quality and Outcomes	93.226	IR18HS025067-01	Pass-Through from American Institutes for Research to Mental Health	53,635	
Traumatic Brain Injury State Demonstration Grant Program	93.234		State Department of Health	149,735	
Affordable Care Act (ACA) Abstinence Education Program	93.235		State Department of Health	735,754	480,467
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		State Department of Health	643,216	68,043
	93.243		Mental Health and Substance Abuse Services	9,239,874	885,103
	93.243		Department of Human Services	28,066	
			Program Total	9,911,156	953,146
Universal Newborn Hearing Screening	93.251		State Department of Health	222,159	
Immunization Cooperative Agreements	93.268		State Department of Health	55,700,234	136,477
Viral Hepatitis Prevention and Control	93.270		State Department of Health	101,293	
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		State Department of Health	1,687,676	84,387
National Public Health Improvement Initiative	93.292		State Department of Health	1,863	
National State Based Tobacco Control Programs	93.305		State Department of Health	901,330	504,566
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		State Department of Health	953,951	
State Health Insurance Assistance Program	93.324		Oklahoma Insurance Department	618,924	
ACL Independent Living State Grants	93.369		Department of Rehabilitation Services	282,472	

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Affordable Care Act (ACA) - Maternal, Infant and Early Childhood Home Visiting Program	93.505		State Department of Health	4,865,246	3,518,559
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870		State Department of Health	1,108,611	626,629
			Maternal, Infant, and Early Childhood Home Visiting Cluster Total	5,973,857	4,145,188
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521		State Department of Health	406,700	
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539		State Department of Health	2,693,751	507,492
Affordable Care Act - National Health Service Corps	93.547		State Department of Health	238,275	
Promoting Safe and Stable Families	93.556		Department of Human Services	3,370,601	762,007
	93.556		Office of Juvenile Affairs	244,205	
	93.556		Mental Health and Substance Abuse Services	53,034	
			Program Total	3,667,840	762,007
Temporary Assistance for Needy Families	93.558		Department of Human Services	84,837,145	2,701,649
	93.558		Department of Career & Technology Education	3,512,043	
	93.558		Department of Libraries	366,531	
	93.558		Mental Health and Substance Abuse Services	2,950,101	
			TANF Cluster Total	91,665,820	2,701,649
Child Support Enforcement	93.563		Department of Human Services	34,384,276	1,417,145
	93.563		District Attorneys Council	3,132,268	
			Program Total	37,516,544	1,417,145
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		Department of Human Services	1,093,212	853,606
Low-Income Home Energy Assistance	93.568		Department of Human Services	28,489,165	
	93.568		Department of Commerce	2,307,201	1,873,432
			Program Total	30,796,366	1,873,432
Community Services Block Grant	93.569		Department of Commerce	8,241,191	7,842,152
Child Care and Development Block Grant	93.575		Department of Human Services	60,460,713	1,772,976
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		Department of Human Services	49,181,031	
			CCDF Cluster Total	109,641,744	1,772,976
State Court Improvement Program	93.586		Supreme Court	383,387	
Community-Based Child Abuse Prevention Grants	93.590		State Department of Health	742,453	414,973
Grants to States for Access and Visitation Programs	93.597		Department of Human Services	115,106	
Chafee Education and Training Vouchers Program (ETV)	93.599		Department of Human Services	949,338	
Head Start	93.600		Department of Commerce	100,636	94,636
Adoption and Legal Guardianship Incentive Payments	93.603		Department of Human Services	1,029,893	
Strong Start for Mothers and Newborns	93.611		Health Care Authority	100,469	
Developmental Disabilities Basic Support and Advocacy Grants	93.630		Department of Human Services	783,344	
Children's Justice Grants to States	93.643		Department of Human Services	132,111	
Stephanie Tubbs Jones Child Welfare Services Program	93.645		Department of Human Services	850,870	
Child Welfare Research Training or Demonstration	93.648		Department of Human Services	120,130	
Adoption Opportunities	93.652		Department of Human Services	474,413	180,676
Foster Care Title IV-E	93.658		Department of Human Services	57,200,711	3,067,923
	93.658		Office of Juvenile Affairs	160,650	
	93.658		Oklahoma Commission on Children and Youth	245,544	
			Program Total	57,606,905	3,067,923
Adoption Assistance	93.659		Department of Human Services	65,663,533	
Social Services Block Grant	93.667		Department of Human Services	33,690,504	
Child Abuse and Neglect State Grants	93.669		Department of Human Services	210,046	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		Attorney General	1,409,141	1,314,418
Chafee Foster Care Independence Program	93.674		Department of Human Services	3,028,699	1,358,263
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - financed by Prevention and Public Health Funds (PPHF)	93.734		Department of Human Services	71,460	
	93.734		State Department of Health	42,348	
			Program Total	113,808	-
State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735		State Department of Health	243,357	37,565
PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		State Department of Health	368,792	
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753		State Department of Health	259,561	
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757		State Department of Health	2,024,011	2,000
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		State Department of Health	1,896,601	122,497
	93.758		Bureau of Narcotics & Dangerous Drugs Control	60,159	
			Program Total	1,956,760	122,497
PPHF- Cooperative Agreements to Implement the National Strategy for Suicide Prevention (Short Title: National Strategy Grants)	93.764		Mental Health and Substance Abuse Services	454,880	
Children's Health Insurance Program	93.767		Health Care Authority	230,374,427	
Medicare Hospital Insurance	93.773		State Department of Health	5,903	
State Medicaid Fraud Control Units	93.775		Attorney General	1,611,894	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		State Department of Health	7,218,784	
Medical Assistance Program	93.778		Office of Juvenile Affairs	70,160	
	93.778		Health Care Authority	2,894,266,724	

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
	93.778		Department of Health	3,459,463	
	93.778		Department of Human Services	41,432,240	
	93.778		Mental Health and Substance Abuse Services	1,190,660	
			Program Total	2,940,419,247	-
			Medicaid Cluster Total	2,949,249,925	-
Oploid STR	93.788		Mental Health and Substance Abuse Services	17,352	
Money Follows the Person Rebalancing Demonstration	93.791		Health Care Authority	1,279,331	
	93.791		Department of Human Services	34,247	
			Program Total	1,313,578	-
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796		Health Care Authority	5,380,810	
	93.796		Department of Health	5,591,044	
			Program Total	10,971,854	-
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815		State Department of Health	89,156	
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		State Department of Health	73,143	9,143
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		Mental Health and Substance Abuse Services	701,276	
HIV Care Formula Grants	93.917		State Department of Health	1	
HIV Prevention Activities Health Department Based	93.940		State Department of Health	1,220,255	471,309
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance Assistance Programs for Chronic Disease Prevention and Control	93.945		State Department of Health	360,174	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		State Department of Health	342,377	
Block Grants for Community Mental Health Services	93.958		Mental Health and Substance Abuse Services	173,853	
Block Grants for Prevention and Treatment of Substance Abuse	93.959		Mental Health and Substance Abuse Services	4,262,892	
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		Mental Health and Substance Abuse Services	16,017,269	598,432
Maternal and Child Health Services Block Grant to the States	93.994		State Department of Health	1,014,112	
	93.994		State Department of Health	1,967,950	1,212,070
	93.994		J.D. McCarty Center	57,949	
	93.994		Department of Human Services	2,154,056	
			Program Total	4,179,955	1,212,070
Assisted Outpatient Treatment	93.997		Mental Health and Substance Abuse Services	408,243	
Cost Reimbursement Contracts:					
Implementation Alcohol/Drug Data Collection	93.UNK		Mental Health and Substance Abuse Services	(16,927)	
State Outcomes Measurement & Management	93.UNK		Mental Health and Substance Abuse Services	29,565	
U.S. Department of Health and Human Services-Subtotal				\$ 3,794,065,936	\$ 53,965,307
Corporation for National and Community Service					
Direct and Pass Through Programs:					
Social Innovation Fund Pay for Success	94.024	14PSHNY001	Pass-Through from Non-Profit Finance Fund to Mental Health	15,062	
Corporation for National and Community Service-Subtotal				\$ 15,062	\$ -
Executive Office of the President					
Cost Reimbursement Contract: High Intensity Drug Trafficking Areas Program					
	95.001		Bureau of Narcotics & Dangerous Drugs Control	45,570	
Executive Office of the President-Subtotal				\$ 45,570	\$ -
Social Security Administration					
Direct and Pass Through Programs:					
Social Security - Disability Insurance	96.001		Department of Rehabilitation Services	42,943,400	
Supplemental Security Income	96.006		Department of Rehabilitation Services	-	
			Disability Insurance/SSI Cluster Total	42,943,400	-
Social Security Administration-Subtotal				\$ 42,943,400	\$ -
U.S. Department of Homeland Security					
Direct and Pass Through Programs:					
Boating Safety Financial Assistance	97.012		Department of Public Safety	1,171,019	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		Water Resources Board	306,522	
Crisis Counseling	97.032		Mental Health and Substance Abuse Services	76,403	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		Department of Emergency Management	68,982,233	68,369,617
	97.036		Department of Public Safety	27,521	-
			Program Total	69,009,754	68,369,617
Hazard Mitigation Grant	97.039		Department of Emergency Management	3,712,391	3,338,454
National Dam Safety	97.041		Water Resources Board	279,032	
Emergency Management Performance Grants	97.042		Department of Emergency Management	4,190,441	1,696,148
	97.042		Department of Public Safety	16,600	-
			Program Total	4,207,041	1,696,148
Cooperating Technical Partners	97.045		Water Resources Board	292,394	
Fire Management Assistance Grant	97.046		Department of Emergency Management	633	
Pre-Disaster Mitigation	97.047		Department of Emergency Management	165,260	153,260
Emergency Operations Center	97.052		Department of Public Safety	86,143	80,063
State Homeland Security Program (SHSP)	97.073		Department of Public Safety	3,874,696	2,719,015
	97.073		State Bureau of Investigation	470,116	
	97.073		Conservation Commission	162,373	
			Program Total	4,507,185	2,719,015
Disaster Assistance Project	97.088		Disaster Assistance Project	768,613	768,613
U.S. Department of Homeland Security-Subtotal				\$ 84,582,390	\$ 77,125,170
Total Federal Assistance				<u>\$ 7,142,679,616</u>	<u>\$ 934,613,392</u>

⚙ Noncash Assistance
 ♦ Partially Noncash Assistance
 ● Tested as a major program as defined by 2 CFR §200.518
 ◆ Program audited as a major program by independent auditor
 ⚙ Programs defined as a cluster by OMB Compliance Supplement
 ♦ See SEFA footnote #7
 UNK Unknown

**Notes to the Schedule of Expenditures
of Federal Awards**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2017

Note 1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the State of Oklahoma for the year ended June 30, 2017. The information in this schedule is presented in conformity with the requirements set forth in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity includes the primary government of the State of Oklahoma as presented in the Comprehensive Annual Financial Report (CAFR). Component units included in the CAFR prepare individual financial statements that meet the requirements of Uniform Guidance, and have not been included in the Schedule. Uniform Guidance allows non-Federal entities to meet the audit requirements of the compliance supplement through a series of audits that cover the reporting entity.

B. Basis of Presentation

The Schedule presents expenditures and expenses for the fiscal year ended June 30, 2017. The Schedule reports total federal award expenditures and expenses for each federal program as identified in the *Catalog of Federal Domestic Assistance (CFDA)*. Federal awards without identified CFDA numbers have been identified as "Unknown" (UNK).

Federal financial awards include federal financial assistance and federal cost-reimbursement contracts. Federal financial assistance may be defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, food commodities, interest subsidies, insurance or direct appropriations, but does not include direct federal cash assistance to individuals. Non-monetary federal assistance including surplus property, food stamps and food commodities is reported in the Schedule. Solicited contracts between the State and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Food and commodity distributions on the accompanying Schedule are valued using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The food stamp issuance amount included in the accompanying Schedule is stated at the value of food stamps redeemed. Donated federal surplus property is included in the Schedule at a percentage of the federal government acquisition cost.

The scope of the Schedule includes expenditures made by State primary recipients. The determination of when a Federal award is expended is based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the State agency to comply with Federal statutes, regulations, and the terms and conditions of Federal awards. With reference to the primary government, the primary recipient expenditures are not adjusted for sub-recipient expenditures.

Notes to the Schedule of Expenditures of Federal Awards

Certain federal expenditure transactions may appear in the records of more than one state agency. To avoid duplication and overstatement of the aggregate level of federal expenditures by the State of Oklahoma, the following policies have been adopted:

- When monies are received by one state agency and distributed to another state agency, the federal expenditures are attributed to the state agency that actually expends the funds.
- When purchases of provider services between two state agencies occurs, the federal funds are normally recorded as expenditures on the purchasing state agency's records and provider service revenues on the records of the state agency rendering the services. Therefore, the receipt of federal funds related to provider services will be attributed to the purchasing agency which is the primary receiving/expending state agency.

Major programs are defined by levels of expenditures and expenses and risk assessments established in the Uniform Guidance.

C. Basis of Accounting

The accompanying Schedule, in general, reports expenditures of the primary government in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that governmental funds report revenue and expenditures using the modified accrual basis of accounting as described in the Comprehensive Annual Financial Report. The modified accrual basis of accounting recognizes expenditures and expenses when liquidated with current resources. The Oklahoma Department of Wildlife Conservation uses the accrual basis of accounting that recognizes expenditures when incurred.

Note 2. State Unemployment Insurance Fund

Expenditures for unemployment insurance (CFDA 17.225) include State Unemployment Insurance (UI) funds as well as federal UI funds. The State portion of UI funds amounted to \$304,396,820. The federal portion of UI funds amounted to \$45,244,417.

Note 3. Cost Recovery of Federal Program Expenditures

During fiscal year 2017, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$20,261,735 on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557). The rebate contracts are authorized by 7 CFR § 246.16(a) as a cost containment measure. The cash rebates were treated as a credit against prior food expenditures.

The Oklahoma Department of Transportation has incurred significant expenditures on construction projects that have exceeded the contract amounts approved by the federal grantor. These project expenditures are held in suspense until modified contracts are approved by the federal grantor and the expenditures subsequently reimbursed. Project expenditures totaling \$261,000 were in suspense at June 30, 2017 and once the modified contracts are approved by the U.S. Department of Transportation an estimated 100% will be considered available.

Note 4. Indirect Cost Rate

Per Uniform Guidance 2 CFR § 200.510(b)(6), agencies are required to disclose whether or not they elect to use the 10 percent de minimis cost rate that 2 CFR § 200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate. Below is a table indicating whether the agency has elected to use the 10 percent de minimis cost rate or not:

Notes to the Schedule of Expenditures of Federal Awards

Yes

Department of Mines
Veterans Affairs Department

No

Military Department
Attorney General
Oklahoma Arts Council
Oklahoma Aeronautics Commission
Office of Management and Enterprise Services
Oklahoma State Bureau of Investigation
Oklahoma Commission on Children and Youth
Department of Corrections
District Attorney's Council
Election Board
Oklahoma Employment Security Commission
State Auditor & Inspector
Oklahoma Dept of Emergency Management
Disability Concerns
Medicolegal Investigation Board
Transportation Department
Oklahoma Space Industry Dev Authority
Oklahoma Historical Society
Office of Juvenile Affairs
Department of Libraries
Narcotics/Dangerous Drugs Control
Ctr for Advancement of Science/Technology
J.D. McCarty Center
Supreme Court
Oklahoma Tax Commission
Oklahoma Health Care Authority
Department of Human Services

Note 5. Audits Provided by Auditors Other Than Principal Auditor

Audits provided by auditors other than the principal auditor include:

Oklahoma Department of Commerce
Oklahoma Department of Wildlife Conservation

Several programs were identified as major and audited as such in the separate single audits of these entities. The schedule separately identifies programs that were audited as major programs by independent auditors of entities.

Note 6. Department of Transportation Federal Soft Match Provision

Beginning in the year 1992, the Oklahoma Department of Transportation began using the "soft match" provision of the Inter-modal Surface Transportation Efficiency Act, which allows the maintenance and construction cost of toll facilities that serve interstate commerce to be used in lieu of State matching funds. Annually, dollars spent for major maintenance (reconstruction) of turnpikes or new construction may be added to the amount of soft match credit available for use as State match. The State's share of expenditures is deducted from the available soft match amount. Federal money would then fund 100 percent of the project from the amount that had previously been apportioned for Oklahoma's highway projects.

The Department utilized \$130,362,319 of the soft match provision for projects billed during fiscal year 2017. These soft match dollars are applied to the approved construction projects when expenditures are incurred, based on the soft match percentage. It should be noted that the amount of soft match credit

Notes to the Schedule of Expenditures of Federal Awards

utilized on the progressive estimate billings submitted to the Federal Highway Administration (FHWA) for each project is an estimate during the course of the project. The actual amount of soft match utilized for a particular project is not determinable until the project is final and the final reconciliation and billing has been submitted to FHWA.

Note 7. Department of Health HIV Care Rebates

Although federal expenditures for CFDA #93.917 - HIV Care Formula Grants are minimal, this program also receives drug rebates to help administer the program. These rebates are not considered federal expenditures however they must be restricted and spent in accordance with applicable federal grant requirements. After considering these drug rebates, the Oklahoma State Department of Health expended \$15,317,814 during 2017 for this program.

Corrective Action Plan



OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2017

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
17-090-006	CAFR – General Fund Cash/ Revenue/ Fund Balance	<p>OMES agrees that the recording of the cash in this clearing account has been incorrect in past years. The error initiated in FY 2010 when the former Office of State Finance was using software that had limited analytical capabilities. Subsequent to that error, staff turnover and a review of prior year calculations as a model contributed to the error going unnoticed in future years by OMES and the State Auditor. The proper entries have been made to restate the cash balances for FY16 and prior years and the FY2017 cash balance has been properly reported.</p> <p>The effect to cash is as stated in the finding. The understatement to revenues would have primarily affected the FY2010 report and in subsequent years would have only been equal to the change in June collections between each subsequent year and would not be considered material.</p> <p>The understatement of cash, while material to the CAFR, has not affected appropriations or the General Revenue Fund estimates. For appropriations and GRF estimates, OMES uses the actual cash on hand at the end of the month plus the prior month collections reported by the Oklahoma Tax Commission.</p> <p>We now have the technological ability to compare prior year balances much more thoroughly so that if what happened in 2010 happened today, it would be discovered through the analytical tools currently available. In addition, the Financial Reporting Unit within OMES will evaluate the procedures for strengthening the review of GAAP packages to ensure that every item is supported and recorded as appropriate.</p>	12/31/2017	Matt Clarkson

TRENT BAGGETT
Executive Coordinator
KATHRYN BOYLE BREWER
Assistant Executive Coordinator



STATE OF OKLAHOMA
DISTRICT ATTORNEYS COUNCIL

421 NW 13TH ST, SUITE 290 • OKLAHOMA CITY, OKLAHOMA 73103-3710

EXECUTIVE 405-264-5000 FAX 405-264-5099	FINANCE 405-264-5004 405-264-5099	GRANTS 405-264-5008 405-264-5095	VICTIMS SVS 405-264-5006 405-264-5097	IT 405-264-5002 405-264-5099	TRAINING 405-264-5000 405-264-5099
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**DISTRICT ATTORNEYS COUNCIL
STATE OF OKLAHOMA - SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2017**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-006	16.575 Crime Victim Assistance	<p>The FY2017 SEFA reports were submitted initially with incorrect information. The data should have included all fiscal years; however, only FY2017 was included. This was brought to the attention of the agency by the Director of Audits, State Agency Audit Division during a review to compare the amounts in the package with other State Agencies receiving funding from the District Attorneys Council. The District Attorneys Council Accounting Manager and the Director of Audits, State Agency Audit Division have worked together to reconcile the individual differences in the reporting. It was our understanding that the report had been corrected during the reconciliation with the Director of Audits, and that the agency did not need to resubmit the GAAP Package Z. To ensure accurate reporting in future years, the Director of Finance will review the raw data that is the basis for the information in the GAAP Package Z to ensure that all expenditures are included in the package.</p> <p>The District Attorneys Council will resubmit the SEFA – GAAP Package Z to OMES by the anticipated</p>	April 6, 2018	Timothy B. Webster

		completion date.		
2017-022	16.575 Crime Victim Assistance	<p>The District Attorneys Council acknowledges that prior to this single audit, we did not have a good system for tracking the receipt of Single Audits from subrecipients. Audits were reviewed at the monitoring level and we did not track when those reports were reviewed.</p> <p>Corrective Action:</p> <p>1) Before awarding any additional funds, the District Attorneys Council will change the question in OKGrants to read: Does the organization EXPEND \$750,000 or more during the organization's fiscal year in Federal awards? We will continue to request the subrecipient identify their fiscal year end date as well as audit contact information in the OKGrants system.</p> <p>2) Staff has gone back through all 2015, 2016 and 2017 grants and identified the following information on the Monitoring Visit Determination spreadsheet: Single Audit Required (Yes/No) Fiscal Year End Has the audit been completed and received? Date Reviewed by VOCA Monitor?</p> <p>3) One staff member has been assigned to monitor these spreadsheets and contact the subrecipient if a single audit has not been completed within 6 months of the close of their fiscal year end.</p> <p>4) The District Attorneys Council will be hiring a new position of Compliance Officer by the end of July, 2018. Among many other duties, the Compliance Officer will review the funding sources of each subrecipient as well as what has been expended in VOCA funds to determine if the subrecipient is close to the single audit threshold (from the information we have available). If it is determined the subrecipient may be getting close to the single audit threshold, the Compliance Officer will make contact with the subrecipient via e-mail to ask if the threshold has been reached and document that information in the Monitoring Determination Spreadsheet. The Compliance Officer will cc the VOCA Grant Monitor on all correspondence with the subrecipient.</p> <p>5) VOCA Grant Monitors will continue to ask the single audit question during site visits and desk reviews and make sure the Monitoring Spreadsheet accurately reflects whether or not they are required to have a single audit.</p>	4/26/2018	Suzanne Breedlove

		6) The District Attorneys Council will continue to train subrecipients each year on what is required in 2 CFR Part 200.		
2017-024	16.575 Crime Victim Assistance	<p>As you are aware, there is a tremendous amount of data entered into the flawed PMT and SAR system. The data entry errors have been corrected and OVC will allow the submission of the modified report once they fix the PMT/SAR online system which is not calculating correctly.</p> <p>We will immediately implement the following action to avoid future typographical errors when inputting data into the online system: Only one trained person will be responsible for inputting the data. Once data has been entered, the assigned employee will perform a side-by-side comparison, using dual computer monitors, to validate the entries before locking the report and saving it to the network. In addition, the report will automatically calculate the columns and the total cell on the Word document template will be highlighted in red so errors can be spotted at the subrecipient level.</p> <p>In addition to this action, we would like to point out the two typographical errors identified in no way impact the State's priority category certification for the distribution of VOCA dollars. The typographical errors occurred in the area of numbers of victims served by crime type, not funding awarded.</p> <p>We are hopeful the seriously flawed PMT and SAR system will soon be fixed by OVC in order for it to be a useful platform for the State to run reports and report correctly into OVC's GMS system. At this time, no State can finalize their 2016 or 2017 annual reports because of the flaws in the system.</p>	Immediately	Suzanne Breedlove
2017-027	16.575 Crime Victim Assistance	Beginning immediately, each person involved in the draw process will initial the transaction printouts (billing invoice, draw request, deposit report) as they are created to document the employee performing the task. There is a proper separation of duties; however, we understand it is not possible to see this separation without the initials of the employees performing each function.	Immediately	Suzanne Breedlove

JOY HOFMEISTER
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OKLAHOMA STATE DEPARTMENT OF EDUCATION

**OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2017**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-011	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>To ensure all LEA's funds, subject to the carryover requirements of Title I, Part A, are adequately reviewed, tracked, and released, the Office of Federal Programs (OFP) will strengthen its processes by doing the following:</p> <ol style="list-style-type: none">1. Create a report in the Grants Management System (GMS) that will include all LEAs to determine which LEAs are subject to the carryover limitation.2. Assign a second OFP reviewer to verify that LEAs subject to the carryover requirements were adequately identified, and to verify excess carryover calculations.3. Establish an internal date to ensure the release of excess carryover funds from LEAs who did not meet the period of performance is done in a timely manner.4. Establish internal follow-up procedures that will ensure that funds were released in the appropriate amount from the LEAs who did not meet the period of performance. <p>These processes will be implemented in the 2018-2019 school year.</p>	December 2018	Gloria Bayouth

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STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
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SFY 2017**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-018	84.027 & 84.173 Special Education Cluster (IDEA)	<p>For the 2017-2018 School Year (Fiscal Year 2018), the Oklahoma State Department of Education developed and implemented the required risk assessment processes to ensure that each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward is appropriately evaluated for monitoring purposes.</p> <p>A Local Education Agency (LEA) is assigned a Risk Category based on its risk score that will partially establish the LEA's Differentiated Monitoring Result (DMR) and corresponding level of support. In 2017, this score consists solely of fiscal factors. Risk Factor Scoring includes eight factors in 2017 (two factors are reserved for implementation in school year 2018-2019) and their factor weights. These factors include those for consideration under 2 CFR § 200.331(b). Depending on the Risk Category, an LEA is assigned a corresponding level of support that outlines required improvement and monitoring activities. In 2017, there were 489 LEAs in Category 1, 52 in Category 2, 5 in Category 3, and 0 in Category 4.</p> <p>Risk Factor Definitions:</p> <ul style="list-style-type: none"> • MOE Results: Current and Past – Districts must expend an equal amount of state and/or federal funds year to year. Districts not meeting MOE are subject to a citation for failure and funds could be withheld from State aid. • Size of Award – The higher the award amount, the higher the financial risk. • Excess Cost Results: Current and Past – Excess Costs are costs over and above what the LEA spends on average for students enrolled at the elementary or secondary level. Any district found not meeting excess cost could incur a penalty requiring districts to pay back a portion of funds. • Recent Audit Findings – Any Independent Audit findings related to special education will be reviewed for financial risk. • Special or Unusual Design – COOPs, Interlocal, and Charter Schools. • Late Claim Submitted in FY17 – Claims must be submitted by August 1st. Any claim submitted after the due date must go before the board for approval. 	May 4, 2018	Todd Loftin

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-019	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>The Office of Federal Programs (OFP) will develop procedures to ensure that the comparability application review process is strengthened by implementing the following:</p> <ol style="list-style-type: none">1. Work with the vendor (MTW Solutions) to develop a Comparability checklist for the web-based Comparability Report in order to ensure OFP obtain and verify appropriate supporting documentation.2. Per the recommendation from the state auditor, OFP will create a template and send it to the LEAs to enter Full Time Equivalency (FTE) by site, to ensure uniformity in reporting instructional staff FTE.3. Revise LEA Comparability Instructions available in GMS, to inform LEAs that FTE, enrollment and supplies must reflect data from the same day in the school year.4. Revise LEA Comparability Instructions available in GMS, to inform LEAs that supporting documentation must align with and be verified through the Oklahoma State Department of Education's October Consolidated Report for enrollment, the Accreditation Application for the type of position, and School Personnel Records for FTE portion.	December 2018	Gloria Bayouth

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OKLAHOMA STATE DEPARTMENT OF EDUCATION

**OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-026	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>For a significant majority of student graduation records (approximately 79% in SY 2017), documentation for students exiting a cohort due to transferring to another diploma-issuing institution already exists via the receiving Oklahoma public school reporting the enrollment directly to OSDE. Thus, a process for verifying documentation of students exiting from a school's cohort currently exists for the overwhelming majority of students.</p> <p>OSDE is committed to ever-improving data quality and accuracy. For this reason, the Office of Accountability is developing a yearly report for the Regional Accreditation Officers (RAOs) that identifies all students who are exited from a cohort and do not have documentation via an enrollment record from OSDE's data system, beginning with the 2018 cohort. In their January visit to schools, the RAOs will verify that the LEA has kept written documentation of a transfer to another diploma-issuing institution for a minimum of 10% of students at each school.</p> <p>If OSDE determines that a school is not maintaining appropriate documentation for a student prior to exiting a student from the cohort, OSDE will insert the students lacking documentation back into the cohort prior to the reporting of the graduation rate.</p>	1-Feb-19	Michael Tamborski

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-031	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	<p>The Office of Federal Programs (OFP) will develop and implement internal controls to ensure that all LEAs are identified in the risk assessment tool for FY 18 if the LEA is in non-compliant status on the consolidated monitoring.</p> <p>The program specialist that oversees monitoring will compile a list of all non-compliant LEAs and submit that list to the Director of Finance. The Director of Finance will add the non-compliant LEAs to the risk assessment tool and depending on the risk factor, the LEA will be added to the next fiscal year monitoring process.</p>	October 2018	Gloria Bayouth

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-035	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>For FY17, the Office of Federal Programs had included in the Consolidated Monitoring process the collection of samples of the Targeted Assistance Plans and the Title I Targeted Assistance Programs Student Eligibility Criteria (if applicable) from all LEAs monitored for the respective school year, but allowed the LEAs to decide which site plan and student eligibility criteria were submitted. For FY19, OFP will develop policies and procedures that will establish appropriate criteria and methodology to ensure that all sites have the possibility of being selected for review. Additionally, it will also ensure that sufficient information is collected on eligibility criteria to identify students and to determine eligibility in accordance with the compliance requirements.</p> <p>In FY19, OFP will collect Targeted Assistance Plans in GMS from all the LEAs that are monitored for the respective fiscal year, and they will also be required to submit the student eligibility criteria for verification during the monitoring process.</p> <p>During monitoring, OFP reviewers will randomly select Targeted Assistance Plans (using the odd/even method), and monitor the plans.</p>	September 2018	Gloria Bayouth

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**CORRECTIVE ACTION PLAN
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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-037	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	<p>OSDE concurs with the finding and will take corrective action as recommended by the auditors. The incorrect numbers in the reports resulted partially from a technical glitch in the system that pulled data for the wrong year. Additionally, staff that reviewed the reports failed to verify the numbers with the source data. OSDE currently has MOE calculation worksheets built within the OCAS system. These reports and data queries will be reviewed for accuracy and any inconsistencies identified will be corrected. Policies and procedures will be developed that include details on calculation, documentation, verification, review and approval process. Policies and procedures will also identify individuals responsible for calculation, review and approval and ensure that preparation and review are performed by different individuals. This information will be made available to all personnel involved in monitoring the MOE compliance and proper training will be provided when there is staff turnover.</p> <p>MOE calculations along with supporting documentation will be provided to the Office of Federal Programs for further action.</p>	June 2018	Katherine Black

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OKLAHOMA STATE DEPARTMENT OF EDUCATION

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STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-038	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	OSDE agrees with the finding and currently is revising the methodology to quantifiably demonstrate that Federal expenditures are in compliance with the Level of Effort – Supplement not Supplant requirements. OSDE will also assist LEAs to establish procedures to demonstrate compliance with the Supplement not Supplant requirement.	December 2018	Gloria Bayouth

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OKLAHOMA STATE DEPARTMENT OF EDUCATION

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STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-039	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>In order to meet auditor's first recommendation, the Office of Federal Programs (OFP) has developed written procedures to be followed by the Oklahoma State Ombudsman and another assigned staff member who will verify all Equitable Services Packets, the number of students submitted, and the participation of each Private School in the chosen programs. Then, the spreadsheet with numbers of private school children is submitted to the Director of Finance who will ensure that all participating private school children are included in the allocation process for each current fiscal year.</p> <p>In order to meet auditor's second recommendation, OFP has developed written procedures to be followed by the Oklahoma State Ombudsman who will use direct written communication with Private Schools to ensure equitable services for private school students are actually provided.</p> <p>In order to meet auditor's third recommendation, the OFP has the following procedures in place for calculating the FY17 Nonpublic School Equitable Share carryover to FY18: the FY17 proportionate Equitable Share amount minus the FY17 expended Equitable Share amount. Then, the Nonpublic School Equitable Share carryover amount was:</p> <ul style="list-style-type: none"> • manually calculated by the Director of Finance and communicated to each OSDE reviewer who then informed the assigned LEAs; • manually entered by LEAs in the FY18 set-aside table, on Low Income Step 4 in the Grants Management System (GMS); • manually checked by OSDE reviewers for accuracy, and for correlation with the budgeted amount on the Budget page <p>The FY18 Nonpublic School Equitable Share amount (current year and carryover) is manually checked by OSDE program reviewers for accurate correlation with the budgeted amount on the Budget page.</p>	July 1, 2018	Gloria Bayouth

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STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

OKLAHOMA STATE DEPARTMENT OF EDUCATION
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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-040	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	<p>OSDE concurs with the finding. The Office of Federal Programs (OFP) has the Schoolwide Plan available in the Grants Management System (GMS) as a stand alone application. LEAs currently have the option to either complete this application in GMS, or complete the plan on paper and keep it at the site level. For FY17, the OFP had included in the Consolidated Monitoring process the collection of samples of the Schoolwide Plans from all LEAs monitored for the respective school year but allowed the districts to select the plans to submit.</p> <p>In FY19, OFP will collect Schoolwide Plans in GMS from all the LEAs including the annual plans modified by the LEAs following evaluation. During monitoring, OFP reviewers will randomly select Schoolwide Plans (using the odd/even method), and monitor the plans. OFP will develop appropriate methodology that allows the possibility of any site to be selected for review.</p>	September 2018	Gloria Bayouth

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-041	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	<p>OSDE concurs with the finding. In order to meet auditor's first recommendation, the Oklahoma State Department of Education (OSDE) will develop clear definitions of significantly expanding, high quality charter schools through the Joint Federal Programs Committee.</p> <p>In order to meet auditor's second recommendation, the Office of Federal Programs (OFP) and the Office of Accreditation at OSDE will develop written procedures for collecting written notification from newly opened or significantly expanding charter schools, along with other procedures that charter schools in the State of Oklahoma must follow in order to operate, receive accreditation and receive federal funds allocations under any applicable ESEA programs.</p> <p>In order to meet auditor's third recommendation, the OFP Director of Finance will make adjustments to applicable ESEA programs current year allocations, to ensure that charter school LEAs receive the proportionate amount of funds for which the charter school LEA is eligible under each covered program, on or after the date the charter school LEA opens or significantly expands its enrollment.</p>	September 2018	Gloria Bayouth

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STATE OF OKLAHOMA – SINGLE AUDIT**

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-042	84.010 Title I Grants to Local Educational Agencies (LEAs);	<p>In order to ensure that the complete population of all paraprofessionals who work in a program supported with Title I, Part A funds have the possibility of being selected for review, OFP will:</p> <ol style="list-style-type: none">1. Add a "Paraprofessional" page in Grants Management System (GMS) for the FY19 Consolidated Application, where all paraprofessionals shall be listed, if they work in a program supported with Title I, Part A funds.2. OFP program reviewers will cross reference the paraprofessional page information with School Personnel Records to verify all paraprofessionals who work in a program supported by Title I, Part A funds.3. The OSDE Regional Accreditation Officers (RAO's) during the annual accreditation compliance visit will verify paraprofessional qualifications by randomly selecting paraprofessionals from the list generated from the GMS system. The methodology for paraprofessional review will be an odd/even number selection process based on the fiscal year. FY18 will be even numbers of para's from the list and FY19 will be odd numbers of para's from the list. The RAO's will return the paraprofessional list to the Office of Federal Programs for compliance review.	September 2018	Gloria Bayouth

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STATE OF OKLAHOMA – SINGLE AUDIT**

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-043	84.027 & 84.173 Special Education Cluster (IDEA)	<p>OSDE-SES policies and procedures will adequately reflect each Maintenance of Effort (MOE) tab completed within the LEA Agreements. Districts will be reviewed by a Compliance, Data, Finance (CDF) Specialist, and will be compared to district data submitted to OCAS, prior to the approval of the districts LEA Agreement.</p> <p>After December 15, MOE data will be reviewed for accuracy by a CDF Specialist. Current fiscal year data is not solidified until after December 15th. District will then be required to verify current fiscal year data is correct and/or must submit an amendment if required. The CDF Specialist will verify the submitted data is in accordance with the data submitted to OCAS. The current fiscal year total must be equal to or greater than the previous fiscal year and the future fiscal year must be equal to or greater than the previous fiscal year. Any discrepancies will result in contacting the district requiring an amendment on their LEA Agreement.</p>	May 4, 2018	Todd Loftin

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2017-044	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>OSDE concurs with the finding. In order to address the 1% set-aside of funds to serve homeless students, the Office of Federal Programs (OFP) has:</p> <ol style="list-style-type: none">1. Notified the LEAs that the 1% homeless set-aside must remain in the function code 2199 until the end of FY18. OFP reviewers have been trained to manually verify that the proper amount was set-aside for services for homeless students;2. Assured with the vendor (MTW Solutions) that GMS (Grants Management System) is performing the edit check correctly for the required 1% homeless set-aside for LEAs with non-Title I sites, to include: the current year allocation, any transfers-in, before any transfers-out, and without including carryover funds;3. Developed a review check list within GMS to be used by OFP reviewers to verify the 1% set-aside, in addition to the GMS edit check;4. Established periodic trainings with OFP reviewers, to help strengthen knowledge about ESSA statutory requirements for the application review process.	September 2018	Gloria Bayouth

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STATE OF OKLAHOMA – SINGLE AUDIT**

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-053	84.367 Supporting Effective Instruction State Grant	<p>In order to meet auditor's first recommendation, the FY18 Nonpublic School Equitable Share carryover amount was:</p> <ul style="list-style-type: none"> manually calculated by the Director of Finance and communicated to each OSDE reviewer who then informed the assigned LEAs; manually entered by LEAs in the FY18 set-aside table, on Low Income Step 4 in the Grants Management System (GMS); manually checked by OSDE reviewers for accuracy, and for correlation with the budgeted amount on the Budget page; The FY18 Nonpublic School Equitable Share amount (current year and carryover) is manually checked by OSDE program reviewers for accurate correlation with the budgeted amount on the Budget page. <p>In FY19, the Oklahoma State Department of Education (OSDE) will follow the ESSA law in regard to private school carryover, and allow Nonpublic Schools to carryover FY18 funds to FY19 only under extenuating circumstances. In those cases, the Nonpublic School carryover will be:</p> <ul style="list-style-type: none"> calculated by the Grant Management System (GMS), displayed in the FY18 closeout report, and verified by the Director of Finance; manually entered by LEAs in the FY19 set-aside table, on Low Income Step 4 in the Grants Management System (GMS); manually checked by OSDE reviewers for accuracy, and for correlation with the budgeted amount on the Budget page; The FY19 Nonpublic School Equitable Share amount (current year and carryover) is manually checked by OSDE program reviewers for accurate correlation with the budgeted amount on the Budget page. <p>In order to meet auditor's second recommendation, OFP has developed written procedures to be followed by the Oklahoma State Ombudsman who will use direct written communication with Private Schools to ensure equitable services for private school students are actually provided.</p>	July 2018	Gloria Bayouth

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-054	84.027 & 84.173 Special Education Cluster (IDEA)	<p>Significant expansion of enrollment means a substantial increase in the number of students attending a charter school due to a significant event that is unlikely to occur on a regular basis, such as the addition of one or more grades or educational programs in major curriculum areas. The term also includes any other expansion of enrollment that the SEA determines to be significant.</p> <p>Oklahoma State Department of Education (OSDE) Special Education Services (SES) along with other federal departments will develop clear definitions of significantly expanding charter schools through the Joint Federal Programs Committee.</p> <p>SES along with the Office of Accreditation, and Federal Programs, at OSDE will develop written procedures for collecting written notification from newly opened or significantly expanding charter schools, along with other procedures that charter schools in the State of Oklahoma must follow in order to operate, receive accreditation and receive federal funds allocations.</p>	September 2018	Todd Loftin



STATE OF OKLAHOMA
DEPARTMENT OF EMERGENCY MANAGEMENT

OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT (OEM)
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
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SFY 2017

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-014	97.036 Disaster Grants – Public Assistance	<p>The Oklahoma Department of Emergency Management (OEM) has submitted all management cost quarterly reporting to the Regional Administrator, FEMA. OEM has no outstanding management cost reporting as of May 4th, 2018.</p> <p>OEM will develop policies and procedures/internal controls to ensure funds expended/drawn for <i>management costs</i> are for allowable activities and allowable costs, that the amounts by disaster do not exceed the management cost ceiling of 3.34% and/or PW, and that the required reports for management costs are submitted to the Regional Administrator in a timely manner. Additionally, OEM will perform an additional review of all management cost requests prior to filing.</p>	05-31-2018	Brianna Thomas
2017-015	97.036 Disaster Grants – Public Assistance	<p>OEM will develop policies and procedures/internal controls to ensure subgrantees receiving advance funds are monitored prior to the closeout of the project to ensure compliance with the applicable Federal regulations, ensure that subgrantees are minimizing the time between the receipt of funds and their disbursement, and to evaluate each subrecipient's risk of noncompliance. Additionally, OEM has implemented EM Grants Pro for all projects beginning with DR-4247. Advances have separate workflow and approval process. The system has controls in place to properly identify advances vs reimbursements on the Request for Payment Form (15-Alpha).</p>	06-30-2018	Alden Greybill & Mike Teague
2017-016	97.036 Disaster Grants – Public Assistance	<p>OEM will follow established procedures to ensure that the <i>Project Certification Report</i> is completed for all large projects prior to payment to ensure subgrantee reimbursements are adequately supported. In addition, OEM will ensure all State approved extensions are maintained. All grants will be managed using the EM Grants Pro Software.</p>	05-31-2018	Alden Greybill & Mike Teague



STATE OF OKLAHOMA
DEPARTMENT OF EMERGENCY MANAGEMENT

OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT (OEM)
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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-028	97.036 Disaster Grants – Public Assistance	OEM will provide notification to 100% of all subgrantees for single audit compliance. Additionally, OEM initiated the Single Audit tracking system on EM Grants Pro beginning May 7, 2018.	05-31-2018	Daniel Piltz, Brianna Thomas, & Sandy Henry
2017-046	97.036 Disaster Grants – Public Assistance	OEM will develop an additional policy and procedure/internal control to ensure funds drawn and expended for management costs are reconciled over the life of the disaster to ensure compliance with 44 CFR § 207.5(b)(4).	05-31-2018	Brianna Thomas
2017-048	97.036 Disaster Grants – Public Assistance	<p>OEM will develop an additional policy and procedure/internal control for preparing the SF-425 and SF-425a to ensure reports are calculated in accordance with the instructions. OEM will perform adequate and timely reconciliation of SF-425a and SF-425 prior to submitting to FEMA.</p> <p>Previously, all projects were paid prior to funds being drawn. Negative balances occurred when draws were not completed prior to the end of the quarter for reporting. On 07/01/2017, OEM's process changed where all disaster accounts required draws prior to payment. Additionally, OEM is no longer processing payments or draws four (4) days prior to the close of the quarter.</p> <p>Finally, legacy disasters will be handled in a uniform manner.</p>	06-30-2018	Sandy Henry

Oklahoma Employment Security Commission



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**OKLAHOMA EMPLOYMENT SECURITY COMMISSION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-032	17.225 Unemployment Insurance	<p>In regards to maintaining relevant data supporting ETA 581 reports submitted to the USDOL. Currently, an e-mail notification goes out to inform IT that files associated with the ETA 581 are ready to be burned to a CD for archival purposes. This notification will now include a list of the file names to be burned to CD to prevent loss or missing files. An additional member of IT as well as a member from RES – Support & Compliance will also be included in the e-mail notification.</p> <p>In regards to the variances on the 6.30.17 ETA 581 quarterly report, we believe the following description will resolve the variances found in the supporting data. Each line of the accounts file contains one record for one employer account for the quarter that they are reporting wages/payments for.</p> <p>Employers could possibly be reporting more than one quarter in time period. There is also multi-unit employers. These are really just one employer, but with multiple locations. They are broken out to report by the location, but are only supposed to be counted one time as an employer. These are identified by the account number. The account number is a 9 digit number. The first 2 digits indicate the employer type (rated, reimbursing, and 1%). The following 7 digits are unique to each employer. If an employer is multi-unit, the last 7 numbers will be the same, with the first two indicating employer type.</p>	April 19, 2018	Pete Shipman, CIO

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		<p>Rated employers start with 01 or (49 if Indian tribe) and the multi-units will be from 02 – 47.</p> <p>Reimbursing employers are 80 – 85 (48 if Indian tribe) with their multi-units using 70-79 and 86-89.</p> <p>One percent employers use 90-94 for the first two with 50-69 being the beginning of their multi-units. One percent employers and Rated employers are counted together as contributory.</p> <p>So, when the program reads the accounts file, it sorts the file by the last 7 digits of the account number, then by the first two digits, so that all multi-units are sorted together. It then will only count the account one time. We also check a field in the file that says Active. The employer must be active in that reporting quarter for them to be counted.</p> <p>On line 201, timely, secured and resolved is counted under multi-units if all units are timely, secured or resolved. If even 1 is not, then the entire account is not.</p>		
2017-055	17.225 Unemployment Insurance	<p>In October 2017, the agency began the process to manually implement the Treasury Offset Program (TOP). Per the mandate, initial letters were mailed to claimants in December. The agreement between OESC and the IRS was signed on January 26, 2018. To date, we have mailed almost 1,500 letters and collected \$38,181.21. Letters are sent to claimant's weekly notifying of their debt and our intent to collect. We will continue manually entering debt for TOP until the electronic system is available.</p> <p>Response to 25% fraud penalty</p> <p>Due to the past problems of implementing a Benefits Enforcement And Recovery system (BEAR) for the Benefits Payment Control unit of OESC, a new project approach was started in 2017 between OESC and a different vendor. One of the biggest changes was a theoretical reset of the project. In addition, milestones were defined as a guidance tool in addition to a progress tracking method. A preliminary project schedule was defined in February of 2017. It underwent some adjustments in the latter half of 2017 as the team uncovered more needed detail regarding the system, which they didn't have in January-February.</p>	April 18, 2019	Shalonda Sanders and Pete Shipman

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		Overpayments – NOT STARTED Overpayment-related requirements have yet to be reconciled to the current state of the web application. This is the most critical piece remaining in order to implement the 25% penalty. It also could be the most time consuming piece estimated at 3-4 months. From a project manager's view, it is and is in the critical path. Both the vendor and OESC will be assessing and communicating expectations of the 25% penalty implementation through various steps along the project. The discussion of expectations should be after the Overpayment requirements are reconciled. It then should continue as the Overpayment portion of the web app is integrated with the new backend architecture. Based on the above information, OESC is in the process of designing an application to meet the 25% penalty requirement.		
2017-056	17.225 Unemployment Insurance	The OESC has reviewed and will correct current procedures to ensure accurate and consistent classification of overpayments. Additionally, staff will be notified of this finding and the updated procedures as well as reminded of how to accurately classify overpayments.	June 15, 2018	Shalonda Sanders



STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

OKLAHOMA HEALTH CARE AUTHORITY
STATE OF OKLAHOMA – SINGLE AUDIT

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
17-807-004	CAFR – Accounts Payable/ Expenditures	The Oklahoma Health Care Authority had direct communications with our service provider about these deficiencies and their corrective actions during regularly scheduled status meetings on December 21, 2017 and January 18, 2018. All of these deficiencies have already been corrected with the last issue (5.2) corrected March 31, 2018. Deficiency 6.3 was corrected in July 2017 and processes were implemented in October 2017 to prevent future issues. Deficiencies 8.7 and 8.9 were corrected in October of 2017 and processes were started in July to prevent further issues. Deficiencies 8.13 and 8.15 were corrected in July of 2017 and processes were started in July to prevent further issues. These findings and corrective actions are monitored monthly by the agency Security Governance Committee to ensure actions are taken timely and are appropriate.	March 31, 2018	Josh Richards
2017-002	93.767 Children's Health Insurance Program 93.778 Medicaid Cluster	The Oklahoma Health Care Authority had direct communications with our service provider about these deficiencies and their corrective actions during regularly scheduled status meetings on December 21, 2017 and January 18, 2018. All of these deficiencies have already been corrected with the last issue (5.2) corrected March 31, 2018. Deficiency 6.3 was corrected in July 2017 and processes were implemented in October 2017 to prevent future issues. Deficiencies 8.7 and 8.9 were corrected in October of 2017 and processes were started in July to prevent further issues. Deficiencies 8.13 and 8.15 were corrected in July of 2017 and processes were started in July to prevent further issues. These findings and corrective actions are monitored monthly by the agency Security Governance Committee to ensure actions are taken timely and are appropriate.	March 31, 2018	Josh Richards



STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

2017-004	93.778 Medicaid Cluster	OHCA will continue to monitor member eligibility and implement appropriate system changes and internal controls to ensure appropriate eligibility determinations and closures occur to avoid inappropriate payments. DHS will provide training and oversight to ensure 12-month redeterminations are completed in a timely manner. For the one instance of untimely redetermination the review has been completed. The five cases related to death match issues are closed and no further payments will occur. OHCA will continue to audit death matches. OHCA will recoup where appropriate, and will reimburse the Federal share for claims paid during periods of ineligibility.	June 30, 2018	Josh Richards
2017-005	93.767 Children's Health Insurance Program 93.778 Medicaid Cluster	OHCA concurs with the finding. The errors noted were a result of a glitch in the contractor's system. IVA corrected the method that gathers the responses to not include 'nonresponses' and to clear prior quarter results beginning with the December 2017 quarter (FFY18). The response count going forward will be accurate and reported correctly. Oklahoma is not the first or only state to use IVA's RMTS software. The statements made in the RMTS Operations Guide provided to OHCA by IVA comply with federal requirements and when tested during implementation the allocations were correct. The collection of surveys is an automated system process therefore; OHCA management had no reason not to rely on the results provided. OHCA staff will now compare the RMTS summary report to the response detail to ensure data used to calculate the RMTS allocation percentages is correct.	Completed December 2017 quarter (FFY18)	Susan Crooke
2017-033	93.778 Medicaid Cluster	OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. OHCA will also continue with provider training to better educate our providers. Regarding these specific findings, the federal share will be returned to CMS.	June 30, 2018	Josh Richards
2017-034	93.767 Children's Health Insurance Program	OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. OHCA will also continue with provider training to better educate our providers. Regarding these specific findings, the federal share will be returned to CMS.	June 30, 2018	Josh Richards



Oklahoma State Department of Health
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**OKLAHOMA STATE DEPARTMENT OF HEALTH
STATE OF OKLAHOMA - SINGLE AUDIT**

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
17-340-008 (Financial)	CAFR - Expenditures	<p>The OSDH is in the process of strengthening its internal controls platform by implementing a COSO Internal Controls Framework (Committee of Sponsoring Organizations) agency-wide. This process will include, among other things, additional steps and procedures for timesheet approval and the posting of payroll in the FISCAL system.</p> <p>The OSDH has already approved and begun implementing Agency Policy Number 3-16 "Posting of Payroll" (originated September 2017) which requires verification and posting of the payroll under strict monthly financial reporting requirements and deadlines including proper reconciliation between the mainframe Agency Fiscal System and the Statewide Accounting System.</p> <p>Finally, the OSDH will use the recently acquired supplemental appropriation funds to make an entry to move the applicable payroll costs back to the FY17 budget reference in the Statewide Accounting System for the payroll noted above. The OSDH will implement the required procedures to apply payroll to the applicable fiscal year according to the actual days worked rather than the pay period ending date for the FISCAL and the Statewide Accounting System by carefully tracking, matching and verifying the correct dates to the appropriate fiscal year.</p>	12/15/17	Michael Romero

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<p>17-340-012 (Financial)</p> <p>17-057 (Federal)</p>	<p>CAFR - Expenditures</p> <p>93.505 Maternal, Infant, and Early Childhood Home Visiting Cluster</p> <p>93.917 HIV Care Grant</p>	<p>The OSDH is in the process of strengthening its internal controls platform by implementing a COSO Internal Controls Framework (Committee of Sponsoring Organizations) agency-wide. This framework will be implemented in an objective fashion, communicated to the Board of Health and maintained in a manner which will not be subject to management override.</p> <p>The interim Commissioner has directed the agency to develop the standardized internal controls platform for its financial reporting and all financial activities. The internal controls platform will create the basis for a consistent financial reporting environment within acceptable Governmental Accounting Standards Board (GASB) conventions and requirements. There will be continual agency-wide review and assessment of the internal control platform. Through interaction with the Board of Health, the agency's development, review and enhancement of an independent, comprehensive and sufficiently integrated internal control framework and accountability will be prioritized for the OSDH.</p> <p>Within the managerial ranks, the Commissioner will provide the required leadership to establish the integrated internal control framework. By instituting the COSO framework for the agency and developing a pathway for its objective implementation, the Interim Commissioner is establishing a positive "tone at the top" by conducting the agency's affairs in an ethical manner through inaugurating improved accountability at all levels of the organization.</p> <div data-bbox="620 1409 998 1722"> </div> <p>As detailed within the above graphic, the OSDH COSO framework will overarch and intersect with the OSDH financial reporting and budgeting platforms to clearly address the issues in the recommendation.</p>	<p>Ongoing</p>	<p>Michael Romero</p>
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2017-058	93.917 HIV Care Grant	<p>OSDH agrees with the Auditor's recommendations. The applicable CFRs are found in 45 CFR 75, which is specific to the United States Department of Health and Human Services. Those specific citations are:</p> <ul style="list-style-type: none"> • 45 CFR 75.303 • 45 CFR 75.510(b) • 45 CFR 75.502(a) <p>Additionally, in 45 CFR 75.2 the definition of program income clearly details that rebates are not program income.</p> <p>The Oklahoma State Department of Health has established segregated funds, a Ryan White grant fund and a Ryan White rebate fund in statewide accounting system. This bifurcation will prevent comingling of the federal funds with rebate funds. Establishing a separate fund for the grant will ensure separate reporting will occur of cash balances, revenue and expenditures.</p>	July 1, 2018	Kim Bailey
2017-059	93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster	<p>OSDH agrees with the Auditor's recommendations. The applicable CFRs are found in 45 CFR 75, which is specific to the United States Department of Health and Human Services. Those specific citations are:</p> <ul style="list-style-type: none"> • 45 CFR 75.303 • 45 CFR 75.510(b) • 45 CFR 75.502(a) <p>Beginning in state fiscal year 2019, the Oklahoma State Department of Health (OSDH) is accounting for each federal grant in the statewide accounting system by CFDA number. OSDH will be able to identify the federal expenditures and revenue for each CFDA number, ensuring accurate future reporting.</p>	July 1, 2018	Kim Bailey

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2017-061	93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster	<p>OSDH agrees with the Auditor's recommendations. The applicable CFR is found in 45 CFR 75, which is specific to the United States Department of Health and Human Services. The specific citation is:</p> <ul style="list-style-type: none"> • 45 CFR 75.303 <p>OSDH MIECHV staff will review their DGIS-HV reporting processes and institute internal procedures to ensure accurate reporting is achieved. Documentation used to support the submitted report will be maintained by the program.</p>	July 31, 2018	Kim Bailey
2017-062	93.917 HIV Care Grant	<p>OSDH agrees with the Auditor's recommendation. The applicable CFRs are found in 45 CFR 75, which is specific to the United States Department of Health and Human Services. Those specific citations are:</p> <ul style="list-style-type: none"> • 45 CFR 75.302(a) • 45 CFR 75.302(b)(4) <p>The Oklahoma State Department of Health has established segregated funds, a Ryan White grant fund and a Ryan White rebate fund in statewide accounting system. This bifurcation will prevent the potential of Ryan White funds being misused.</p>	July 1, 2018	Kim Bailey
2017-063	93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster	<p>OSDH agrees proper controls are necessary to track and monitor that administrative costs do not exceed more than the allowable 10% of a grant award to administrative activities.</p> <p>The Oklahoma State Department of Health will ensure it has established and documented controls to track non-Federal funds and administrative costs associated with early childhood home visitation programs or initiatives. These controls will be documented in written procedures by the program area.</p>	July 31, 2018	Kim Bailey

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2017-065	93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster	<p>OSDH agrees with the Auditor's recommendations regarding sub recipient monitoring.</p> <ul style="list-style-type: none"> Program / Grant specific Sub-recipient monitoring standards <ul style="list-style-type: none"> Create a standardized sub-recipient monitoring framework, which complies with the applicable CFRs <ul style="list-style-type: none"> Allow program/ grant areas to add/modify their specific needs to their process framework. Standardize and improve the agency Internal Audit invoice validation process and work to ensure there is adequate validation across the whole agency and those process are in alignment with the appropriate CFR requirements. Create an agency wide standardized protocol for the appropriate supporting documents needed to support invoices from a sub-recipient. <ul style="list-style-type: none"> Allow program/ grant areas to add/modify their specific needs to their process framework. Finance will review necessary procedures to ensure subrecipients are properly reported on its SEFA. 	September 1, 2018	Kim Bailey
2017-066	93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster	<p>OSDH agrees with the Auditor's reconciliation recommendation.</p> <p>The Oklahoma State Department of Health will establish written procedures to reconcile its data to ensure actual payroll costs are charged to the grant and properly recorded.</p>	July 31, 2018	Kim Bailey

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**OKLAHOMA DEPARTMENT OF HUMAN SERVICES
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2017**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-008	93.568 Low Income Home Energy Assistance Program	Edits are in place to ensure the same address cannot receive duplicate LIHEAP benefits. AFS will continue to work with OMES/ISD to ensure our system functions properly as it requires ongoing maintenance. Also, we will train OU CPM staff on detecting and documenting cases when a duplicate payment is processed.	September 30, 2018	Casey Letran
2017-009	93.568 Low Income Home Energy Assistance Program	We had reviewed the Household report with both our lead programmer and financial monitors and we found this report has been in compliance for all these years. In addition, we consulted with the U.S. HHS – OCS and confirmed that our Household report is within acceptable range. The reason for the preliminary Household report is to capture the estimate data at the end of fiscal year so U.S. HHS – OCS can have it for their congressional hearing in the Capital for the next fiscal year funding as well as their allocate funding for their accounting purposes. While the fiscal funding cutoff at 09/30/2016, applications that are in pending still have to be processed and paid from funding related to grant year that the expenses were incurring and not by the payment date. We will continue to work with our lead programmer and financial monitors to ensure our program continues to operate within the LIHEAP assurances and maintains the integrity of the program while serving our most vulnerable Oklahomans.	September 30, 2018	Casey Letran
2017-023	93.568 Low Income Home Energy Assistance Program	<ul style="list-style-type: none"> Do not concur. Although the policy was not published as of March 31, 2018, it will be effective on September 15, 2018. Senior management had approved the change and OU staff and county staff had been trained. Verification of the utility bill with the provider has been in an electronic form at least a year. Do not concur on two instances (questioned costs \$440) where staff failed to document that the utility account holder is different than the household member. For one of these cases, the utility account 	September 30, 2018	Casey Letran

		<p>holder has an active SNAP case under a different case number showing a different address. For the second case, the additional household member had an active SNAP case reporting zero income during period of the application. According to utility provider, many of the low-income-household applicants would use their own children or relative to obtain utility service because of their low credit score. LIHEAP does allow the household to receive assistance with an explanation of why the utility account is not in the applicant's name. Senior management is working with OU staff to emphasize the importance of case record documentation.</p> <ul style="list-style-type: none"> • Partial concur on two of four instances (questioned costs \$665) where staff failed to document the count of household members noted on the authorized benefit that did not agree to supporting case record information. While questioned cost on one case were reduced down to \$55 since the household was still eligible for a smaller benefit, the questioned costs on another case should be \$0 since the household would have been eligible to receive a larger amount of LIHEAP benefit had the correct household been included on the case. Do not concur on the other two instances. For one case, it is allowable by policy to authorize the LIHEAP payment to roomer who is responsible for ½ of the utility while other people who reside under the same roof refuse to provide their proof of income and resource. For the other case, the utility account holder belongs to the applicant's deceased wife. We will continue to work with OU CPM staff to ensure they are aware of DHS documentation requirements. 		
2017-050	93.658 Foster Care – Title IV-E	<ol style="list-style-type: none"> 1. New contracts will be written and executed for the appropriate sub-recipient agencies. These contracts will have standard language covering all required information. 2. Procedures to evaluate risk will be established with the help of OIG. Each sub-recipient will undergo a risk assessment annually or/as required. Results of this assessment will be formally documented. 3. Further federal guidance will be sought to fully understand and implement the requirements of on-site reviews and the extent of the on-site reviews. 4. Establish policies and procedures to ensure DHS receives and reviews a single audit or program audit from subrecipients in compliance with 2 CFR 200.501. 	July 1, 2019	Kevin Haddock
2017-051	93.659 Adoption Assistance Program	DHS will develop a comprehensive Adoption Assistance funding document which will evidence: 1) annual pre and post adoption assistance expenditures; 2) baseline funding sources (state and federal), identified by amount and source; 3) amounts supported by DHS's accounting records; 4) expenditures of state adoption savings used to supplement, and not supplant existing federal and state funding; and 5) ensuring at least 30 percent of adoption savings are spent on post-adoption and post-guardianship services. This	October 31, 2018	Kevin Haddock

		<p>documentation, in conjunction with supporting documentation from the DHS's accounting records, will be submitted to the Agency's CARE Unit. The CARE Unit will perform an independent review of this document and supporting documentation, prior to entry into the CB-496 (Part 4) Federal online data collection system (OLDC). A copy of the CB-496 (Part 4), adoption savings form and supporting documentation will be retained in the CARE Unit. The CARE Unit will communicate with its federal partners to determine if any corrective action is necessary for the FFY 2016 CB-496 (Part 4). Any revisions or corrective action, including supporting documentation, will be provided to the State Auditor's Office.</p>		
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Summary Schedule of Prior Audit Findings



STATE OF OKLAHOMA
DEPARTMENT OF EMERGENCY MANAGEMENT

CFDA No: 97.036
Finding No: 2015-020, 2016-001
Program Name: Disaster Grants - Public Assistance
Status: Not Corrected

The Oklahoma Department of Emergency Management (OEM) has submitted all management cost quarterly reporting to the Regional Administrator, FEMA. OEM has no outstanding management cost reporting as of May 4th, 2018.

OEM will develop policies and procedures/internal controls to ensure funds expended/drawn for *management costs* are for allowable activities and allowable costs, that the amounts by disaster do not exceed the management cost ceiling of 3.34% and/or PW amount, and that the required reports for management costs are submitted to the Regional Administrator in a timely manner. Additionally, OEM will perform an additional review of all management cost requests prior to filing.

Furthermore, a refund will be processed for the \$4,869.56 and submitted to FEMA no later than May 31, 2018.

CFDA No: 97.036
Finding No: 2015-012, 2016-002
Program Name: Disaster Grants - Public Assistance
Status: Not Corrected

OEM will develop policies and procedures/internal controls to ensure subgrantees receiving advance funds are monitored prior to the closeout of the project to ensure compliance with the applicable Federal regulations, ensure that subgrantees are minimizing the time between the receipt of funds and their disbursement, and to evaluate each subrecipient's risk of noncompliance. Additionally, OEM implemented EM Grants Pro for all Public Assistance projects beginning with DR-4247 on 01/05/2018. Advances have a separate workflow and approval process. The system has controls in place to properly identify advances vs reimbursements on the Request for Payment Form (15-Alpha).

CFDA No: 97.036
Finding No: 2015-024, 2016-003
Program Name: Disaster Grants - Public Assistance
Status: Not Corrected





STATE OF OKLAHOMA
DEPARTMENT OF EMERGENCY MANAGEMENT

OEM will provide notification to 100% of all subgrantees for single audit compliance. Additionally, OEM initiated the Single Audit Tracking system on EM Grants Pro beginning May 7th, 2018. A policy and procedure will be provided with the new process.

CFDA No: 97.036

Finding No: 2015-026, 2016-012

Program Name: Disaster Grants - Public Assistance

Status: Not Corrected

OEM will develop an additional policy and procedure/internal control for preparing the SF-425 and SF-425a to ensure reports are calculated in accordance with the instructions. OEM will perform adequate and timely reconciliation of SF-425a and SF-425 prior to submitting to FEMA.

Prior to July 1, 2017, all projects were paid prior to funds being drawn. Negative balances occurred when draws were not completed prior to the end of the quarter for reporting. Due to this process change all disaster accounts now require draws prior to payment. Additionally, OEM is no longer processing payments or draws four (4) days prior to the close of the quarter.

Finally, legacy disasters will be handled in a uniform manner.

CFDA No: 97.036

Finding No: 2015-042, 2016-044

Program Name: Disaster Grants - Public Assistance

Status: Not Corrected

OEM completed a draw for the remaining balance of allowable management costs. All management cost reporting has been filed with FEMA. Reconciliation of all management costs are completed quarterly. OEM will further refine current policies and procedures to resolve this finding.

CFDA No: 97.036

Finding No: 2015-040, 2016-045

Program Name: Disaster Grants - Public Assistance

Status: Not Corrected

OEM will follow established procedures to ensure that the *Project Certification Report* is completed for all large projects prior to payment to ensure subgrantee reimbursements are adequately supported. In addition, OEM will ensure all State approved extensions are maintained in EM Grants Pro. EM Grants Pro tracks all time related components of the grant.

Oklahoma Employment Security Commission



Richard McPherson, Executive Director

Mary Fallin, Governor

Representing Employers

David Adams, Commissioner
Karen Hudson, Commissioner

Representing the Public

Rachel Hutchings, Chair

Representing Employees

Jim Quillen, Commissioner

Finding No: 16-290-010IT

Subject Heading: CAFR – Enterprise Fund I/T Internal Control

Status: Corrected



STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

REFERENCE NUMBER: 16-807-018

FUND TYPE: General Fund

OTHER INFORMATION: Accounts Payable/Expenditures

STATUS: Partially Corrected; The Oklahoma Health Care Authority had direct communications with our service provider about these deficiencies and their corrective actions during regularly scheduled status meetings on December 21, 2017 and January 18, 2018. All of these deficiencies had already been corrected with the last issue (5.2) corrected March 31, 2018. Deficiency 6.3 was corrected in July 2017 and processes were implemented in October 2017 to prevent future issues. Deficiencies 8.7 and 8.9 were corrected in October of 2017 and processes were started in July to prevent further issues. Deficiencies 8.13 and 8.15 were corrected in July of 2017 and processes were started in July to prevent further issues. These findings and corrective actions are monitored monthly by the agency Security Governance Committee to ensure actions are taken timely and are appropriate.

FINDING NO: 2016-004

CFDA NO: 93.767; 93.778

FEDERAL PROGRAM NAME: Children's Health Insurance Program; Medicaid Cluster

STATUS: Partially Corrected; The Oklahoma Health Care Authority had direct communications with our service provider about these deficiencies and their corrective actions during regularly scheduled status meetings on December 21, 2017 and January 18, 2018. All of these deficiencies had already been corrected with the last issue (5.2) corrected March 31, 2018. Deficiency 6.3 was corrected in July 2017 and processes were implemented in October 2017 to prevent future issues. Deficiencies 8.7 and 8.9 were corrected in October of 2017 and processes were started in July to prevent further issues. Deficiencies 8.13 and 8.15 were corrected in July of 2017 and processes were started in July to prevent further issues. These findings and corrective actions are monitored monthly by the agency Security Governance Committee to ensure actions are taken timely and are appropriate.

FINDING NO: 12-807-008, 2013-043, 2014-026, 2015-035, 2016-006

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster

STATUS: Partially Corrected. Providers did not maintain adequate medical records to support services billed. The federal share has been returned for the prior year finding. OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program.

FINDING NO: 12-807-006, 2013-044, 2014-025, 2015-036, 2016-007

CFDA NO: 93.767

FEDERAL PROGRAM NAME: Children's Health Insurance Program

STATUS: Partially Corrected. Providers did not maintain adequate medical records to support services billed. The federal share has been returned for the prior year finding. OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program.

FINDING NO: 2016-008

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster

STATUS: Partially Corrected. OHCA will continue to monitor member eligibility and implement appropriate system changes and internal controls to ensure appropriate eligibility determinations and closures occur to avoid inappropriate payments. The federal share has been returned for the prior year finding.

REBECCA PASTERNIK-IKARD
CHIEF EXECUTIVE OFFICER



MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

FINDING NO: 2015-033, 2016-035

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster

STATUS: Corrected

FINDING NO: 2015-034, 2016-015

CFDA NO: 93.767

FEDERAL PROGRAM NAME: Children's Health Insurance Program

STATUS: Corrected



Oklahoma State Department of Health
Creating a State of Health

June 28, 2018

CFDA No: 93.268

Finding No: 2016-046

Program Name: Immunization Cooperative Agreements

Status: Not Corrected

The Oklahoma Department of Health is disputing the determination by the State Auditor that the payments received from the Oklahoma Health Care Authority for services provided which are specifically prohibited as allowable by the Immunization grant are program income to the grant. The services in question are paid for by State funds.

Lytle C. Caldwell Jr. CPA
Grants Reporting Officer

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**Department of Human Services
FY17 Audit - SAI
Prior Year Finding Follow-Up**



CFDA No: 93.575; 93.596

Finding No: 2014-027, 2015-028, 2016-009

Program Name: Child Care and Development Fund Cluster

Status: Corrected

CFDA No: 93.558; 93.714

Finding No: 07-830-015, 08-830-015, 09-830-027, 10-830-031, 11-830-012, 12-830-001, 2013-034, 2014-020, 2015-014, 2016-013

Program Name: Temporary Assistance for Needy Families Cluster

Status: **Partially Corrected.** AFS did centralize the clearing of IEVS discrepancies in SFY2017. However, we were unable to allocate the resources necessary to respond to all discrepancies within the specified time frame. AFS prioritized discrepancies and targeted those that would have the greatest impact on case accuracy. Our goal is to develop a written plan of action by 09/30/2018 that addresses how we respond to discrepancies with our limited resources.

CFDA No: 93.558; 93.714

Finding No: 11-830-010, 12-830-004, 2013-033, 2014-019, 2015-019, 2016-014

Program Name: Temporary Assistance for Needy Families Cluster

Status: Corrected

CFDA No: 93.558; 93.714

Finding No: 07-830-013, 08-830-007, 09-830-023, 10-830-021, 11-830-008, 12-830-003, 2013-030, 2014-015, 2015-017, 2016-017

Program Name: Temporary Assistance for Needy Families Cluster

Status: Corrected

CFDA No: 93.775; 93.777; 93.778; 93.558; 93.714

Finding No: 2016-021

Program Name: Medicaid Cluster; Temporary Assistance for Needy Families Cluster

Status: Corrected

CFDA No: 93.775; 93.777; 93.778

Finding No: 2016-024

Program Name: Medicaid Cluster

Status: Corrected

CFDA No: 93.558; 93.714

Finding No: 2014-021, 2015-015, 2016-025

Program Name: Temporary Assistance for Needy Families Cluster

Status: Corrected

CFDA No: 93.568

Finding No: 04-830-019, 05-830-011, 06-830-011, 07-830-003, 08-830-012, 09-830-020, 10-830-024, 11-830-013, 12-830-010, 2013-040, 2014-022, 2015-010, 2016-026

Program Name: Low Income Home Energy Assistance Program

Status: **Partially Corrected.** Current written desk procedures and checklists will be revamped to ensure case records are properly documented. This will include an emphasis in training with regard to adequate documentation when a utility account is not in the applicant's name. A power point presentation training session will be part of the mandatory training for both new and existing employees. We believe the reoccurrence of this finding is due to the high rate of employee turnover and the nature of seasonal staffing in LIHEAP. AFS will work with OU to bring on newly hired staff two weeks in advance to ensure adequate time for training and shadowing existing employees.

CFDA No: 93.575; 93.596

Finding No: 2016-028
Program Name: Child Care and Development Fund Cluster
Status: Corrected

CFDA No: 93.568
Finding No: 2016-033
Program Name: Low Income Home Energy Assistance Program
Status: Corrected

CFDA No: 93.667
Finding No: 2016-036
Program Name: Social Services Block Grant
Status: Corrected

CFDA No: 93.568
Finding No: 2016-040
Program Name: Low Income Home Energy Assistance Program
Status: Corrected

CFDA No: 93.568
Finding No: 04-830-032, 05-830-012, 06-830-010, 08-830-012, 09-830-020, 09-830-031, 10-830-018, 11-830-007, 12-830-007, 12-830-008, 2013-020, 2013-022, 2014-030, 2015-004, 2016-041
Program Name: Low Income Home Energy Assistance Program
Status: Not Corrected. DHS has edits in place to ensure the same address does not receive a duplicate payment. However, with the existing system the edits do not always work. DHS is currently looking into a more updated computer system but it will be several years before that occurs. Meanwhile, we will work closely with OMES/ISD to improve the system edits and also provide guidance to OU staff on proper documentation when a duplicate payment is appropriate. If an overpayment occurs, AFS will request a refund.

CFDA No: 93.568
Finding No: 2014-031, 2015-005, 2016-042
Program Name: Low Income Home Energy Assistance Program
Status: Corrected



Oklahoma Department of Rehabilitation Services

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CFDA NO: 96.001 and 96.006

Finding No: 2016-010

Program Name: Disability Insurance/SSI Cluster

Status: Corrected

CFDA NO: 84.126

Finding No: 2016-011

Program Name: Rehabilitation Services – Vocational Rehabilitation Grants to States

Status: Corrected

CFDA NO: 84.126

Finding No: 2016-016

Program Name: Rehabilitation Services – Vocational Rehabilitation Grants to States

Status: Corrected

CFDA NO: 84.126

Finding No: 2016-023

Program Name: Rehabilitation Services – Vocational Rehabilitation Grants to States

Status: Corrected

CFDA NO: 96.001 and 96.006

Finding No: 2016-031

Program Name: Disability Insurance/SSI Cluster

Status: Corrected

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Director Noel Tyler
Commissioners Emily Cheng, April Danahy and Jack Tucker



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