



STATE OF OKLAHOMA 2019

Single Audit Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

OKLAHOMA 2019

Single Audit Report
For the Fiscal Year Ended June 30, 2019

Prepared by
Office of the State Auditor and Inspector

Cindy Byrd, CPA
Oklahoma State Auditor and Inspector

April 30, 2020

**To the Honorable J. Kevin Stitt, 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, 2019. The audit was conducted in accordance with the 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). 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**State of Oklahoma
Single Audit Reporting Package
Year Ended June 30, 2019**

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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**

INDEPENDENT AUDITOR'S REPORT

**To the Honorable J. Kevin Stitt, 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, 2019. 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, the Department of Environmental Quality, the Department of Wildlife Conservation, and the Water Resources Board 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). The federal programs for the above referenced agencies represent 1.27% 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, 2019. 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 provides a reasonable basis for our disclaimers of opinion, qualified opinions, 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 Disclaimer of Opinion on Children's Health Insurance Program and Medicaid Cluster

As described in the accompanying schedules of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the State of Oklahoma with requirements regarding CFDA 93.767 Children's Health Insurance Program as described in finding number 2019-087 and the Medicaid Cluster as described in finding numbers 2019-025, 2019-087, 2019-088, and 2019-089 for Eligibility; consequently we were unable to determine whether the State of Oklahoma complied with this requirement applicable to those programs.

Disclaimer of Opinion on Children's Health Insurance Program and Medicaid Cluster

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion; accordingly, the auditor does not express an opinion on CFDA 93.767 Children's Health Insurance Program and the Medicaid Cluster regarding the Eligibility compliance requirement.

Basis for Qualified Opinion on SNAP Cluster, Child Nutrition Cluster, Child and Adult Care Food Program, Unemployment Insurance, Title I Grants to Local Educational Agencies, TANF Cluster, Foster Care – Title IV-E, Social Services Block Grant, Children's Health Insurance Program, 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
2019-016	10.551	SNAP Cluster	Special Tests (N3)
2019-004 2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Activities Allowed/ Unallowed
2019-004 2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Allowable Costs/ Cost Principles
2019-004 2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Eligibility
2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Procurement
2019-004 2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Special Tests (N1)
2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Special Tests (N4)
2019-006	10.559	Child Nutrition Cluster	Activities Allowed/ Unallowed
2019-006	10.559	Child Nutrition Cluster	Allowable Costs/ Cost Principles
2019-006	10.559	Child Nutrition Cluster	Eligibility
2019-006	10.559	Child Nutrition Cluster	Procurement
2019-057 2019-058 2019-059	10.558	Child and Adult Care Food Program	Activities Allowed/ Unallowed
2019-057 2019-058 2019-059	10.558	Child and Adult Care Food Program	Allowable Costs/ Cost Principles
2019-057 2019-058 2019-059	10.558	Child and Adult Care Food Program	Eligibility
2019-078	17.225	Unemployment Insurance	Special Tests (N4)
2019-065	84.010	Title I Grants to Local Educational Agencies	Special Tests (N3)
2019-043 2019-075	93.558	TANF Cluster	Activities Allowed/ Unallowed
2019-043 2019-075	93.558	TANF Cluster	Allowable Costs/ Cost Principles
2019-014 2019-015 2019-051	93.558	TANF Cluster	Maintenance of Effort
2019-024 2019-067 2019-074 2019-075	93.558	TANF Cluster	Reporting
2019-025 2019-044 2019-052	93.558	TANF Cluster	Special Tests (N2)

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2019-063	93.658	Foster Care – Title IV-E	Subrecipient Monitoring
2019-050	93.667	Social Services Block Grant	Activities Allowed/ Unallowed
2019-050	93.667	Social Services Block Grant	Allowable Costs/ Cost Principles
2019-047 2019-087	93.767	Children’s Health Insurance Program	Activities Allowed/ Unallowed
2019-047 2019-087	93.767	Children’s Health Insurance Program	Allowable Costs/ Cost Principles
2019-009 2019-018	97.036	Disaster Grants - Public Assistance	Reporting
2019-008 2019-033	97.036	Disaster Grants - Public Assistance	Subrecipient Monitoring

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 SNAP Cluster, Child Nutrition Cluster, Child and Adult Care Food Program, Unemployment Insurance, Title I Grants to Local Educational Agencies, TANF Cluster, Foster Care - Title IV-E, Social Services Block Grant, Children’s Health Insurance Program, 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 the SNAP Cluster, Child Nutrition Cluster, Child and Adult Care Food Program, Unemployment Insurance, Title I Grants to Local Educational Agencies, TANF Cluster, Foster Care - Title IV-E, Social Services Block Grant, Children’s Health Insurance Program, and Disaster Grants - Public Assistance programs for the year ended June 30, 2019.

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, 2019.

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:

2019-001	2019-010	2019-025	2019-027	2019-028	2019-031
2019-032	2019-034	2019-035	2019-036	2019-037	2019-038
2019-040	2019-043	2019-045	2019-046	2019-047	2019-049
2019-053	2019-054	2019-055	2019-056	2019-057	2019-058
2019-068	2019-069	2019-070	2019-071	2019-072	2019-077
2019-079	2019-081	2019-083	2019-085	2019-087	

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.

2019-001	2019-004	2019-005	2019-006	2019-008	2019-009
2019-010	2019-014	2019-015	2019-016	2019-018	2019-025
2019-031	2019-040	2019-050	2019-051	2019-052	2019-054
2019-055	2019-056	2019-057	2019-058	2019-063	2019-065
2019-075	2019-078	2019-087	2019-088	2019-089	

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.

2019-005	2019-006	2019-012	2019-024	2019-027	2019-028
2019-032	2019-033	2019-034	2019-035	2019-036	2019-037
2019-038	2019-041	2019-043	2019-044	2019-045	2019-049
2019-053	2019-057	2019-058	2019-059	2019-067	2019-068
2019-069	2019-070	2019-071	2019-072	2019-073	2019-074
2019-077	2019-079	2019-081	2019-083	2019-084	2019-085

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, 2019, 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 29, 2019, which contained unmodified opinions on those financial statements. Our report 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. 83, *Certain Asset Retirement Obligations*; and GASB Statement No. 88, *Certain Disclosures related to Debt, Including Direct Borrowings and Direct Placements* effective July 1, 2018.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as

required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirement for Federal Awards*, 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR AND INSPECTOR

April 30, 2020 except for our report on the Schedule of Expenditures
of Federal Awards, for which the date is December 29, 2019

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? No

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

Noncompliance material to financial statements noted? No

For fiscal year 2019, 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, 2019, dated December 29, 2019.

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 the following:

#10.551 - SNAP Cluster	Qualified
#10.553/10.555/10.556/10.559 - Child Nutrition Cluster	Qualified
#10.558 - Child and Adult Care Food Program	Qualified
#17.225 - Unemployment Insurance	Qualified
#84.010 - Title I Grants to Local Educational Agencies	Qualified
#93.558 - TANF Cluster	Qualified
#93.658 - Foster Care – Title IV-E	Qualified
#93.667 - Social Services Block Grant	Qualified
#93.767 - Children's Health Insurance Program	Disclaimer/Qualified
#93.775/93.777/93.778 - Medicaid Cluster	Disclaimer
#97.036 - Disaster Grants - Public Assistance	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: \$21,539,275

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
SNAP Cluster	10.551	Supplemental Nutrition Assistance Program	Department of Human Services
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	
Child Nutrition Cluster	10.553	School Breakfast Program	Department of Education
	10.555	National School Lunch Program	Department of Education, Department of Human Services
	10.556	Special Milk Program for Children	Department of Education
	10.559	Summer Food Service Program for Children	Department of Education, Department of Human Services
	10.558	Child and Adult Care Food Program	Department of Education, Department of Human Services
	14.228	Community Development Block Grant	Department of Commerce
	14.231	Emergency Solutions Grant Program	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	
	17.225	Unemployment Insurance	Employment Security Commission
Clean Water State Revolving Fund Cluster	66.458	Capitalization Grants for Clean Water State Revolving Funds	Water Resources Board
Drinking Water State Revolving Fund Cluster	66.468	Capitalization Grants for Drinking Water State Revolving Funds	Department of Environmental Quality
	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
	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Department of Rehabilitation Services
	84.367	Supporting Effective Instruction State Grants	Department of Education
	93.268	Immunization Cooperative Agreements	Department of Health

Schedule of Findings

Summary of Auditor's Results

TANF Cluster	93.558	Temporary Assistance for Needy Families	Department of Human Services, Department of Libraries, Department of Career and Technology Education, Department of Mental Health
	93.569	Community Services Block Grant	Department of Commerce
CCDF Cluster	93.575	Child Care and Development Block Grant	Department of Human Services
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	
	93.658	Foster Care IV-E	Department of Human Services, Commission on Children and Youth, Office of Juvenile Affairs
	93.667	Social Services Block Grant	Department of Human Services
	93.767	Children's Health Insurance Program	Health Care Authority, Department of Health, Department of Mental Health
Medicaid Cluster	93.775	State Medicaid Fraud Control Units	Attorney General
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Department of Health
	93.778	Medical Assistance Program	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
Disability Insurance/SSI Cluster	96.001	Social Security - Disability Insurance	Department of Rehabilitation Services
	96.006	Supplemental Security Income	
	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Emergency Management

Schedule of Findings And Questioned Costs

FINANCIAL STATEMENT FINDINGS

Reference Number: 19-695-023

State Agency: Oklahoma Tax Commission (the Commission); Office of Management and Enterprise Services (OMES)

Fund Type: Governmental Funds: General Fund

Other Information: Taxes Receivable

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 (GAAP) is to provide accurate, reliable and timely information through a proper review and approval process.

Governmental Accounting Standards Board Statement Number 34 (GASB 34), Paragraph 73 states, “Agency Funds should report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.”

GASB 34 Paragraph 111 states, in part, “Sometimes an agency fund is used as a clearing account to distribute financial resources to other funds of the government, as well as other entities. ... When this occurs, the portion of the clearing account balance that pertains to other funds of the [government] should not be reported in agency funds. Rather, it should be reported as assets in the appropriate funds.”

The Sales Tax Code, as specified in 68 O.S. § 1370 (A.) states, in part, “In accordance with the provisions of Section 1 of this act, any county of this state may levy a sales tax of not to exceed two percent (2%) upon the gross proceeds or gross receipts derived from all sales or services in the county upon which a consumer's sales tax is levied by this state. Before a sales tax may be levied by the county, the imposition of the tax shall first be approved by a majority of the registered voters of the county voting thereon at a special election called by the board of county commissioners or by initiative petition signed by not less than five percent (5%) of the registered voters of the county who were registered at the time of the last general election... .”

The Use Tax Code, as specified in 68 O.S. § 1411 states, in part, “The board of county commissioners of a county levying a county sales tax or the governing body of a municipality levying a municipal sales tax may levy an additional excise tax, at a rate that equals the county or municipal sales tax rate of such county or municipality, whichever is applicable, on the storage, use or other consumption of tangible personal property used, stored or consumed within the county or municipality. This authorization to levy and impose a county or municipal use tax shall be in addition to the tax levied by Section 1402 of this title. Such tax shall be paid by every person storing, using or otherwise consuming, within the county or municipality, tangible personal property purchased or brought into the county or municipality.”

The Sales Tax Code for Lodging Tax, as specified in 68 O.S. § 1370.9 (A.)states, in part, “In addition to any other sales tax levied by a county pursuant to the provisions of Section 1350 et seq. of this title, any county of this state having a population of less than Two Hundred Thousand (200,000), according to the latest Federal Decennial Census, may levy a lodging tax, not to exceed five percent (5%), upon the gross proceeds or gross receipts derived from the service of furnishing of rooms by hotel, apartment hotel, or motel and for the furnishing of any other facility for public lodging, except campsites. Before such a tax may be levied by the county, the imposition of the tax shall first be approved by a majority of the registered voters of the county voting thereon at a special election called by the board of county commissioners or by initiative petition signed by not less than five percent (5%) of the registered voters of the county who were registered at the time of the last general election... .”

Schedule of Findings And Questioned Costs

Condition: The Commission reported their total taxes receivable amount split between “Cities and Counties” and “Various” on the Office of Management and Enterprise Services (OMES) GAAP Package E-1. The GAAP Package E-1 is the form utilized by state agencies to report taxes receivable to OMES for inclusion in the CAFR. OMES recorded the total of the taxes receivable reported in the General Fund section of the Governmental Fund Statements instead of recording the “Cities and Counties” amount in the Agency Fund. The Commission did not appropriately complete GAAP Package E-1 by not specifying which fund the receivable was attributable to.

OMES erroneously excluded the local government sales, use, and lodging tax amount from the *Taxes Receivable* on the Statement of Fiduciary Net Position – Agency Fund and included the amount in the General Fund. The total amount excluded was \$147,651,776.

Cause: The current instructions for GAAP Package E-1 did not adequately inform the Commission on how to properly report the local government sales, use, and lodging tax amounts. The review process in place at OMES did not detect the Agency Fund portion of the *Taxes Receivable* to comply with the Oklahoma Statute and GAAP.

Effect: The *Taxes Receivable* reported on the *Governmental Funds Balance Sheet* included taxes the State of Oklahoma is expected to collect on behalf of the local governments at year-end, and thus *Taxes Receivable* reported on the *Governmental Funds Balance Sheet* was overstated by \$147,651,776.

Recommendation: We recommend the State of Oklahoma (the Commission and OMES) develop and document a method to determine and properly report all Taxes Receivables that are expected to be collected on behalf of others to ensure compliance with the Oklahoma Statutes and GAAP. We also recommend the State of Oklahoma (the Commission and OMES) develop a review process to ensure the General Fund and Agency Fund *Taxes Receivable* are properly distinguished and recorded in the State of Oklahoma - CAFR.

Views of Responsible Official(s)

Contact Person: Patricia Garcia (Commission); Matt Clarkson (OMES)

Anticipated Completion Date: 4/30/2020

Corrective Action Planned: Management concurs with finding. Please see the OTC and OMES corrective action plan located in the corrective action plan section of this report.

Reference Number: 19-695-024

State Agency: Oklahoma Tax Commission (the Commission)

Fund Type: Government-Wide – Governmental Activities; Governmental Funds - General Fund

Other Information: Taxes Receivable

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.”

Governmental Accounting Standards Board Statement Number 34 (GASB 34) Paragraph 16 states, “The statement of net assets and the statement of activities should be reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions should be recognized in accordance with the requirements of Statement 33.”

GASB 34 Paragraph 16 states, in part, “Financial statements for governmental funds should be presented using the *current resources measurement focus* and the *modified accrual basis of accounting*....”

GASB 33 Paragraph 16 states, “Governments should recognize assets from derived tax revenue transactions in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. *Revenues* should be recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has

Schedule of Findings And Questioned Costs

occurred. Resources received in advance should be reported as deferred revenues (liabilities) until the period of exchange.”

GASB 33 Paragraph 30 states, in part, “When the modified accrual basis of accounting is used, revenues resulting from nonexchange transactions should be recognized... in the period when the underlying exchange has occurred, and the resources are available.”

Office of Management and Enterprise Services (OMES) GAAP Conversion Manual for GAAP Package E. Taxes Receivable and Refunds Payable Conversion Package IV. A. 3. states, “Taxes receivables as of June 30 can be estimated by compiling the tax receipts in July and August. Specify by the type of tax. If your agency has a receivable system in place that system should be used.”

Condition: The Gross Production and Motor Vehicle Taxes derived from taxes due to the Commission as of June 30, 2019 and received between July 1, 2019 to August 30, 2019 were not reported by the Commission as taxes receivable on the GAAP Package E-1.

Cause: The current review process in place at the Commission did not detect the misstatement. The Gross Production and Motor Vehicle Taxes are kept in separate systems from the main OneLink General Ledger system the Commission used to calculate Taxes Receivable.

Effect: The financial statements were not in compliance with the GAAP accrual and modified accrual basis of accounting. The taxes receivable amount underreported by the Commission on the GAAP Package E-1 caused the taxes receivable on the State of Oklahoma – Comprehensive Annual Financial Report (CAFR) to be understated by \$137,643,280.

Recommendation: We recommend the Commission implement procedures to determine and report all taxes receivables in compliance with standards. We also recommend the Commission develop a review process to detect omissions of information from the GAAP Package E-1. The design should ensure the Commission’s GAAP Package E-1 is prepared in accordance with GAAP and the State of Oklahoma – CAFR is fairly stated.

Views of Responsible Official(s)

Contact Person: Patricia Garcia

Anticipated Completion Date: 4/30/2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

Reference Number: 19-695-026

State Agency: Oklahoma Tax Commission (the Commission)

Fund Type: Government-Wide – Governmental Activities; Governmental Funds - General Fund

Other Information: Taxes Receivable

Criteria: The United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government section 11.03 states in part, “Management designs the entity’s information system to obtain and process information to meet each operational process’s information requirements and to respond to the entity’s objectives and risks. . . . An information system represents the life cycle of information used for the entity’s operational processes that enables the entity to obtain, store, and process quality information.”

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 . . . validity.”

The GAO Standards for Internal Control in the Federal Government 11.06 states, “Management designs appropriate types of control activities in the entity’s information system for coverage of information processing objectives for operational processes.”

Schedule of Findings And Questioned Costs

The GAO Standards for Internal Control in the Federal Government 13.02 states, “Management designs a process that uses the entity’s objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Information requirements consider the expectations of both internal and external users. Management defines the identified information requirements at the relevant level and requisite specificity for appropriate personnel.”

Condition: The data used to compile gross production taxes receivable included \$98 million in collections that did not include production dates. Without the production dates, the Commission was unable to determine if these collections were receivables at year end and therefore should have been reported on the SFY 2019 GAAP Package E-1: Taxes Receivable and Refunds Payable (GAAP Package E-1).

In addition, the OneLink Motor Vehicle system posts batch transactions to the general ledger. Because of this batch processing, the general ledger is unable to provide a portion of the detailed transactions in a timely manner to determine whether \$44 million in motor vehicle tax collections were receivables that should have been reported on the SFY 2019 GAAP Package E-1.

Cause: The Gross Production and Motor Vehicle systems provide limited detailed information for the Commission to determine whether or not collections should be receivables at year end and included in GAAP Package E-1.

Gross production taxes can be paid without filing a report. Therefore, the Commission did not have sufficient detailed support behind these tax payments to determine if these collections should be taxes receivable and included in the GAAP Package E-1.

Motor vehicle taxes are reported by multiple external sources in batch form. The underlying detailed support for the transactions remains with the external source. This makes it impossible for the Commission to determine if collections should be receivables and included in GAAP Package E-1.

Effect: Since sufficient detailed data for these tax receipts was unavailable, the amounts reported on GAAP Package E-1 and the State of Oklahoma – Comprehensive Annual Financial Report could be understated based on the \$142 million of detailed transactions that could not be provided.

Recommendation: We recommend the Commission obtain the detailed support for the gross production tax collections as close to the tax payment date as possible and develop a process to gather detail of motor vehicle transactions from external sources to timely determine the taxes receivable on the year-end GAAP Package E-1.

Views of Responsible Official(s)

Contact Person: Patricia Garcia

Anticipated Completion Date: 4/30/2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

Reference Number: 19-695-029

State Agency: Oklahoma Tax Commission (the Commission); Office of Management and Enterprise Services (OMES)

Fund Type: Agency Fund; General Fund

Other Information: Cash/Cash Equivalents

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.

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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 Cash/Cash Equivalents that are held for taxes levied by the State of Oklahoma was erroneously recorded in the Agency Fund, instead of the General Fund.

Cause: The State of Oklahoma's (the Commission and OMES) approach to reporting Cash/Cash Equivalents on Generally Accepted Accounting Principles (GAAP) Package S-1 was not consistent with the *Governmental Accounting Standards Board* interpretation.

Effect: The error resulted in a \$307,319,000 overstatement of cash/cash equivalents in the Agency Fund and understatement of cash in the General Fund.

Recommendation: We recommend the State of Oklahoma (the Commission and OMES) develop and document a method to properly report all Cash levied by the State of Oklahoma and local governments to ensure compliance with the Oklahoma Statutes and GAAP. We also recommend the State of Oklahoma (the Commission and OMES) develop a review process to ensure the General Fund and Agency Fund *Cash* amounts are distinguished and properly recorded in the State of Oklahoma - CAFR.

Views of Responsible Official(s)

Contact Person: Patricia Garcia (Commission); Matt Clarkson (OMES)

Anticipated Completion Date: 4/30/2020

Corrective Action Planned: Management concurs with finding. Please see the OTC and OMES corrective action plan located in the corrective action plan section of this report.

End of Financial Statement Findings

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Note: Findings are presented alphabetically by state agency

OKLAHOMA DEPARTMENT OF EDUCATION

FINDING NO: 2019-004

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture (USDA)

CFDA NO: 10.553, 10.555, 10.556

FEDERAL PROGRAM NAME: Child Nutrition Cluster

FEDERAL AWARD NUMBER: 60K300329

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP)

QUESTIONED COSTS: \$0

Criteria: The GAO Standards for Internal Control in the Federal Government 11.06 states in part, "Management designs appropriate types of control activities in the entity's information system for coverage of information processing objectives for operational processes."

The GAO Standards for Internal Control in the Federal Government 11.07 states, "Information system general controls (at the entity-wide, system, and application levels) are the policies and procedures that apply to all or a large

Schedule of Findings And Questioned Costs

segment of an entity's information systems. General controls facilitate the proper operation of information systems by creating the environment for proper operation of application controls. General controls include security management, logical and physical access, configuration management, segregation of duties, and contingency planning.”

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 implemented a new system for the National School Lunch Program (NSLP), School Breakfast Program (SBP), and Special Milk Program (SMP) at the beginning of school year 2018-19.

The following issues were noted during our discussions with OSDE management and during our documentation of controls for Parts A/B, Part E and Part N1 – Verification of Free and Reduced-Price Applications (NSLP):

Original claims being erased - There were numerous issues that prevented the CARS system from communicating effectively with the mainframe system causing OSDE to manually move claim data from one system to the other in order to process claim payments. During these manual transfers, the prior warrant data was overridden by any subsequent warrant data in the CARS system and, as a result, the CARS system only reflected the most current payment data and did not reflect any prior payment (or duplicate payment) data.

Rate tables – Several rate tables were wrong and had to be revised

Site summary not agreeing with District claim – The site summary listing did not include all sites listed on the District claim and the claim totals did not agree. OSDE explained that the CARS system did not recognize sites once they had closed or did not have an approved application which resulted in the information being dropped from previous claims.

Verification Summary Report edit failure: The 2018-2019 *Verification Summary Reports* were approved by OSDE personnel who relied on the CARS system edits which were designed to verify information reported on the *Verification Summary Report* was correct; however, many of the edits were missing or did not work and CNP personnel ‘approved’ the reports assuming the system was verifying the information correctly.

In addition, we noted the following issue during our internal control testwork for Part A/B:

Two claims (September 2018 and October 2018) were overpaid totaling \$7,401.36 because the CARS system paid the meals at both the regular breakfast rate and the severe needs breakfast rate (which the SFA was not eligible for since it was their first year).

Lastly, we noted the following issue during our testwork for Part A/B:

Duplicate Payments: While performing duplicate testing on Child Nutrition 340 fund payments processed through the Claims Applications and Review System (CARS), we found 38 duplicate payments totaling \$729,115.11 related to August through October 2018 claims. OSDE personnel did not identify the August and September duplicate payments totaling \$688,239.89 when manually processing the claims for payment and only became aware of the issue when one school district returned an uncashed paper warrant which led to OSDE subsequently identifying the other duplicate payments for August and September. In addition, it appears that the August and September duplicate payments were not recouped in a timely manner. The October duplicate payments totaling \$40,875.22 were identified by OSDE during the initial claim processing on February 5, 2019 because the voucher totals did not match the file sent to the mainframe.

Cause: Adequate system controls were not in place to ensure claims were paid appropriately during the early stages of CARS implementation and an adequate review process was not in place to ensure manual claims were processed correctly without being duplicated and recoupments were processed timely.

Schedule of Findings And Questioned Costs

Lastly, adequate controls over the review of the *Verification Summary Report* were not in place to ensure the CARS system edits were working appropriately.

Effect: Failure to ensure the CARS system is working appropriately could result in further duplicates, undetected overpayments to school districts, and inaccurate data reported. In addition, the duplicate payments of \$729,115.11 for Child Nutrition have all been recouped from subrecipients.

Recommendation: We recommend that OSDE develop policies and procedures to ensure the CARS system is working appropriately to ensure all Child Nutrition claims are being paid correctly and that all *Verification Summary Reports* include accurate data. Also, we recommend that OSDE review all claims processed manually to ensure that additional overpayments are not made.

Views of Responsible Official(s)

Contact Person: Jennifer Weber, Executive Director and Laura Meissner, Director of Finance

Anticipated Completion Date: 4/1/2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-005 (Repeat 2018-033)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture (USDA)

CFDA NO: 10.553, 10.555, and 10.556

FEDERAL PROGRAM NAME: Child Nutrition Cluster

FEDERAL AWARD NUMBER: 60K300329

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions – Paid Lunch Equity

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.”

7 CFR § 210.18(o) – *Recordkeeping* states in part, “Each State agency must keep records which document the details of all reviews and demonstrate the degree of compliance with the critical and general areas of review. Records must be retained as specified in § 210.23(c) and include documented corrective action, and documentation of withholding of payments and fiscal action, including recoveries made. Additionally, the State agency must have on file:

- (1) Criteria for selecting schools for administrative reviews in accordance with paragraphs (e)(2)(ii) and (i)(2)(ii) of this section.
- (2) Documentation demonstrating compliance with the statistical sampling requirements in accordance with paragraph (g)(1)(i) of this section, if applicable.”

Condition and Context: We noted while testing the individual Administrative Reviews (ARs), that controls were not designed or implemented: policies and procedures backing up the reviews were not applied consistently and, OSDE has not maintained adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the School Food Authority (SFA) Administrative Review appropriately and to confirm that the consultant’s conclusions were valid.

Since OSDE did not maintain supporting documentation of the Administrative reviews, we requested the information directly from the sites. While testing 33 out of the 187 Child Nutrition Program Administrative Reviews, we did not receive supporting records from the SFA and we were unable to verify some of the information recorded by the consultants on the Administrative Review; specifically:

Schedule of Findings And Questioned Costs

- For 4 out of 33, or 12.12% of Administrative Reviews tested, we did not receive the supporting meal count records for the day of the on-site review.
- For 3 out of 33, or 9.09% of Administrative Reviews tested, we did not receive the supporting menu records for the day of the on-site review.
- For 2 out of 33, or 6.06% of Administrative Reviews tested, we did not receive the SFA's site monitoring records.
- For 1 out of 33, or 3.03% of Administrative Reviews tested, we did not receive the Family Size Income Application for one of the two applications requested from the school.
- For 8 out of 13, or 61.54% of Administrative Reviews tested which contracted with Food Service Management Companies (FSMC), we did not receive the supporting contract invoices for the claim month reviewed and were unable to verify that the meal counts on the FSMC invoice agree with the meal counts for the review month, or that the rate charged on the FSMC invoice is calculated correctly and agrees with the approved rate in the FSMC contract.
- For 1 out of 33, or 3.03% of Administrative Reviews tested, it appears that the procurement Tool was not completed.

In addition, for the Administrative Review documentation that could be tested we noted the following:

- For 3 out of 29, or 10.71% of Administrative Reviews tested for which we received supporting meal count records for the day of the on-site review, it appears that the supporting meal count records do not agree with the meal counts recorded on the AR.
- For 7 out of 30, or 23.33% of Administrative Reviews tested for which we received supporting menu/food production records for the day of the on-site review, it appears that the supporting records do not agree with the menu items recorded on the AR.
- For 5 out of 33, or 15.15 % of Administrative Reviews tested, it appears that the supporting meal count records do not agree with the meal counts recorded on the AR applicable to the claim month reviewed.
- For 1 out of 6, or 16.67% of Administrative Reviews tested for which the SFA was participating in the Community Eligibility Provision program, it appears that the supporting documentation used to determine the SFA's CEP status was not approved appropriately.
- For 12 out of 13, or 92.31% of Administrative Reviews tested for which the SFA was subject to paid lunch equity requirements (pricing SFA), it appears that OSDE did not perform adequate procedures (calculations) to verify compliance with the following Paid Lunch Equity requirements during the AR:
 - The SFA is actually charging students the required paid lunch price in accordance with the results of the PLE.
 - The SFA met the (PLE) equity requirement by furnishing additional funds from non-Federal sources.
 - The amount of non-Federal funds provided was sufficient to cover the difference between the amount calculated by the SFA on the approved PLE Tool and the amount actually charged for paid lunches.
- For 2 out of 33, or 6.06 % of Administrative Reviews tested, it appears that adequate procedures were not performed applicable to the FSMC portion of the Procurement Tool.

Lastly, we determined that OSDE does not have adequate risk assessment procedures to identify high risk claims, and does not have adequate claim review procedures to in order to ensure compliance with the following requirements:

- Activities Allowed/Allowable Costs
- Eligibility (Individual participant eligibility, Categorical eligibility)
- Procurement

Cause: We determined that high turnover, lack of risk assessment, and a lack of understanding of some of the compliance requirements, as well as a lack of adequate design and implementation of internal controls, contributed to the deficiencies noted.

Effect: Consultants may not be conducting the Administrative Reviews appropriately to ensure subrecipient noncompliance issues are accurately detected since appropriate documentation is not maintained.

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Subrecipient noncompliance and overclaims may not be detected or prevented due to inadequate procedures for verifying compliance with procurement requirements, paid lunch equity requirements and CEP program claiming percentages.

Recommendation: We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient documentation is obtained and maintained by OSDE for all Administrative Reviews that would allow internal or external reviewers to evaluate whether the tests performed are appropriate and accurate, and whether the analysis conducted, and conclusions reached, by the consultants are valid. We recommend that OSDE develop policies and procedures/controls to ensure that all Administrative Reviews are adequately reviewed based on the documentation maintained.

We recommend that OSDE develop adequate policies and procedures/controls to ensure that amounts paid in relation to FSMC contracts are correct, and claiming percentages for CEP are calculated appropriately. In addition, we recommend that OSDE develop adequate policies and procedures/controls to ensure that adequate risk assessments are performed to identify high risk claims.

Views of Responsible Official(s)

Contact Person: Jennifer Weber, Executive Director

Anticipated Completion Date: 7/1/2020, FY 21

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-006 (Repeat 2018-033)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture (USDA)

CFDA NO: 10.559

FEDERAL PROGRAM NAME: Child Nutrition Cluster

FEDERAL AWARD NUMBER: 60K300329

FEDERAL AWARD YEAR: 2019

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

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.”

7 CFR § 225.7(d) – *Program monitoring and assistance* states in part, “The State agency shall conduct Program monitoring and provide Program assistance according to the following provisions:

(1)*Pre-approval visits.* The State agency shall conduct pre-approval visits of sponsors and sites, as specified below, to assess the applicant sponsor's or site's potential for successful Program operations and to verify information provided in the application. The State agency shall visit prior to approval:

- (i) All applicant sponsors which did not participate in the program in the prior year. However, if a sponsor is a school food authority, has been reviewed by the State agency under the National School Lunch Program during the preceding 12 months, and had no significant deficiencies noted in that review, a pre-approval visit may be conducted at the discretion of the State agency. In addition, pre-approval visits of sponsors proposing to operate the Program during unanticipated school closures during the period from October through April (or at any time of the year in an area with a continuous school calendar) may be conducted at the discretion of the State agency;
- (ii) All applicant sponsors which, as a result of operational problems noted in the prior year, the State agency has determined need a pre-approval visit; and
- (iii) All sites which the State agency has determined need a pre-approval visit.

(2) *Sponsor and site reviews* -

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(i) *General.* The State agency must review sponsors and sites to ensure compliance with Program regulations, the Department's non-discrimination regulations (7 CFR part 15) and any other applicable instructions issued by the Department. In determining which sponsors and sites to review, the State agency must, at a minimum, consider the sponsors' and sites' previous participation in the Program, their current and previous Program performance, and the results of previous reviews of the sponsor and sites. When the same school food authority personnel administer this Program as well as the National School Lunch Program (7 CFR part 210), the State agency is not required to conduct a review of the Program in the same year in which the National School Lunch Program operations have been reviewed and determined to be satisfactory.”

7 CFR § 225.7(d)(5) – *Program monitoring and assistance - Records* states in part, “Documentation of Program assistance and the results of such assistance shall be maintained on file by the State agency.”

Condition and Context: We noted while testing the Summer Food Service Program (SFSP) Sponsor reviews that controls were not properly designed or implemented: policies and procedures backing up the reviews were not applied consistently and, OSDE is not maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the SFSP Sponsor Review appropriately and to confirm that the consultant’s conclusions were valid.

In addition, since OSDE did not maintain supporting documentation of the SFSP reviews, we requested the information directly from the SFSP sites. We noted the following issues while testing 17 out of the 171 SFSP Sponsor Reviews:

- For 6 out of 17, or 35.29% of Sponsor Review tested, we did not receive any of the supporting Sponsor or Site records and we were unable to verify the applicable information recorded on the Sponsor Review. Of those 6 Sponsor Review, 2 had Food Service Management Company (FSMC) procurement contracts with the SFA, and were unable to verify the supporting contract invoices for the claim month reviewed, were unable to verify that the meal counts on the FSMC invoice agree with the meal counts for the review month, and that the rate charged on the FSMC invoice is calculated correctly and agrees with the approved rate in the FSMC contract.
- For 12 out of 17, or 70.59% of Sponsor Reviews tested, it appears that the OSDE consultant did not verify at least one claim month for the sponsor and/or site visited. Of the remaining 5 Sponsor Reviews in which the OSDE consultant did verify at least one claim month, we only received supporting records for 3 out of the 5 claims. Therefore, we were only able to verify that the Sponsor or Site records agreed with the information recorded on the Sponsor Review for at least one claim month for 3 out of 17, or 17.65% of Sponsor Reviews tested.
- For 3 out of 17, or 17.65% of Sponsor Reviews tested, it appears that the consultant did not physically observe a meal service and, could not perform an appropriate comparison of physically observed meal counts to claimed meal counts.
- For 8 out of 17, or 47.06% of Sponsor Reviews tested, it appears that the 5-day reconciliation procedures were inadequately performed by the consultant.
- For 1 out of 17 or 5.88% for which we received supporting records, it appears that we did not receive the supporting site daily meal count records and could not verify that the site daily meal count records agree with the counts recorded by the consultant on the sponsor review.
- For 1 out of 17 or 5.88% for which we received supporting records, it appears that we did not receive the site monitoring records and could not verify that the site monitoring records agree with the information recorded by the consultant on the sponsor review.

In addition, we noted the following issues that indicate that the site caps approved are not appropriate for the average number of participants per site:

- For 11 out of 17, or 64.71% of sites reviewed, it appears that the average daily participation (ADP) for the site is significantly disproportionate (less than 50%) of the approved site cap.
- For 4 out of 17, or 23.53% of sites reviewed, it appears that the average daily participation (ADP) for the site is materially disproportionate (between 50 and 75%) of the approved site cap.

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- For 10 out of 14, or 71.43% of sites for which a meal service was observed, it appears that the number of 1st meals served on the day of the site visit was less than the average daily participation (based on all days of operation for 2018).

We noted that for 1 out of 5, or 20% of Sponsor Reviews tested in which the Sponsor had multiple sites, it appears that the Sponsor did not perform the appropriate site monitoring.

Lastly, we determined that OSDE does not have adequate risk assessment procedures to identify high risk claims, and does not have adequate claim review procedures to in order to ensure compliance with the following requirements:

- Activities Allowed/Allowable Costs
- Eligibility (Individual participant eligibility, Categorical eligibility)

Cause: We determined that high employee turnover, lack of risk assessments, and a lack of understanding of some of the compliance requirements, as well as a lack of adequate design and implementation of internal controls, contributed to the deficiencies noted.

Effect: Consultants may not be conducting the Sponsor Reviews appropriately to ensure subrecipient noncompliance issues are accurately detected since appropriate documentation is not maintained.

Subrecipient noncompliance and overclaims may not be detected or prevented due to inadequate procedures for verifying actual meal counts and for appropriately reviewing an adequate number of monthly claims.

In addition, significant overclaims may not be prevented due to inflated site caps. While it is reasonable to approve site caps that are in excess of the average daily participation due to the fluctuations in the attendance for summer programs, there are not adequate procedures in place to ensure site caps are reasonable and limit the possibility for overclaims.

Recommendation: We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient documentation is obtained and maintained by OSDE for all SFSP Sponsor Reviews that would allow internal or external reviewers to evaluate whether the tests performed are appropriate and accurate, and whether the analysis conducted, and conclusions reached, by the consultants are valid. We recommend that OSDE develop policies and procedures/controls to ensure that all SFSP Sponsor reviews are adequately reviewed based on the documentation maintained.

We also recommend that OSDE develop adequate policies and procedures/controls to ensure that an adequate number of monthly claims are reviewed and, that adequate risk assessments are performed to identify high risk claims and to ensure site caps are set at appropriate levels.

Views of Responsible Official(s)

Contact Person: Jennifer Weber, Executive Director

Anticipated Completion Date: 5/15/2020, summer 2020 program year

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-010 (Repeat 2018-019)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I, Part A Grants to Local Educational Agencies

FEDERAL AWARD NUMBER: S010A180036

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Special Tests and Provisions – Assessment System Security

QUESTIONED COSTS: \$0

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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 § 6311. *State plans states in part*,

“(b) Academic standards, academic assessments, and accountability

(3) Academic assessments

(C) Requirements

(iii) be used for purposes for which such assessments are valid and reliable, and be consistent with relevant, nationally recognized professional and technical standards”

OAC § 210:10-13-21(a) *Academic Assessment Monitoring Program (AAMP)* – Purpose states in part, “The Oklahoma State Department of Education (OSDE) shall establish and implement the Academic Assessment Monitoring Program (AAMP) to evaluate school district implementation and compliance with both Federal and State law and regulations related to academic assessments. The rules will bring the state into compliance with the following state and federal statutes and regulations:

(5) This monitoring program is intended to:

(A) Ensure the testing of all eligible students, proper training of school district staff is conducted, test security is maintained, assessments are administered consistently and in a uniform manner as mandated in the Oklahoma Administrative Code (OAC) sections 210:10-13-2, 4, 6, 7, 9, 10, and 11.”

OAC § 210:10-13-21(e) *Academic Assessment Monitoring Program (AAMP)* – Monitoring Procedures states in part, “(2) Desk monitoring.

(D) District Superintendents and District Test Coordinators of the school district to be monitored will receive a Desk Monitoring Checklist, ten (10) working days before the opening of the testing window. The section of the checklist titled, "District Provided Documentation" must be completed and documents returned to the Office of Accountability and Assessments of the Oklahoma State Department of Education within twenty (20) working days from the last testing day of the assessment window.”

OAC § 210:10-13-21(f) (1) *Failure to comply with state and federal regulations related to Academic Assessment states,*

“(1) The Office of Accountability and Assessments will provide monitoring results to the district superintendent. The monitoring results will inform a district that they have met or not met requirements of Subsection (a) of these rules related to student academic testing. Districts will be designated as in compliance if all requirements have been met, or if any monitored area is found deficient then the district and the school will be designated as noncompliant. If a district is designated as noncompliant, the Office of Accountability and Assessment staff will annually conduct monitoring activities until the district is in compliant status.

(2) Districts that remain in noncompliance for two consecutive years will receive a deficiency on their accreditation report.”

Condition and Context: During our review of controls over the *Monitoring Progress Spreadsheet*, we determined that OSDE does not have written policies and procedures for the following:

1. Determining when desk or on-site monitoring needs to be completed by;
2. Determining when compliance/noncompliance letters need to be sent to the district after monitoring is completed;
3. How a site is determined to be conditional compliant;
4. What would determine if a school needs to complete a corrective action plan;
5. Procedures between the Office of Assessments and the Office of Accreditation when a site receives a deficiency on the accreditation report.

During our testing of 39 of 256 FY 2019 Monitored sites, we noted the following issues:

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- For three sites, the site was marked as Conditional Compliant; however, documentation of training records was not provided to OSDE, the site should have been marked as Noncompliant, scheduled to be re-monitored in FY20, and not put back in the 5-year monitoring cycle.
- For four sites, the site was marked as Conditional Compliant to Compliant; however, either documentation of times the testing sessions are scheduled to begin was not provided or training documents were missing, and they were found non-compliant in their IEP/504 checks. Therefore, they should have been marked as Noncompliant, scheduled to be re-monitored in FY20, and not put back in the 5-year monitoring cycle.
- For one site, training records and a non-disclosure form were missing for one person; therefore, they should have received a status of Noncompliant. The SEA did not observe documentation that proctors and administrators completing the training prior to the testing sessions.
- For two sites, the site was missing training records; therefore, OSDE sent a Conditional Compliant letter on 10/2/2019, in response to which the site sent additional documentation to OSDE on 10/3/2019 that was not reviewed until 12/12/2019, and the site was not notified of their compliance until 1/8/2020. This action taken by OSDE well into the FY20 school year, was not timely and did not allow for adequate notification of re-monitoring if they would have been found Noncompliant.
- For two sites, we did not receive the Corrective Action Plan for the site and/or we did not receive evidence of all training records. Therefore, we are unable to determine if the site reached compliance.
- For one site, the Conditional Compliance Letter sent to the site indicated that test administrators and test proctors were trained after tests were administered; therefore, they should have been marked as Noncompliant.
- For one site, the site was given a status of Compliant; however, the checklist states that a training record for a test proctor was missing and no documentation was received for it. This site should have received a status of Noncompliant.

During our testing of 21 of 55 prior year noncompliant sites, we noted that 14 sites were not listed on the 2019 Monitoring Spreadsheet; therefore, they were not followed up on. However, of those 14 sites, OSDE changed the status of 12 sites to Conditional Compliant and scheduled them be monitored again in FY2020; the other two sites were dropped from the schedule entirely. We determined that it is not appropriate for OSDE to have moved the 12 sites to the FY20 monitoring cycle because Conditional Compliant status indicates that they do consider these sites to be higher risk since they were not moved to their regular five-year cycle, and therefore, should have been re-monitored in FY19.

During our testing of 2 of 12 sites that were noncompliant for two consecutive years, we noted that for one site, the site did not receive a deficiency on their accreditation report as required.

Cause: The Department does not have adequate policies and procedures relating to when monitoring will be performed and when follow-up should be completed (compliance/noncompliance letters). In addition, the Department does not have adequate controls in place to ensure all desk and on-site monitoring is completed and properly supported. Lastly, OSDE does not have an adequate tracking mechanism to ensure monitoring is completed and reviewed appropriately.

Effect: The failure to ensure that 1) policies and procedures related to test security are in place for LEAs, 2) all districts are monitored and followed up on in the year required based on findings, and 3) LEA implemented appropriate test security measures, which could result in testing violations.

Recommendation: We recommend that OSDE develop and/or strengthen policies and procedures to ensure:

- 1) Clear timelines exist for when desk or on-site monitoring are due to be completed and when compliance/noncompliance letters are due to be sent to the district.
- 2) That findings are clearly defined as to the severity of each type, and when each type of finding is due to be followed up on or when conditional compliance can be given.
- 3) That the Office of Assessments and the Office of Accreditation properly follow-up when a site receives noncompliance for two consecutive years and should have been listed as such on the accreditation report.
- 4) Controls exist over proper review and approval of desk and on-site monitoring checklists to ensure compliance with test security.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Craig Walker

Anticipated Completion Date: September 31st, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-034

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; Supporting Effective Instruction State Grant

FEDERAL AWARD NUMBER: S010A180036; S367A180035

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.331 - *Requirements for pass-through entities* states, “All pass-through entities must: (d) 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: While performing testwork on the 17 prior year non-compliant sites to see if they were appropriately followed up on, we determined that the 7 districts with the lowest risk assessment scores were determined to need no further monitoring. The remaining 10 districts that failed consolidated monitoring and had the highest risk assessment scores, were assigned a corrective action plan. However, the corrective action plans are collected and saved in OSDE’s files but are not followed up on until the district is scheduled to be monitored again in the next three-year cycle.

Cause: OSDE does not have adequate policies and procedures in place to determine which risks or findings require immediate attention and should be re-monitored timely, which ones can be followed up on later through corrective action plans, and which ones need no follow-up.

Effect: The Department did not meet 2 CFR § 200.331 (d)(2) since there are no policies and procedures in place on how each non-compliant site will be followed up on. In addition, failure to adequately follow up and ensure that the LEAs take timely and appropriate action on all deficiencies pertaining to the Federal award could result in Federal funds being paid to LEAs that are not in compliance with Federal statutes, regulations, and the terms and conditions of the award.

Recommendation: We recommend OSDE develop policies and procedures related to risk assessment scoring to determine when the risks or findings are severe enough that a site needs to be re-monitored in a timely manner, or when a corrective action plan or other means of follow-up would suffice.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: July 2019

Schedule of Findings And Questioned Costs

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-035 (Repeat 2018-078)

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

FEDERAL AWARD NUMBER: S010A180036

FEDERAL AWARD YEAR: 2019

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 -

(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.

Schedule of Findings And Questioned Costs

(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.”

ESEA SEC. 1117 (a) (4) (A) *Determination*, states,

- “(i) In General. —Expenditures for educational services and other benefits to eligible private school children shall be equal to the proportion of funds allocated to participating school attendance areas based on the number of children from low-income families who attend private schools.
- (ii) Proportional Share. —The proportional share of funds shall be determined based on the total amount of funds received by the local educational agency under this part prior to any allowable expenditures or transfers by the local educational agency.”

According to the *Title I Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements section N-7*, the following provisions are applicable for private school carry-over funds:

“In general, to ensure that equitable services are provided in a timely manner, an LEA must obligate the funds allocated for equitable services under all applicable programs in the year for which they are appropriated. (ESEA sections 1117(a)(4)(B) and 8501(a)(4)(B).) There may be extenuating circumstances, however, in which an LEA is unable to obligate all funds within this timeframe in a responsible manner. Under these circumstances, the funds may remain available for the provision of equitable services under the respective program during the subsequent school year. In determining how such carryover funds will be used, the LEA must consult with appropriate private school officials. (ESEA sections 1117(b) and 8501(c).)”

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

In addition, while performing testwork on our sample of 4 of the 17 LEA’s that provide program services for equitable participation of private school children under Title I Part A, we noted the following issues:

- For two LEAs, the private school information on the Low-Income Step #4 calculation in the Title IA application along with the private school packets did not agree with the Participating Private Schools tracking spreadsheet, and the discrepancies were not identified in the review process;
- For three LEAs, the amount budgeted for Title IA private schools is less than the current year allocation amount calculated by GMS plus prior year carryover amounts, and the discrepancies were not identified in the review process;
- For two LEAs, the set aside amount was less than the amount required;
- For four LEAs, all private school educational services that were planned were not provided;
- For three LEAs, funds allocated for equitable services were not obligated in the year for which they were appropriated and, the LEAs did not have appropriate extenuating circumstances related to the amount of unobligated funds;

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- For one LEA, funds allocated for equitable services were not obligated in the year for which they were appropriated and, had extenuating circumstances but carried over less than the amount allowed per waiver request, and
- For two LEAs, private school equitable services were not determined correctly.

Cause: 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 or set asides for private school students were determined correctly and actually provided, and
- Funds allocated for equitable services or set-asides are correctly calculated and obligated in the year for which they were appropriated, or, adequate verification of extenuating circumstances is documented for amounts carried forward 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 correctly fund and provide equitable services to Private/ Nonpublic School children.

Recommendation: We recommend that OSDE continue to work to strengthen their policies and procedures to verify the following:

- All participating private school children are included in the allocation process;
- Equitable services or set-asides for private school students are actually provided; and
- Funds allocated for equitable services are obligated in the year for which they were appropriated, or, adequate verification of extenuating circumstances is documented for amounts carried forward in the following year.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: July 2019

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-036 (Repeat 2018-080)

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: S367A180035

FEDERAL AWARD YEAR: 2019

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

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- (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 § 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.”

According to the *Title II Non-Regulatory Guidance*, the following provisions are applicable for private school carry-over funds:

“In general, to ensure that equitable services are provided in a timely manner, an LEA must obligate the funds allocated for equitable services under all applicable programs in the year for which they are appropriated. (ESEA sections 1117(a)(4)(B) and 8501(a)(4)(B).) There may be extenuating circumstances, however, in which an LEA is unable to obligate all funds within this timeframe in a responsible manner. Under these circumstances, the funds may remain available for the provision of equitable services under the respective program during the subsequent school year. In determining how such carryover funds will be used, the LEA must consult with appropriate private school officials. (ESEA sections 1117(b) and 8501(c).)”

ESEA SEC. 1117 (a) (4) (A) *Determination*, states,

“(i) In General. —Expenditures for educational services and other benefits to eligible private school children shall be equal to the proportion of funds allocated to participating school attendance areas based on the number of children from low-income families who attend private schools.

(ii) Proportional Share. —The proportional share of funds shall be determined based on the total amount of funds received by the local educational agency under this part prior to any allowable expenditures or transfers by the local educational agency.”

20 U.S. Code § 7881(a)(4). *Participation by private school children and teachers – Private School Participation – Expenditures*

– states:

“(B) Obligation of funds

Funds allocated to a local educational agency for educational services and other benefits to eligible private school children shall be obligated in the fiscal year for which the funds are received by the agency.”

Schedule of Findings And Questioned Costs

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 adequate policies or procedures in place to verify that 1) equitable services for private school students were actually provided, and 2) funds allocated for equitable services are obligated in the year for which they were appropriated, or adequate verification of extenuating circumstances is documented for amounts that should have been used to provide services to private school children in the current year but are carried forward to be used to provide services to private school children in the following year.

In addition, while performing testwork on our sample of 5 of the 27 LEA’s that provide program services for equitable participation of private school children under Title II Part A, we noted the following issues:

- For two LEAs, the private school information on the Private/Nonpublic Schools Share tab in the Title IIA application does not agree with the Participating Private Schools tracking spreadsheet, and 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 and the review did not identify the discrepancy;
- For one LEA, the required amount was not set aside for private school children;
- For five LEAs, all private school educational services that were planned were not provided;
- For five LEAs, funds allocated for equitable services were not obligated in the year for which they were appropriated and, it also appears that the LEAs did not have appropriate extenuating circumstances related to the amount of unobligated funds;
- For three 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: OSDE does not have adequate policies and procedures to review/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;
- Funds allocated for equitable services are obligated in the year for which they were appropriated, or adequate verification of extenuating circumstances is documented for amounts carried forward in the following year; 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.
- Expenditures are equal on a per-pupil basis for public and private school students, teachers, and other educational personnel.

Also, it appears that discrepancies in the Consolidated Applications were not identified due to inadequate review procedures.

Schedule of Findings And Questioned Costs

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

Recommendation: We recommend that OSDE continue to work to strengthen their 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.
- Expenditures are equal on a per pupil basis public and private students, teachers, and other educational personnel.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: July 2019

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-049 (Repeat 2018-017)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 84.010

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

FEDERAL AWARD NUMBER: S010A180036

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Earmarking and Special Tests and Provisions – Access to Federal Funds for New or Significantly Expanding 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.”

ESEA § 4306(c) – “For purposes of implementing the hold-harmless protections in sections 1122(c) and 1125A(f)(3) of the ESEA for a newly opened or significantly expanded charter school LEA, an SEA must calculate a hold-harmless base for the prior year that reflects the new or significantly expanded enrollment of the charter school LEA.”

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 testing 2 newly opened and 5 significantly expanding charter schools in FY 2019, we determined that the Federal programs department failed to use the correct administrative funds to determine the prior year’s hold-harmless base for new or significantly expanding charter school LEA’s. By not using the correct Basic, Concentration, Targeted, and Education Finance Incentive Grant (EFIG) administrative amounts, the hold-harmless base for the prior year was incorrect resulting in the allocation amount being incorrect.

Cause: The Federal programs department failed to correctly apply all compliance requirements. In addition, the federal programs area failed to perform an adequate review by not ensuring allocations for the current administrative funds were correct.

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Effect: One of the significantly expanding charter schools received \$87,634.50 less in allocations for 2019 than was required. The four remaining significant expanding charter schools received a total of \$525.07 more in allocations than was required for 2019. OSDE will revise the allocations for 2020 or 2021 for charter schools that had an incorrect allocation. It appears that the 2 newly opened charter school allocations were correctly allocated for 2019.

Recommendation: We recommend that OSDE continue to strengthen policies and procedures to ensure that the Basis, Concentration, Targeted, and FIG administrative amounts that go into the hold-harmless base get updated to ensure all new and significantly expanding charter school allocations are correct. In addition, we recommend OSDE continue to strengthen their controls over the review and approval of allocations.

Views of Responsible Official(s)

Contact Person: Nancy Hughes, Director of Finance

Anticipated Completion Date: July 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-054

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture (USDA)

CFDA NO: 10.558

FEDERAL PROGRAM NAME: Child and Adult Care Food Program (CACFP)

FEDERAL AWARD NUMBER: 60K300330, 60K300349

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Procurement and Suspension and Debarment

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.”

7 CFR § 226.6(i) - *Standard contract* states, “Each State agency shall develop a standard contract in accordance with § 226.21 and provide for its use between institutions and food service management companies. The contract shall expressly and without exception stipulate:

- (1) The institution shall provide the food service management company with a list of the State agency approved child care centers, day care homes, adult day care centers, and outside-school-hours care centers to be furnished meals by the food service management company, and the number of meals, by type, to be delivered to each location;
- (2) The food service management company shall maintain such records (supported by invoices, receipts or other evidence) as the institution will need to meet its responsibilities under this part, and shall promptly submit invoices and delivery reports to the institution no less frequently than monthly;
- (3) The food service management company shall have Federal, State or local health certification for the plant in which it proposes to prepare meals for use in the Program, and it shall ensure that health and sanitation requirements are met at all times. In addition, the State agency may require the food service management company to provide for meals which it prepares to be periodically inspected by the local health department or an independent agency to determine bacteria levels in the meals being prepared. These bacteria levels shall conform to the standards which are applied by the local health authority with respect to the level of bacteria which may be present in meals prepared or served by other establishments in the locality. Results of these inspections shall be submitted to the institution and to the State agency;
- (4) The meals served under the contract shall conform to the cycle menus upon which the bid was based, and to menu changes agreed upon by the institution and food service management company;
- (5) The books and records of the food service management company pertaining to the institution's food service operation shall be available for inspection and audit by representatives of the State agency, of the Department, and of the U.S. General Accounting Office at any reasonable time and place, for a period of 3 years from the date

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of receipt of final payment under the contract, or in cases where an audit requested by the State agency or the Department remains unresolved, until such time as the audit is resolved;

(6) The food service management company shall operate in accordance with current Program regulations;

(7) The food service management company shall not be paid for meals which are delivered outside of the agreed upon delivery time, are spoiled or unwholesome at the time of delivery, or do not otherwise meet the meal requirements contained in the contract;

(8) Meals shall be delivered in accordance with a delivery schedule prescribed in the contract;

(9) Increases and decreases in the number of meal orders may be made by the institution, as needed, within a prior notice period mutually agreed upon in the contract;

(10) All meals served under the Program shall meet the requirements of § 226.20;

(11) All breakfasts, lunches, and suppers delivered for service in outside-school-hours care centers shall be unitized, with or without milk, unless the State agency determines that unitization would impair the effectiveness of food service operations. For meals delivered to child care centers and day care homes, the State agency may require unitization, with or without milk, of all breakfasts, lunches, and suppers only if the state agency has evidence which indicates that this requirement is necessary to ensure compliance with § 226.20.”

Condition and Context: While documenting controls over procurement we noted that OSDE’s contract template between CACFP institutions and Food Service Management Company (FSMC)/Vendors did not comply with all the required elements under 7 CFR § 226.6(i)(1-11). In addition, we noted that OSDE does not have appropriate policies and procedures to ensure contracts between CACFP institutions and Food Service Management Company/Vendors are properly reviewed by the State agency prior to execution of the contract.

We also noted that OSDE contract templates used by CACFP Institutions and sponsors for covered transactions do not include appropriate language to ensure that the non-Federal entity verified that entities are not suspended, debarred, or otherwise excluded.

Cause: We determined that a lack of understanding of some of the compliance requirements contributed to the deficiencies noted.

Effect: Failure to ensure contracts include all the required elements and are adequately reviewed could result in subrecipient noncompliance with contract and suspension and debarment requirements.

Recommendation: We recommend that OSDE develop adequate policies and procedures/controls to ensure 1) that contracts between CACFP institutions and FSMC/Vendor contain all required elements; 2) all contract templates used by CACFP Institutions and sponsors include appropriate language to ensure that the non-Federal entity verified that entities are not suspended, debarred, or otherwise excluded; and 3) contracts between CACFP institutions and FSMC/Vendor are properly reviewed by the State agency prior to execution of the contract.

Views of Responsible Official(s)

Contact Person: Jennifer Weber, Executive Director

Anticipated Completion Date: FY 21, Oct. 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-055 (Repeat 2018-015)

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

FEDERAL AWARD NUMBER: S010A180036

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Level of Effort – Supplement not Supplant

QUESTIONED COSTS: \$0

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

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

(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.

(2) *COMPLIANCE* – To demonstrate compliance with paragraph (1), a local educational agency shall demonstrate that the methodology used to allocate State and local funds to each school receiving assistance under this part ensures that such school receives all of the State and local funds it would otherwise receive if it were not receiving assistance under this part.”

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: Although Local Educational Agencies (LEAs) agree to assurances through Grants Management System (GMS) to supplement, and not supplant, Federal funds, OSDE Federal Programs division was unable to verify and quantifiably demonstrate that LEAs actually allocated Federal funds to supplement, and not supplant, non-Federal funds used for Title I activities based on the methodologies used by the LEAs to demonstrate their compliance.

Cause: The program has not implemented appropriate procedures to quantifiably demonstrate that the methodology established by the LEA is in compliance with the *Level of Effort – Supplement not Supplant* requirements, due to staff turnover.

Effect: OSDE is unable to accurately identify if Federal funds are being used inappropriately to supplant funds from non-Federal sources. In addition, the program is not in compliance with 20 U.S. Code § 6321(b)(2).

Recommendation: We recommend that OSDE implement adequate policies and procedures to quantifiably demonstrate that the methodologies established by the LEAs are in compliance with *Level of Effort – Supplement not Supplant* requirements.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: July 2019

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-056 (Repeat 2018-015)

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: S367A180035

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Level of Effort – Supplement not Supplant

QUESTIONED COSTS: \$0

Criteria: 20 U.S. Code § 6691 – Supplement, not Supplant states, “Funds made available under this subchapter shall be used to supplement, and not supplant, non-Federal funds that would otherwise be used for activities authorized under this subchapter.”

Schedule of Findings And Questioned Costs

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: Although Local Educational Agencies (LEAs) agree to assurances through GMS to supplement, and not supplant, federal funds, OSDE Federal Programs division was unable to verify and quantifiably demonstrate that LEAs actually used Federal funds to supplement, and not supplant, non-Federal funds used for activities under this grant.

Cause: OSDE has not 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 as required by 20 U.S. Code § 6691.

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

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: January 2021

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-057 (Repeat 2018-034)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture (USDA)

CFDA NO: 10.558

FEDERAL PROGRAM NAME: Child and Adult Care Food Program (CACFP)

FEDERAL AWARD NUMBER: 60K300330, 60K300349

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Suspension and Debarment

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.”

7 CFR § 226.6(k)(7) – *Administrative reviews of institutions and responsible principals and responsible individuals – Results of Administrative Reviews* states, “The State agency must maintain searchable records of all administrative reviews and their disposition.”

7 CFR § 226.6(m)(6) – *Program Assistance - Frequency and number of required institution reviews* states in part, “The State agency must review institutions according to the following schedule:

(i) Independent centers and sponsoring organizations of 1 to 100 facilities must be reviewed at least once every three years. A review of such a sponsoring organization must include reviews of 10 percent of the sponsoring organization's facilities;

(ii) Sponsoring organizations with more than 100 facilities must be reviewed at least once every two years. These reviews must include reviews of 5 percent of the first 1,000 facilities and 2.5 percent of the facilities in excess of 1,000; and

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(iii) New institutions that are sponsoring organizations of five or more facilities must be reviewed within the first 90 days of Program operations.”

7 CFR § 226.17 - *Child care center provisions* – states in part:

“... (b) All child care centers, independent or sponsored, shall meet the following requirements:

... (3) Each child care center participating in the Program must serve one or more of the following meal types - breakfast; lunch; supper; and snack. Reimbursement must not be claimed for more than two meals and one snack or one meal and two snacks provided daily to each child.

(4) Each child care center participating in the Program shall claim only the meal types specified in its approved application in accordance with the meal pattern requirements specified in § 226.20. For-profit child care centers may not claim reimbursement for meals served to children in any month in which less than 25 percent of the children in care (enrolled or licensed capacity, whichever is less) were eligible for free or reduced price meals or were title XX beneficiaries. However, children who only receive at-risk afterschool snacks and/or at-risk afterschool meals must not be included in this percentage. Menus and any other nutritional records required by the State agency shall be maintained to document compliance with such requirements.

...

8) Child care centers shall collect and maintain documentation of the enrollment of each child, including information used to determine eligibility for free and reduced price meals in accordance with § 226.23(e)(1). In addition, Head Start participants need only have a Head Start statement of income eligibility, or a statement of Head Start enrollment from an authorized Head Start representative, to be eligible for free meal benefits under the CACFP. Such documentation of enrollment must be updated annually, signed by a parent or legal guardian, and include information on each child's normal days and hours of care and the meals normally received while in care.

(9) Each child care center must maintain daily records of time of service meal counts by type (breakfast, lunch, supper, and snacks) served to enrolled children, and to adults performing labor necessary to the food service.

... (c) Each child care center shall comply with the recordkeeping requirements established in § 226.10(d), in paragraph (b) of this section and, if applicable, in § 226.15(e). Failure to maintain such records shall be grounds for the denial of reimbursement.”

Condition and Context: While testing the individual Child and Adult Daycare Center (CAC) Administrative Reviews (ARs), we noted that controls were not designed or implemented, policies and procedures backing up the reviews were not applied consistently, procedures performed were not consistent with the instructions for performing the CAC Administrative Review, and OSDE is not maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the CAC AR appropriately and to confirm that the consultant’s conclusions were valid.

OSDE did not maintain supporting documentation for the CAC ARs; therefore, we requested the documentation directly from the Sponsors/Sites. We noted for 9 out of 51, or 17.65% of CAC ARs tested, we did not receive any of the supporting records from the CAC and we were unable to verify the applicable information recorded on the CAC Administrative Review.

For the 42 CAC ARs tested for which we received supporting records from the CAC Sponsor /Site; we noted the following:

- For 7 out of 42, or 16.67% of ARs tested, we did not receive the supporting meal count records for the day of the on-site review.
- For 8 out of 42, or 19.05% of ARs tested, we did not receive the supporting menu records for the day of the on-site review.
- For 5 out of 42, or 11.90% of ARs tested, we did not receive the supporting CACFP rosters for the day of the on-site review.
- For 2 out of 42, or 4.76% of ARs tested, we did not receive the appropriate supporting meal count records applicable to the 5-day recon.
- For 14 out of 42, or 33.33% of ARs tested, we did not receive the appropriate supporting records applicable to claim month reviewed.

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- For 14 out of 42, or 33.33% of ARs tested, the supporting records did not agree with the AR for the on-site meal counts.
- For 3 out of 42, or 7.14% of ARs tested, the supporting records did not agree with the menu items recorded on the AR for the on-site meal observed.
- For 13 out of 42, or 30.95% of ARs tested, the supporting CACFP rosters did not agree with the AR for the day of the on-site visit.
- For 14 out of 42, or 33.33% of ARs tested, the supporting daily meal count records and/or food production records for the sites reviewed and/or the Sponsors consolidated meal counts do not agree with the counts recorded on the CAC Administrative Review for the claim month.
- For 9 out of 42, or 21.43% of ARs tested, there was a significant variance between the number of meals served on the day of the on-site visit and the number of meals claimed that were recorded on the 5 day reconciliation and, no follow-up review was performed to determine if there were possible overclaims.
- For 6 out of 42, or 14.29% of ARs tested, the supporting CACFP Rosters and/or enrollment records for the claim month reviewed do not agree with the information recorded on the Administrative Review.
- For 1 out of 42, or 2.38% of ARs tested, the supporting Sponsor Site Monitoring records do not agree with the information recorded on the Administrative Review.

For 1 out of 5, or 20% of ARs tested which had sponsors or sites that contracted with food service vendors or local public schools, we did not receive the supporting contract invoices for the claim month reviewed and were unable to verify that the meal counts on the contract invoice agree with the meal counts for the review month or, that the rate charged on the contract invoice is calculated correctly and agrees with the approved rate in the contract.

In addition, we noted the following issues related to inadequate procedures for the 51 CAC ARs tested:

- For 22 out of 51, or 43.14% of ARs tested, the 5- day reconciliation procedures were inadequately performed by the consultant and/or the supporting records do not agree with the AR.
- For 24 out of 51, or 47.06 %, of ARs tested, appropriate procedures were not performed by the Sponsor/Site, and meals were not disallowed when they should have been.

Lastly, we determined that OSDE does not have adequate risk assessment procedures to identify high risk claims, does not have adequate controls over the approval of multiple seating's per meal type, and does not have adequate claim review procedures in order to ensure compliance with the following requirements:

- Activities Allowed/Allowable Costs
- Eligibility (Individual participant eligibility, Categorical eligibility)

Cause: We determined that high turnover, lack of risk assessment, and a lack of understanding of some of the compliance requirements, as well as a lack of adequate design and implementation of internal controls, contributed to the deficiencies noted.

Effect: Consultants may not be conducting the ARs appropriately to ensure subrecipient noncompliance issues are accurately detected.

Subrecipient noncompliance and overclaims may not be detected or prevented due to inadequate procedures for verifying actual meal counts, for performing 5-day reconciliations, for appropriately disallowing all unallowable claims, for appropriately following-up on deficiencies noted and, for appropriately reviewing an adequate number of monthly claims. In addition, significant overclaims may not be prevented due to inadequate risk assessment procedures and inadequate controls over the approval of multiple seating's per meal type.

Recommendation: We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient information and documentation is obtained and maintained by OSDE for all CACFP ARs that would allow a reviewer to evaluate whether the tests performed are appropriate and accurate and, whether the analysis conducted, and conclusions reached, by the consultants are valid. In addition, we recommend that OSDE develop policies and procedures/controls to ensure that all SFSP Sponsor reviews are adequately reviewed based on the documentation maintained.

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Lastly, we also recommend that OSDE develop adequate policies and procedures/controls to ensure that an adequate number of monthly claims are reviewed and, that adequate risk assessments are performed to identify high risk claims and to ensure meal seating times and limits are set at appropriate levels.

Views of Responsible Official(s)

Contact Person: Jennifer Weber, Executive Director

Anticipated Completion Date: 10/1/2020, FY 21

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-058 (Repeat 2018-034)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture (USDA)

CFDA NO: 10.558

FEDERAL PROGRAM NAME: Child and Adult Care Food Program (CACFP)

FEDERAL AWARD NUMBER: 60K300330, 60K300349

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, 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.”

7 CFR § 226.6(k)(7) – *Administrative reviews of institutions and responsible principals and responsible individuals* – *Results of Administrative Reviews* states, “The State agency must maintain searchable records of all administrative reviews and their disposition.”

7 CFR § 226.6(m)(6) – *Program Assistance - Frequency and number of required institution reviews* states in part, “The State agency must review institutions according to the following schedule:

- (i) Independent centers and sponsoring organizations of 1 to 100 facilities must be reviewed at least once every three years. A review of such a sponsoring organization must include reviews of 10 percent of the sponsoring organization's facilities;
- (ii) Sponsoring organizations with more than 100 facilities must be reviewed at least once every two years. These reviews must include reviews of 5 percent of the first 1,000 facilities and 2.5 percent of the facilities in excess of 1,000; and
- (iii) New institutions that are sponsoring organizations of five or more facilities must be reviewed within the first 90 days of Program operations.”

7 CFR § 226.16 (g) & (h) - *Sponsoring Organization Provisions* states in part:

“(g) Each sponsoring organization electing to receive advance payments of program funds for day care homes shall disburse the full amount of such payments within five working days of receipt from the State agency...”

(h) Sponsoring organizations shall make payments of program funds to child care centers, adult day care centers, emergency shelters, at-risk afterschool care centers, or outside-school-hours care centers within five working days of receipt from the State agency, on the basis of the management plan approved by the State agency, and may not exceed the Program costs documented at each facility during any fiscal year; except in those States where the State agency has chosen the option to implement a meals times rates payment system. In those States which implement this optional method of reimbursement, such disbursements may not exceed the rates times the number of meals documented at each facility during any fiscal year.”

Condition and Context: We noted while testing the individual Family Day Care Home (FDCH) Administrative Reviews (ARs) that controls were not properly designed or implemented, policies and procedures backing up the reviews were not applied consistently, and OSDE is not maintaining adequate supporting documentation that would

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enable a reviewer to confirm that the consultant performed the CAC AR appropriately and to confirm that the consultant's conclusions were valid.

OSDE did not maintain supporting documentation for the FDCH Administrative Reviews; therefore, we requested the documentation directly from the Sponsor/Site. We noted for 1 out of 7, or 14.29% of FDCH Administrative Reviews tested, we did not receive any of the supporting records from the FDCH and we were unable to verify the applicable information recorded on the FDCH Administrative Review.

For the 6 FDCH Administrative Reviews tested for which we received supporting records from the FDCH Sponsor Site; we noted the following:

- For 1 out of 6, or 16.67% of FDCH Administrative Reviews tested, we did not receive all of the supporting CACFP rosters, FSIA and enrollment forms applicable for the day of the on-site review.
- For 3 out of 6, or 50.00% of FDCH Administrative Reviews tested, we did not receive all of the appropriate supporting meal count records applicable to the claim month reviewed.
- For 2 out of 6, or 33.34% of FDCH Administrative Reviews tested, we did not receive all of the appropriate supporting CACFP Rosters, FSIA and enrollment forms applicable to claim month reviewed.
- For 4 out of 6, or 66.67% of FDCH Administrative Reviews tested, it appears that the supporting records did not agree with the AR for the on-site meal counts.
- For 1 out of 6, or 16.67% of FDCH Administrative Reviews tested, it appears that the supporting CACFP rosters did not agree with the AR for the day of the on-site visit.
- For 2 out of 6 or 33.34% of FDCH Administrative Reviews tested, it appears that the supporting daily meal count records and/or food production records for the sites reviewed and/or the Sponsors consolidated meal counts do not agree with the counts recorded on the CACFP Administrative Review for the claim month.
- For 1 out of 6, or 16.67% of FDCH Administrative Reviews tested, it appears that the supporting CACFP Rosters, FSIA and enrollment forms for the claim month reviewed do not agree with the information recorded on the CACFP Administrative Review.

We noted the following issues related to inadequate procedures for the 7 FDCH Administrative Reviews tested:

- For 3 out of 7, or 42.86% of FDCH Administrative Reviews tested, it appears that an inadequate number of individual providers (homes) were reviewed. In addition, we noted that 4 providers were not home when the consultant arrived for the on-site visit and appropriate follow-up procedures were not performed by OSDE.
- For 3 out of 7, or 42.86% of FDCH Administrative Reviews tested, it appears that meals were not appropriately disallowed that were identified as unallowable.
- For 2 out of 7, or 28.57% of FDCH Administrative Reviews tested, it appears that overclaims were not identified by the consultant.
- For 1 out of 7, or 14.29% of FDCH Administrative Reviews, providers claimed meals that they were not approved for.

We noted that for 2 out of 2, or 100% of FDCH Administrative Reviews with serious deficiencies, it appears that the appropriate follow-up procedures were not followed and/or were inadequate.

In addition, we noted that the 5-day reconciliation procedures performed for FDCH Providers who claim shift meals were inadequate to determine if the provider was within the license capacity for all meals served, or if the provider was claiming in excess of daily meal limits per child.

Lastly, we also noted several instances where the procedures were not followed consistently, the procedures performed were not consistent with the instructions for performing the FDCH administrative Review, or the procedures performed were not adequate to identify overclaims.

Cause: We determined that high employee turnover, lack of risk assessments, lack of understanding of some of the compliance requirements, as well as a lack of adequate design and implementation of internal controls, contributed to the deficiencies noted.

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Effect: Consultants may not be conducting the Administrative Reviews appropriately to ensure subrecipient noncompliance issues are accurately detected since appropriate documentation is not maintained.

Subrecipient noncompliance and overclaims may not be detected or prevented due to inadequate procedures for verifying actual meal counts, for appropriately disallowing all unallowable claims, for ensuring an adequate number of provider claims are reviewed and, for appropriately following-up on deficiencies noted. In addition, significant overclaims may not be prevented due to inadequate controls over the approval of multiple seating's per meal type.

OSDE does not have adequate risk assessment procedures to identify high risk claims, and does not have adequate claim review procedures in order to ensure compliance with Activities Allowed/Allowable Costs and Eligibility (Individual participant eligibility, Categorical eligibility).

Recommendation: We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient information and documentation is obtained and maintained by OSDE for all CACFP Administrative Reviews that would allow a reviewer to evaluate whether the tests performed are appropriate and accurate and, whether the analysis conducted, and conclusions reached by the consultants are valid. We recommend that OSDE develop policies and procedures/controls to ensure that all SFSP Sponsor reviews are adequately reviewed based on the documentation maintained. We recommend that OSDE develop adequate policies and procedures/controls to ensure that the appropriate procedures for performing the FDCH Administrative Review are followed consistently and accurately.

We also recommend that OSDE develop adequate policies and procedures/controls to ensure that an adequate number of monthly claims are reviewed and, that adequate risk assessments are performed to identify high risk claims and to ensure meal seating times and limits are set at appropriate levels.

Views of Responsible Official(s)

Contact Person: Jennifer Weber, Executive Director

Anticipated Completion Date: 10/1/2020, FY 21

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-059

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture (USDA)

CFDA NO: 10.558

FEDERAL PROGRAM NAME: Child and Adult Care Food Program (CACFP)

FEDERAL AWARD NUMBER: 60K300330, 60K300349

FEDERAL AWARD YEAR: 2019

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

QUESTIONED COSTS: \$22,543

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.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.06 states, “Control activities can be implemented in either an automated or a manual manner. Automated control activities are either wholly or partially automated through the entity’s information technology. Automated control activities tend to be more reliable because they are less susceptible to human error and are typically more efficient. If the entity relies on information technology in its operations, management designs control activities so that the information technology continues to operate properly.”

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The GAO Standards for Internal Control in the Federal Government 11.06 states in part, “Management designs appropriate types of control activities in the entity’s information system for coverage of information processing objectives for operational processes.”

The GAO Standards for Internal Control in the Federal Government 11.07 states, “Information system general controls (at the entity-wide, system, and application levels) are the policies and procedures that apply to all or a large segment of an entity’s information systems. General controls facilitate the proper operation of information systems by creating the environment for proper operation of application controls. General controls include security management, logical and physical access, configuration management, segregation of duties, and contingency planning.”

Condition and Context: While performing testwork for a sample of 48 out of 6,950 Child and Adult Daycare Center claims, we noted that one site claimed a total of \$21,769.84 for suppers over a period of three months when the site was not approved for suppers on the CACFP application.

While performing testwork for a sample of 12 out of 299 Family Day Care Homes (FDCH) claims, we noted that for five FDCH Sponsor claims, there were nine individual site claims that were paid for meals that exceeded approved seating limits, and site claims were paid for meal types not approved on the CACFP application resulting in overclaims totaling \$773.02.

Cause: We determined that a lack of appropriate eClaims system edits and are in place, and an inadequate review of CACFP site claims contributed to the deficiencies noted.

Effect: The CACFP eClaims system edits did not prevent the payment of claims for meal types that were not approved on the CACFP application. In addition, the CACFP eClaims system edits did not prevent the payment of claims for meals that exceed the meal seating limits in the approved application.

Subrecipient noncompliance and overclaims may not be detected or prevented due to inadequate procedures for verifying 1) that eClaims system edits are working appropriately, and 2) whether the edits are sufficient to prevent payment of claims for unapproved meals or for meals that exceed applicable limits.

Recommendation: We recommend that OSDE develop adequate policies and procedures/controls to ensure that eClaims system edits are properly designed and working appropriately to prevent overclaims. We also recommend that OSDE develop adequate policies and procedures/controls to ensure that CACFP site claims are adequately reviewed and, that adequate risk assessments are performed to identify high risk claims and to ensure meal seating times and limits are set at appropriate levels.

Views of Responsible Official(s)

Contact Person: Jennifer Weber, Executive Director

Anticipated Completion Date: As soon as IT can determine the system failure for edits and push out a fix.

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-065 (Repeat 2018-010)

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

FEDERAL AWARD NUMBER: S010A180036

FEDERAL AWARD YEAR: 2019

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

QUESTIONED COSTS: \$0

Criteria: ESEA § 8101(25) *Four-Year Adjusted Cohort Graduation Rate* states:

(A) IN GENERAL.—The term "four-year adjusted cohort graduation rate" means the fraction—

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(i) the denominator of which consists of the number of students who form the original cohort of entering first-time students in grade 9 enrolled in the high school no later than the date by which student membership data is collected annually by State educational agencies for submission to the National Center for Education Statistics pursuant to section 153 of the Education Sciences Reform Act of 2002 (20 U.S.C. 9543), adjusted by—

(I) adding the students who joined that cohort, after the date of the determination of the original cohort; and

(II) subtracting only those students who left that cohort, after the date of the determination of the original cohort, as described in subparagraph (B); and

(ii) the numerator of which—

(I) consists of the sum of—

(aa) the number of students in the cohort, as adjusted under clause (i), who earned a regular high school diploma before, during, or at the conclusion of—

(AA) the fourth year of high school; or

(BB) a summer session immediately following the fourth year of high school; and

(bb) all students with the most significant cognitive disabilities in the cohort, as adjusted under clause (i), assessed using the alternate assessment aligned to alternate academic achievement standards under section 1111(b)(2)(D) and awarded a State-defined alternate diploma that is—

(AA) standards-based;

(BB) aligned with the State requirements for the regular high school diploma; and

(CC) obtained within the time period for which the State ensures the availability of a free appropriate public education under section 612(a)(1) of the Individuals with Disabilities Education Act (20 U.S.C. 1412(a)(1)); and

(II) shall not include any student awarded a recognized equivalent of a diploma, such as a general equivalency diploma, certificate of completion, certificate of attendance, or similar lesser credential.

(B) COHORT REMOVAL.—To remove a student from a cohort, a school or local educational agency shall require documentation, or obtain documentation from the State educational agency, to confirm that the student has transferred out, emigrated to another country, or transferred to a prison or juvenile facility, or is deceased.

(C) TRANSFERRED OUT.—

(i) IN GENERAL.—For purposes of this paragraph, the term "transferred out" means that a student, as confirmed by the high school or local educational agency in accordance with clause (ii), has transferred to—

(I) another school from which the student is expected to receive a regular high school diploma; or

(II) another educational program from which the student is expected to receive a regular high school diploma or an alternate diploma that meets the requirements of subparagraph (A)(ii)(I)(bb).

(ii) CONFIRMATION REQUIREMENTS.—

(I) DOCUMENTATION REQUIRED.—The confirmation of a student's transfer to another school or educational program described in clause (i) requires documentation of such transfer from the receiving school or program in which the student enrolled.

(II) LACK OF CONFIRMATION.—A student who was enrolled in a high school, but for whom there is no confirmation of the student having transferred out, shall remain in the adjusted cohort.

(iii) PROGRAMS NOT PROVIDING CREDIT Except as provided in subparagraph (A)(ii)(I)(bb), a student who is retained in grade or who is enrolled in a program leading to a general equivalency diploma, or other alternative educational program that does not issue or provide credit toward the issuance of a regular high school diploma, shall not be considered transferred out and shall remain in the adjusted cohort.

(D) SPECIAL RULES.—

(i) SCHOOLS STARTING AFTER GRADE 9.—For those high schools that start after grade 9, the original cohort shall be calculated for the earliest high school grade students attend no later than the date by which student membership data must be collected annually by State educational agencies for

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submission to the National Center for Education Statistics pursuant to section 153 of the Education Sciences Reform Act of 2002 (20 U.S.C. 9543).

(ii) VERY SMALL SCHOOLS.—A State educational agency may calculate the four-year adjusted cohort graduation rate described under this paragraph for a high school with an average enrollment over a 4-year period of less than 100 students for the purposes of section 1111(c)(4) by—

(I) averaging the four-year adjusted cohort graduation rate of the school over a period of three years; or

(II) establishing a minimum number of students that must be included in the cohort described in clause (i) of subparagraph (A) that will provide a valid graduation rate calculation as determined by the Secretary, below which the school shall be exempt from differentiation and identification under such 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 the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

2 CFR 200 Appendix XI - Compliance Supplement requirement N3 *Annual Report Card, High School Graduation Rate* – states in part, “Review SEA policies and procedures that ensure that LEAs are maintaining appropriate documentation to confirm when students have been removed from the regulatory adjusted cohort.” As part of the SEA’s policies and procedures they are to verify appropriate written documentation to support the removal of a student from the regulatory adjusted cohort.

2 CFR 200 Appendix XI - Compliance Supplement – Annual Report Card, High School Graduation Rate (*OMB No. 1810-0581*) states in part, “An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, or is deceased. 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.”

Condition and Context: Based on evaluation of controls for FY 2019 related to Annual Report Card High School Graduation Rate, we determined that testing 10% of the LEA’s to verify documentation is inadequate, and that OSDE needs to review documentation for 100% of the students being removed from cohort to ensure the graduation rates are accurate. In addition, we determined OSDE had no detailed, standardized written policies and procedures on how they verified documentation of the students that had been removed from the regulatory adjusted cohort high school graduation rate. Lastly, OSDE had no standardized, written policies and procedures for action to be taken when sites did not provide the proper documentation for students.

Cause: OSDE failed to ensure the four-year adjusted cohort compliance requirements were fully met by not testing all students being removed from a cohort. OSDE had some processes in place; however, they had failed to implement standardized written policies and procedures to explain the entire process from when LEA’s are selected for testing through what documentation is to be gathered from LEAs, to what occurs when the LEA does not provide appropriate documentation.

Effect: Without testing all students and ensuring policies and procedures are adequate to verify that students were appropriately removed from the cohort and how the removals will affect the denominator for the four year adjusted cohort, we were unable to test compliance with ESEA § 8101(25) or 2 CFR 200 Appendix XI - Compliance Supplement requirement N3 *Annual Report Card, High School Graduation Rate*.

Recommendation: We recommend that OSDE develop standardized policies and procedures to ensure that all LEAs removed from the adjusted cohort are reviewed. In addition, we recommend OSDE develop standardized policies and procedures to ensure the four-year adjust cohort requirements are fully documented from the testing of LEA documentation, to the removal of the student, to final graduation rates.

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Views of Responsible Official(s)

Contact Person: Maria Harris

Anticipated Completion Date: Fall 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-081

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture (USDA)

CFDA NO: 10.553, 10.555, 10.556, and 10.559

FEDERAL PROGRAM NAME: Child Nutrition Cluster

FEDERAL AWARD NUMBER: 60K300329

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Part N3 – Special Tests and Provisions – School Food Accounts

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.”

Per 7 CFR § 210.14 (b), the school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service account, or such other amount as may be approved by the State agency.

Per 7 CFR § 210.19 - *Additional responsibilities* - states in part,

“(a)*General Program management* Each State agency shall provide an adequate number of consultative, technical and managerial personnel to administer programs and monitor performance in complying with all Program requirements.

(1) *Assurance of compliance for finances.* Each State agency shall ensure that school food authorities comply with the requirements to account for all revenues and expenditures of their nonprofit school food service. School food authorities shall meet the requirements for the allowability of nonprofit school food service expenditures in accordance with this part and, 2 CFR part 200, subpart D and USDA implementing regulations 2 CFR part 400 and part 415, as applicable. All costs resulting from contracts that do not meet the requirements of this part are unallowable nonprofit school food service account expenses. When the school food authority fails to incorporate State agency required changes to solicitation or contract documents, all costs resulting from the subsequent contract award are unallowable charges to the nonprofit school food service account. The State agency shall ensure compliance with the requirements to limit net cash resources and shall provide for approval of net cash resources in excess of three months' average expenditures. Each State agency shall monitor, through review or audit or by other means, the net cash resources of the nonprofit school food service in each school food authority participating in the Program. In the event that net cash resources exceed 3 months' average expenditures for the school food authority's nonprofit school food service or such other amount as may be approved in accordance with this paragraph, the State agency may require the school food authority to reduce the price children are charged for lunches, in a manner that is consistent with the paid lunch equity provision in § 210.14(e) and corresponding FNS guidance, improve food quality or take other action designed to improve the nonprofit school food service. In the absence of any such action, the State agency shall make adjustments in the rate of reimbursement under the Program. Each State agency shall ensure that school food authorities comply with the requirements for pricing paid lunches and nonprogram foods as required in § 210.14(e) and § 210.14(f).”

Condition and Context: While performing testwork on 5 out of 43, or 11.63% of the School Food Authorities (SFA's) that had a 3-month excess operating balance, we noted 4 out of 5 totaling \$179,418.62, or 80% of SFA's had excess operating balances and did not provide supporting documentation to OSDE showing that the excess funds were spent only for the school food account.

Schedule of Findings And Questioned Costs

Cause: OSDE did not collect and maintain adequate supporting documentation that would enable a reviewer to confirm that the excess operating balances were spent appropriately.

Effect: Subrecipient noncompliance may not be detected or prevented due to inadequate procedures for review and approval of expenditures related to 3-month excess operating balances. In addition, transfers out of the school food service account that are not for the benefit of the school food service may not be detected.

Recommendation: We recommend OSDE develop policies and procedures to ensure the excess 3-month operating balances or expenditures are obtained and maintained by OSDE that would allow a reviewer to evaluate whether the funds were spent appropriately.

Views of Responsible Official(s)

Contact Person: Jennifer Weber, Executive Director

Anticipated Completion Date: 6/1/2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT

FINDING NO: 2019-008 (Repeat 2018-013)

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-4299, FEMA-4315

FEDERAL AWARD YEAR: 2018/2019

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.”

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.”

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* (disasters #4299 and #4315 were the only disasters with advances for 2019) and identified \$7,624,655.85 that was advanced to subgrantees without ensuring supported activities were in compliance with applicable Federal requirements prior to the closeout of the project. The advances represent 16.65% of the funds provided to subgrantees during the fiscal year. Also, the Department did not evaluate each subgrantee’s risk of noncompliance to determine the appropriate subrecipient monitoring.

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. In addition, the Department did not have procedures/internal controls to evaluate each subrecipient’s risk of noncompliance.

Schedule of Findings And Questioned Costs

Effect: The Department is not in compliance with the requirements of 2 CFR 200.331 (b) and 2 CFR 200.331(d). 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. In addition, we recommend the Department develop policies and procedures/internal controls to evaluate each subrecipient's risk of noncompliance.

Views of Responsible Official(s)

Contact Person: Alden Graybill and the Public Assistance Division; Daniel Piltz and the Compliance Division

Anticipated Completion Date: 5/1/2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-009 (Repeat 2018-057)

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-1754, FEMA-1883, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324, FEMA-4373

FEDERAL AWARD YEAR: 2018/2019

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....”

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....”

OMES Form Z Instructions – IV. Specific Instructions B (5), “Detailed data should be maintained for both receipts and disbursements to support amounts submitted.”

OMES Form Z Instructions – IV. Specific Instructions C - Working Papers, “The agency should keep any documents that support data on the summary. For example, agencies should thoroughly document: How you computed each amount. The source(s) of data for each amount. Track amounts provided to subrecipients (Non-state agencies and higher education institutions). Track amounts transferred to other state agencies.”

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: The SFY 2019 *Schedule of Expenditures of Federal Awards* (SEFA – GAAP Package Z) for the Department incorrectly reports the total federal cash basis and accrual basis expenditures as follows:

Schedule of Findings And Questioned Costs

	Current Total Federal Expenditures	Revised Total Federal Expenditures	Variance
(5) Cash Basis	39,840,092	46,995,126	7,155,034
Revenue and Expenditure Accrual Adjustments			
(6) Prior Year Federal Accounts Receivable			
(7) Prior Year Federal Accounts Payable	(467,504)	(467,504)	-
(8) Current Year Federal Accounts Receivable			
(9) Current Year Federal Accounts Payable	2,705,593	2,705,593	0
(10) Total	<u>\$ 42,078,181</u>	<u>\$ 49,233,215</u>	<u>\$ 7,155,034</u>

Cause: The Department calculated the cash basis expenditure amount for CFDA #97.036 from the PeopleSoft query: “REGENTS_EXPENDITURE_DETAIL” and description = “6-Digit Exp Detail w/claim #”. The query returns results on accounting date entered into the Statewide Accounting System rather than when the expense occurred, and the error was not detected during review. In addition, administrative costs were not included in the total.

Effect: The Department’s total federal expenditures were understated by \$7,155,034.

Recommendation: We recommend the Department review the current procedures and implement the necessary controls to ensure accurate reporting of total federal expenditures on the SEFA.

Views of Responsible Official(s)

Contact Person: Sandy Henry and the Finance Division

Anticipated Completion Date: 5/1/2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-018 (Repeat 2018-047)

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-1754, FEMA-1883, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324, FEMA-4373

FEDERAL AWARD YEAR: 2018/2019

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.”

Schedule of Findings And Questioned Costs

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.”

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).”

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. Since we were unable to rely on the 6/30/18 SF-425 reports, we started with the amounts calculated from the prior audit and added subrecipient and management costs from SFY 2019 to get to the 6/30/19 totals that should have been reported. We then compared the amounts reported at 6/30/19 on the SF-425 and SF-425a (in Column E) to what we calculated and noted the following variances for the disasters reported:

	A	B	C	(A+B+C)	E	
Open DR's	SFY18 Audit	SFY 19 Payments	SFY 19 Mgmt Draws	Total	6/30/19 SF-425 Line 10b	Difference
1988	\$ 3,939,184.72			\$ 3,939,184.72	\$ 3,860,283.53	\$ 78,901.19
4109	\$ 57,672,516.21			\$ 57,672,516.21		\$ 57,672,516.21
4117	\$ 47,756,023.47	\$ 1,898,505.25	\$ 1,244,260.46	\$ 50,898,789.18	\$ 48,706,666.34	\$ 2,192,122.84
4164	\$ 3,990,899.35			\$ 3,990,899.35	\$ 3,947,030.06	\$ 43,869.29
4222	\$ 55,217,969.17	\$ 5,121,677.78	\$ 4,768,893.38	\$ 65,108,540.33	\$ 61,946,645.90	\$ 3,161,894.43
4247	\$ 28,012,578.81	\$ 1,064,359.22	\$ 1,131,846.85	\$ 30,208,784.88	\$ 29,160,373.70	\$ 1,048,411.18
4256	\$ 37,147,848.44	\$ 6,136,914.10	\$ 4,858,549.25	\$ 48,143,311.79	\$ 43,417,846.49	\$ 4,725,465.30
4274	\$ 1,160,283.17	\$ 2,386,374.15	\$ 2,515,448.19	\$ 6,062,105.51	\$ 3,920,611.60	\$ 2,141,493.91
4299	\$ 18,586,044.14	\$ 13,860,916.69	\$ 13,814,320.91	\$ 46,261,281.74	\$ 32,784,479.06	\$ 13,476,802.68
4315	\$ 5,084,559.22	\$ 12,691,345.40	\$ 7,108,332.06	\$ 24,884,236.68	\$ 18,304,186.87	\$ 6,580,049.81
4324	\$ 1,898,209.09	\$ 1,703,270.64	\$ 1,114,727.02	\$ 4,716,206.75	\$ 3,601,479.73	\$ 1,114,727.02
4373		\$ 577,908.08	\$ 636,834.35	\$ 1,214,742.43	\$ 636,834.35	\$ 577,908.08
	\$ 260,466,115.79	\$ 45,441,271.31	\$ 37,193,212.47	\$ 343,100,599.57	\$ 250,286,437.63	\$ 92,814,161.94

Schedule of Findings And Questioned Costs

Open DR's	A SFY18 Audit	B SFY 19 Payments	C SFY 19 Mgmt Draws	(A+B+C) Total	E 6/30/19 SF-425A	Difference
1988	\$ 3,939,184.72			\$ 3,939,184.72	\$ 3,860,283.53	\$ 78,901.19
4109	\$ 58,285,290.93			\$ 58,285,290.93		\$ 58,285,290.93
4117	\$ 47,756,023.47	\$ 1,898,505.25	\$ 1,244,260.46	\$ 50,898,789.18	\$ 48,706,666.35	\$ 2,192,122.83
4164	\$ 3,990,899.35			\$ 3,990,899.35	\$ 3,947,030.06	\$ 43,869.29
4222	\$ 55,217,969.17	\$ 5,121,677.78	\$ 4,768,893.38	\$ 65,108,540.33	\$ 61,946,645.90	\$ 3,161,894.43
4247	\$ 28,012,578.81	\$ 1,064,359.22	\$ 1,131,846.85	\$ 30,208,784.88	\$ 29,160,373.70	\$ 1,048,411.18
4256	\$ 37,147,848.44	\$ 6,136,914.10	\$ 4,858,549.25	\$ 48,143,311.79	\$ 43,417,846.49	\$ 4,725,465.30
4274	\$ 1,160,283.17	\$ 2,386,374.15	\$ 2,515,448.19	\$ 6,062,105.51	\$ 3,920,611.60	\$ 2,141,493.91
4299	\$ 18,586,044.14	\$ 13,860,916.69	\$ 13,814,320.91	\$ 46,261,281.74	\$ 32,784,479.06	\$ 13,476,802.68
4315	\$ 5,084,559.22	\$ 12,691,345.40	\$ 7,108,332.06	\$ 24,884,236.68	\$ 18,304,186.87	\$ 6,580,049.81
4324	\$ 1,898,209.09	\$ 1,703,270.64	\$ 1,114,727.02	\$ 4,716,206.75	\$ 3,601,479.73	\$ 1,114,727.02
4373		\$ 577,908.08	\$ 636,834.35	\$ 1,214,742.43	\$ 636,834.35	\$ 577,908.08
	\$ 261,078,890.51	\$ 45,441,271.31	\$ 37,193,212.47	\$ 343,713,374.29	\$ 250,286,437.64	\$ 93,426,936.65

We noted that for 1 *open* disaster at 6/30/19 we were not provided with an SF-425 report, as indicated by the blank amount in column E; therefore, it appears an SF-425 report was not submitted.

We noted that for 1 *open* disaster at 6/30/19 we were not provided with an SF-425a report, as indicated by the blank amount in column E; therefore, it appears an SF-425a report was not submitted.

Cause: The Department did not have adequate controls in place to ensure the SF-425 and SF-425a were reconciled on a quarterly basis prior to submission to FEMA.

Effect: The Department understated the cumulative amount of the cash disbursements at 6/30/19 for all open Public Assistance disasters by approximately \$92,814,162 on the SF-425 and \$93,426,937 on the SF-425a.

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 and agree to the accounting records. Also, we recommend the Department perform an adequate and timely reconciliation of SF-425 and SF-425a reports prior to submitting to FEMA.

Views of Responsible Official(s)

Contact Person: Sandy Henry and the Finance Division

Anticipated Completion Date: 6/5/2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-032 (Repeat 2018-069 for EMPG Only)

STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.042

FEDERAL PROGRAM NAME: Emergency Management Performance Grant

FEDERAL AWARD NUMBER: EMT-2017-EP-00003, EMT-2018-EP-00004

FEDERAL AWARD YEAR: 2018/2019

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

QUESTIONED COSTS: \$38,260

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

Schedule of Findings And Questioned Costs

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. . . .”

2 CFR 200.403 (a) *Factors affecting allowability of costs* states, “Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.”

2 CFR 200.431 (c) *Compensation – fringe benefits* states, . . . “Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity’s accounting practices.”

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

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

While determining whether any excess Defined Contributions were charges to the Public Assistance grant, we noted \$38,260 was charged to the Emergency Management Performance Grant (EMPG) – CFDA #97.042 during SFY 2019. In addition, based on our review, a portion of the employees’ time charged to the EMPG actually applied to the Public Assistance grant.

Cause: OEM does not have processes or controls in place to prevent charging the excess Pathfinder costs to federal grants. Also, the Department does not have adequate processes or controls in place to ensure costs charged to a federal grant reflect the actual time worked for that grant. Lastly, OEM failed to follow the communication from the Office of Management and Enterprise Services (OMES) that excess Pathfinder contributions that were made to the defined benefit plan were unallowed and could not be charged to a federal program.

Effect: The \$38,260 in excess Pathfinder contributions overcharged to Federal programs are required to be reimbursed to the Federal agency. The Federal share of management costs charged to OEM’s Federal grants have not been charged according to actual time worked on the grant.

Recommendation: We recommend the Department develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants. In addition, we recommend the Department develop and implement procedures to ensure management costs for Federal grants are charged according to actual time worked on the grant.

Views of Responsible Official(s)

Contact Person: Sandy Henry and the Finance Division

Anticipated Completion Date: 5/1/2020

Schedule of Findings And Questioned Costs

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-033

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-4315

FEDERAL AWARD YEAR: 2018/2019

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 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).”

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 21 of the 86 *large project* payments to subgrantees, we noted one project was reopened after having been closed by FEMA and the payment was made to the subrecipient. An Improper Payments Elimination and Recovery Improvement Act (IPERIA) audit determined the subrecipient to have been over-paid.

Cause: The Department did not properly review the closeout supporting documentation when completing the Project Certification Report.

Effect: Based on lack of proper closeout supporting documentation, the subrecipient was asked to refund a total of \$84,948.89. In addition, the lack of a thorough closeout review of documentation for Project Certification Reports could result in additional subrecipients being overpaid.

Recommendation: We recommend the Department review procedures to ensure all costs submitted by the subrecipient for closeouts are eligible for reimbursement.

Views of Responsible Official(s)

Contact Person: Alden Graybill, Michael Teague, and the Public Assistance Team

Anticipated Completion Date: 6/1/2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

OKLAHOMA EMPLOYMENT SECURITY COMMISSION

FINDING NO: 2019-077 (Repeat 2018-060)

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-31619-18-60-A-40 and UI-32860-19-60-A-40

FEDERAL AWARD YEAR: 2018 and 2019

Schedule of Findings And Questioned Costs

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
QUESTIONED COSTS: \$37,075

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. . . .”

2 CFR 200.403 (a) *Factors affecting allowability of costs* states, “Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.”

2 CFR 200.431 (c) *Compensation – fringe benefits* states, . . . “Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.”

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

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for Oklahoma Employment Security Commission (OESC), we noted that a total of \$37,075 of unallowable costs were charged to the Unemployment Insurance Program – CFDA #17.225 during SFY 2019.

Cause: The Commission did not ensure that charges made to the UI program for unallowable costs was discontinued after 2/20/2018. Also, the Commission is 100% federally funded and has no other funding sources to pay these costs.

Effect: The Commission has overcharged the grant \$37,075 during SFY 2019 with its excess Pathfinder costs, which are an unallowable cost.

Recommendation: We recommend the Commission develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

Views of Responsible Official(s)

Contact Person: Denise Edmond

Anticipated Completion Date: September 25, 2019

Schedule of Findings And Questioned Costs

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-078 (Repeat 2018-022)
STATE AGENCY: Oklahoma Employment Security Commission
FEDERAL AGENCY: U.S. Department of Labor
CFDA NO: 17.225
FEDERAL PROGRAM NAME: Unemployment Insurance
FEDERAL AWARD NUMBER: N/A – Related to Payments from Employers
FEDERAL AWARD YEAR: 2018 and 2019
CONTROL CATEGORY: Special Tests and Provisions
QUESTIONED COSTS: \$0

Criteria: 2 C.F.R. §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 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;”

Condition and Context: During SFY 2019, the Commission did not ensure that at least 15% penalty was being charged on fraudulent overpayments. In addition, the Agency failed to assess and collect penalties in the amount of \$646,212.50 applicable to overpayments that were due to fraud pursuant to state law.

Cause: The Commission did not have an adequate system in place to ensure compliance with 40 O.S. § 2-613 (1). The Commission has implemented a new system to ensure compliance with 40 O.S. § 2-613 (1), but it did not go into effect until after 6/30/19.

Effect: The Commission is not in compliance with the criteria above.

Recommendation: We recommend the Commission verify the new system is designed 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.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Kerry Master

Anticipated Completion Date: 12/31/2019

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

OKLAHOMA HEALTH CARE AUTHORITY

FINDING NO: 2019-012 (Repeat 2018-027)

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: 1805OK5021; 1905OK5021; 1805OK5MAP; 1905OK5MAP

FEDERAL AWARD YEAR: 2018 and 2019

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

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 10.06 states, "Control activities can be implemented in either an automated or a manual manner. Automated control activities are either wholly or partially automated through the entity's information technology. Automated control activities tend to be more reliable because they are less susceptible to human error and are typically more efficient. If the entity relies on information technology in its operations, management designs control activities so that the information technology continues to operate properly."

The GAO Standards for Internal Control in the Federal Government 11.06 states in part, "Management designs appropriate types of control activities in the entity's information system for coverage of information processing objectives for operational processes."

The GAO Standards for Internal Control in the Federal Government 11.07 states, "Information system general controls (at the entity-wide, system, and application levels) are the policies and procedures that apply to all or a large segment of an entity's information systems. General controls facilitate the proper operation of information systems by creating the environment for proper operation of application controls. General controls include security management, logical and physical access, configuration management, segregation of duties, and contingency planning."

The GAO Standards for Internal Control in the Federal Government 11.12 states, "Security management includes the information processes and control activities related to access rights in an entity's information technology, including who has the ability to execute transactions. Security management includes access rights across various levels of data, operating system (system software), network, application, and physical layers. Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. These control activities support appropriate segregation of duties. By preventing unauthorized use of and changes to the system, data and program integrity are protected from malicious intent (e.g., someone breaking into the technology to commit fraud, vandalism, or terrorism) or error."

Schedule of Findings And Questioned Costs

Condition and Context: OHCA's Medicaid Management Information System (MMIS) processes medical claims. The MMIS system has over 1,800 edits/audits and validation checks to prevent erroneous payments. The editing process in the MMIS system consists of general data field verifications, provider and recipient eligibility, verification against historical claims data, etc. After discussion with OHCA staff, we determined there was no evidence anyone was monitoring the MMIS edit changes. Certain OHCA employees had the ability to change, create and even deactivate MMIS edits/audits without the review or approval of another individual.

Beginning in January of 2019 OHCA implemented changes to their process so that all MMIS edit changes required a change request form to be completed and approved. However, there were no controls within the system itself to prevent individuals with system editing access from making unauthorized changes to edits without an approved change request form. In addition, there is no monitoring of system changes to adequately ensure only properly approved edit changes were made to the MMIS system.

Cause: There is a lack of segregation of duties over changes in edits checks in the MMIS system.

Effect: Lack of segregation of duties over changes in edit checks increases the risk of waste, loss, unauthorized use or misappropriation of state and federal funds.

Recommendation: We recommend OHCA implement internal controls to ensure segregation of duties over changes in edits/audits. These controls should include review and approval by someone other than the individual changing, creating, and deactivating the MMIS edits/audits, and proper monitoring of changes to edits/audits within the MMIS system.

Views of Responsible Official(s)

Contact Person: Holly Rictor

Anticipated Completion Date: January 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-046 (Repeat 2018-025)

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: 1805OK5MAP and 1905OK5MAP

FEDERAL AWARD YEAR: 2018 and 2019

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

QUESTIONED COSTS: \$0

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, and (g) Be adequately documented."

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 115 direct medical claims initiated by the provider for Medical Assistance Program recipients, three claims (2.6%) had documentation errors. The rendering physician listed on all three claims did not match the physician noted in the medical records provided; however, both physicians are approved contractors with OHCA. 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.

Schedule of Findings And Questioned Costs

Cause: Three (3) claims submitted by a provider to the Authority contained documentation errors.

Effect: The Authority may be paying for services that were not properly supported by medical records.

Recommendation: We recommend the Authority investigate the items identified to determine how the documentation errors were not detected and make any processing changes necessary to avoid this in the future.

Views of Responsible Official(s)

Contact Person: Josh Richards

Anticipated Completion Date: June 30, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-047 (Repeat 2018-026)

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: 1805OK5021 and 1905OK5021

FEDERAL AWARD YEAR: 2018 and 2019

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

QUESTIONED COSTS: \$551

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, and (g) Be adequately documented."

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 111 direct medical claims initiated by the provider for Children's Health Insurance Program recipients, four claims (3.60%) had payment errors. One (1) billed claim indicated a prescription was never picked up by the member, however the provider did not void the claim in MMIS. For one (1) billed claim we were unable to obtain medical records, while the other two (2) billed claims were upcoded. 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 2,041,188 direct medical payments totaling \$295,126,238. Payments for direct medical expenditures in our sample totaled \$155,455. Payments for direct medical expenditures with non-compliance noted in the sample totaled \$572, of which \$551 (\$572 x the applicable Federal Medical Assistance Percentage (FMAP) rate (94.00% for the exception claim in the first quarter, 96.67% for the claims in the second and fourth quarters) is the federal questioned costs.
- In addition, two (2) claims had documentation errors. For one (1) of the claims, the rendering physician listed on the claim did not match the physician noted in the medical records provided; however, both physicians are approved contractors with OHCA. For one (1) of the claims, a data processing error occurred. 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: Four (4) claims submitted by a provider were not appropriately supported by medical records, a data processing error occurred for one (1) claim, and one (1) claim had documentation errors.

Schedule of Findings And Questioned Costs

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

Recommendation: We recommend the Authority investigate the items identified to determine how the documentation errors were not detected and make any processing changes necessary to avoid this in the future. Additionally, if 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, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-053 (Partial repeat 2018-054)

STATE AGENCY: Oklahoma Health Care Authority (OHCA)

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster (MAP)

FEDERAL AWARD NUMBER: 1805OK5MAP; 1905OK5MAP; 1805OK5ADM; 1905OK5ADM

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Special Tests and Provisions: Utilization Control and Program Integrity; Medicaid Fraud Control Unit

QUESTIONED COSTS: \$0

Criteria: 45 CFR §455.13 states, in part, “The Medicaid agency must have (a) Methods and criteria for identifying suspected fraud cases; (b) Methods for investigating these cases. ... and (c) Procedures, developed in cooperation with State legal authorities, for referring suspected fraud cases to law enforcement officials.”

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 Medicaid Program Integrity Manual Chapter 11 11005 states, “Both the identification and the collection of fraud, waste and abuse improper payments must be reported on the Summary Sheet (Form CMS 64 Summary) and the Line 9.C.1 feeder form (Form CMS 64.9C1) and Form CMS 64.90 that feeds into Line 10c. In addition, an overpayment can be reported as identified but not yet collected. Line 9.C.1 is for collections and line 10.C is for amounts identified but not yet collected.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.02 states, “Management documents in policies the internal control responsibilities of the organization.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.03 states, “Management documents in policies for each unit its responsibility for an operational process’s objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.04 states, “Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent

Schedule of Findings And Questioned Costs

personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.05 states, in part, “Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity’s objectives or addressing related risks. If there is a significant change in an entity’s process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately. ... Management considers these changes in its periodic review.”

Condition and Context: The Authority had no written policies to ensure violations of Medicaid laws and regulations by providers were identified and referred to an office with authority to prosecute cases of provider fraud during our audit period. The Legal Division of the Authority stated that they followed 42 CFR §455.12 to §455.23, and routine internal meetings were set up between the Legal Division and Program Integrity to discuss identified questionable providers based on Program Integrity’s preliminary findings. If the result of the discussion was to investigate or review further, regular internal meetings within Legal were utilized to further discuss and review the providers before an ultimate decision to refer the provider to the Medicaid Fraud Control Unit (MFCU) was made. Written policies have since been adopted by the Authority.

Additionally, the Authority received overpayment recoveries totaling \$1,051,608 total computable (\$616,909 federal share) from the MFCU during October and November 2018. These recoveries were not reported on the CMS-64 reports submitted during SFY19. Based on discussion with agency personnel, the majority of these recoveries were reported after the end of the audit period. However, since they were received in October/November 2018 and not reported by June 2019, it appears recoveries are not being tracked and reported on the CMS-64 reports in a timely manner.

Cause: The Authority’s Legal Division had changes in personnel in state fiscal year 2019. During SFY19 written policies over the MFCU referral process were created but weren’t finalized during the audit period.

The Authority’s Accounting Division did not have adequate controls in place to ensure CMS reporting guidelines applicable to reporting overpayment recoveries resulting from MFCU activities were followed, and therefore, these recoveries were not reported on the CMS-64 in a timely manner.

Effect: Without written policies and procedures, the Authority may not consistently communicate policies and procedures to staff, including new hires, which could lead to a failure to refer instances of suspected fraud to the State MFCU.

Without proper MFCU controls over the reporting process of overpayment recoveries, such funds may not be properly identified and reported on the CMS-64 report.

Recommendation: We recommend the Authority maintain written policies and procedures to ensure violations of Medicaid laws and regulations by providers are identified and referred to the appropriate office or authority. We also recommend the Authority develop and implement controls over the reporting of the overpayment recoveries.

Views of Responsible Official(s)

Contact Person: Candace Arnold, Deputy General Counsel; Susan Crooke, Director of Financial Accountability and Compliance

Anticipated Completion Date: April 30, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-087

STATE AGENCY: Oklahoma Health Care Authority (the Authority)

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.767; 93.778

Schedule of Findings And Questioned Costs

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

FEDERAL AWARD NUMBER: 1805OK5021 and 1905OK5021; 1805OK5MAP and 1905OK5MAP

FEDERAL AWARD YEAR: 2018 and 2019

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

QUESTIONED COSTS: \$6 (MAP)/\$1,803 (CHIP) - *due to scope limitation we were unable to identify all questioned costs*

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).”

42 CFR §435.900 through .965 (Subpart J) describes the federal regulations applicable to Medicaid eligibility. The specific federal regulations applicable to this finding are listed below.

- 42 CFR §435.916 (a)(2)
- 42 CFR §435.916 (a)(3)(i)(c)
- 42 CFR §435.916 (b)
- 42 CFR §435.916 (c)
- 42 CFR §435.916 (d)(1) and (2)
- 42 CFR §435.945 (b)
- 42 CFR §435.948 (a), (b) and (c)
- 42 CFR §435.952 (a) and (c)(2)

Oklahoma Administrative Code (OAC) 317:35 describes the states administrative code the Authority applicable to Medicaid eligibility. The specific OAC sections applicable to this finding are listed below.

- OAC 317:35-6-60.1 (c)
- OAC 317:35-5-44 (2)
- OAC 317:35-10-26
- OAC 317:35-10-26 (2)(F)

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

Condition and Context: The Authority lacked internal controls over the MAGI (Modified Adjusted Gross Income) eligibility determinations. MAGI-based Medicaid and CHIP eligibility are determined using the same methodology.

We tested a non-statistical sample of 149 Medicaid MAGI based recipients for Medicaid eligibility requirements using the documentation in the Authority’s eligibility case records. The universe included 733,196 Medicaid MAGI-based recipients with 12,103,011 medical claims totaling \$2,004,464,885. We sampled one medical claim tied to a specific date of service per recipient tested. Tested medical claims for sampled recipients totaled \$56,700.

- For 85 (57%) of 149 cases tested, the wage data exchange received was not compared against the household income each time quarterly wage data is received to determine if the recipient remained eligible throughout the year. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$10, of which \$6 is the federal questioned costs (\$10 times the average Federal Medical Assistance Percentage (FMAP) rate of 61.43% (58.57% for the first quarter of SFY 19/ 62.38% for the second, third, and fourth quarters) for each exception claim).
 - One (1%) of the 85 cases exceeded the max federal poverty level percentage for the program before the date of service sampled. Since eligibility changes frequently, questioned costs are based only on the one medical claim tested for the case. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$5.

Schedule of Findings And Questioned Costs

- One (1%) of the 85 cases, the individual self-reported income and their case was auto passive renewed without verification of self-reported income prior to renewal. The recipient was ineligible for a portion of state fiscal year 2019. Questioned costs include all payments for services provided to the recipient within the time period for which they were ineligible during SFY 2019. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$5.
- For 54 (36%) of 149 cases tested, the case file lacked sufficient documentation to fully support the eligibility determination. The insufficient documentation included:
 - Wage matches are limited to one source of electronic data
 - No evidence that self-reported income was verified
 - Limited evidence of requests for additional information
 - Auto Passive Renewal completed on recipients with self-reported income
 - Applicants and/or their spouses lacked SSNs or other personal identifiers to compare self-reported income to a data exchange. In addition, no further evidence was obtained for verifying the income

From the evidence in the case file, we were unable to determine eligibility for these 54 recipients. *Since the case records did not include the required documentation to support the eligibility determination, the payments made on behalf of these recipients could be considered improper payments.*

We tested a non-statistical sample of 184 CHIP MAGI based recipients for Medicaid eligibility requirements using the documentation in the Authority's eligibility case records. The universe included 211,921 Medicaid MAGI-based recipients with 2,430,856 medical claims totaling \$348,620,899. We sampled one medical claim tied to a specific date of service per recipient tested. Tested medical claims for sampled recipients totaled \$32,038.

- For 152¹ (83%) of 184 cases tested, the wage data exchange received was not compared against the household income each time quarterly wage data is received to determine if the recipient remained eligible throughout the year. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$1,878, of which \$1,803 is the federal questioned costs (\$1,878 times the average Federal Medical Assistance Percentage (FMAP) rate of 96% (94% for the first quarter of SFY 19/ 96.67% for the second, third, and fourth quarters) for each exception claim).
 - Nine (6%) of the 152 cases exceeded the max federal poverty level percentage for the program before the date of service sampled. Since eligibility changes frequently, questioned costs are based only on the one medical claim tested for the case. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$1,878.
- For 48¹ (26%) of 184 cases tested, the case file lacked sufficient documentation to fully support the eligibility determination. The insufficient documentation included:
 - Wage matches are limited to one source of electronic data
 - No evidence that self-reported income was verified
 - Limited evidence of requests for additional information
 - Auto Passive Renewal completed on recipients with self-reported income
 - Applicants and/or their spouses lacked SSN or other personal identifiers to compare self-reported income to a data exchange. In addition, no further evidence was obtained for verifying the income

From the evidence in the case file, we were unable to determine eligibility for these 48 recipients. *Since the case records did not include the required documentation to support the eligibility determination, the payments made on behalf of these recipients could be considered improper payments.*

We noted cases where child support was erroneously counted in household income which did not impact eligibility in the cases files we tested; however, these errors could impact the eligibility determinations of other cases.

¹ There could be multiple exceptions within one case; therefore, totaling the individual exceptions noted will not equal 184 cases.

Schedule of Findings And Questioned Costs

Cause: The Authority accepted self-attested income without further documentation from the recipient. They also failed to compare data exchanges to the case files each time quarterly wage data was received; therefore, the methodology they used did not provide appropriate oversight over the eligibility determinations to ensure adequate controls are in place to properly determine eligibility.

Effect: The Authority's methodology does not comply with the state and federal regulations and the Authority may be paying for services for which the recipient is not entitled.

Recommendation: We recommend the Authority review the current system of eligibility controls and update its methodology to ensure the required conditions of eligibility are met and comply with state and federal regulations when making eligibility determinations. This should include, but not be limited to taking steps to enhance the eligibility determination process and controls to ensure income is adequately verified.

Views of Responsible Official(s)

Contact Person: Ginger Clayton, Member Audit Manager

Anticipated Completion Date: July 15, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report

FINDING NO: 2019-088 (Partial Repeat 2018-023)

STATE AGENCY: Oklahoma Health Care Authority (the Authority)/Oklahoma Department of Human Services (OKDHS)

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster (MAP)

FEDERAL AWARD NUMBER: 1805OK5MAP and 1905OK5MAP

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0 - *due to scope limitation we were unable to identify all questioned costs*

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)."

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 ..."

42 CFR §435.900 through .965 (Subpart J) describes the federal regulations applicable to Medicaid eligibility. The specific federal regulations applicable to this finding are listed below.

- 42 CFR §435.914 (a)
- 42 CFR §435.916 (b)
- 42 CFR §435.917 (a)

Oklahoma Administrative Code (OAC) 317:35-5-42 (a) states in part, "Verification of the member's countable income or resources held in bank accounts or at other financial institutions can be established through an Asset Verification System (AVS)."

Schedule of Findings And Questioned Costs

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 (OKDHS) to determine eligibility for non-MAGI (modified adjusted gross income) recipients. OKDHS lacked internal controls over the non-MAGI eligibility determinations.

We tested a non-statistical sample of 219 Medicaid non-MAGI based recipients and reviewed the case record documentation maintained at OKDHS for Medicaid eligibility requirements. The universe included 182,647 recipients with 10,728,937 medical claims totaling \$2,306,743,114. We sampled one medical claim for a specific date of service per recipient tested. Medical claims tested for the sampled recipients totaled \$51,502.

- For two of the 219 (.9%) cases tested, non-compliance was noted. Case files had no evidence a redetermination of Medicaid eligibility had been performed within 12 months of the previous eligibility determination or redetermination and benefits were not discontinued after the period of eligibility expired. However, the recipients appear to be eligible for state fiscal year 2019 based on other information maintained in the case file. Therefore, we will not question costs.
- For two of the 219 (.9%) cases tested, the case file lacked sufficient documentation to fully support the eligibility determination. The insufficient documentation included no verification of resources (documentation that the Asset Verification System (AVS) was reviewed).

From the evidence in the case file, we were unable to determine eligibility for these two recipients. *Since the case records did not include the required documentation to support the eligibility determination, the payments made on behalf of these recipients could be considered improper payments.*

- For 66 of the 219 (30%) cases tested, income could not be verified by the State Auditor and Inspector's Office (SAI) due to the restrictions of the Social Security Administration. All recipients appeared to be eligible for services based on the financial information available in the case file.

We noted other control deficiencies that did not impact eligibility in the cases files we tested; however, these errors could impact the eligibility determinations of other cases.

- No medical renewal notices
- Case notes were not always completed by the social worker

Cause: The Authority did not exercise appropriate oversight over the eligibility determinations made by OKDHS to ensure adequate controls are in place to ensure compliance with applicable laws and regulations. Determination of eligibility at OKDHS is a manual process performed by cases workers. Procedures performed when making eligibility determinations were not consistent with OKDHS's policies and procedures.

Effect: The Authority did not fully comply with applicable laws and regulations; therefore, they may have paid for services for which the recipient was not entitled.

Recommendation: We recommend the Authority investigate the recipients identified and, if considered necessary, recoup any funds paid to providers for services for which the recipients were not entitled. We also recommend the Authority take steps to ensure proper oversight over OKDHS eligibility determinations in order to ensure compliance with applicable laws and regulations.

Views of Responsible Official(s)

Contact Person: Carla McCarrell-Williams, Programs Manager, Oklahoma Human Services; Ginger Clayton, Member Audit Manager, Oklahoma Health Care Authority

Anticipated Completion Date: July 1, 2020

Schedule of Findings And Questioned Costs

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-089

STATE AGENCY: Oklahoma Health Care Authority (the Authority)/Oklahoma Department of Human Services (OKDHS)

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster (MAP)

FEDERAL AWARD NUMBER: 1805OK5MAP and 1905OK5MAP

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0

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).”

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 ...”

Social Security Act §1137 [42 U.S.C. 1320b–7] states in part, “(a) In order to meet the requirements of this section, a State must have in effect an income and eligibility verification system which meets the requirements of subsection (d) and under which—

(1) the State shall require, as a condition of eligibility for benefits under any program listed in subsection (b), that each applicant for or recipient of benefits under that program furnish to the State his social security account number (or numbers, if he has more than one such number), and the State shall utilize such account numbers in the administration of that program so as to enable the association of the records pertaining to the applicant or recipient with his account number; (2) wage information from agencies administering State unemployment compensation laws available pursuant to section 3304(a)(16) of the Internal Revenue Code of 1954, wage information reported pursuant to paragraph (3) of this subsection, and wage, income, and other information from the Social Security Administration and the Internal Revenue Service available pursuant to section 6103(l)(7) of such Code, shall be requested and utilized to the extent that such information may be useful in verifying eligibility for, and the amount of, benefits available under any program listed in subsection (b),

Subsection (b) states in part,

(b) The programs which must participate in the income and eligibility verification system are
(2) the Medicaid program under title XIX of this Act. ...”

OKDHS Policy OAC 340:65-3-4 (4) states in part, “Automated data exchange with other agencies provides DHS with information regarding household members' benefits, wages, taxes, Social Security numbers, and current addresses. The system compares information obtained electronically with data stored within DHS electronic records to determine if there are discrepancies to be addressed.”

Condition and Context: The Authority delegates OKDHS to determine eligibility for non-MAGI (modified adjusted gross income) recipients.

Schedule of Findings And Questioned Costs

Office of Management and Enterprise Services – Information Services Division (OMES-ISD) runs scheduled data exchange jobs to gather the information from the various agencies for the Automated Caseload Evaluation System (ACES). The ACES system is a web-based application that gathers all available OKDHS data exchange information on a case, which is used by the Social Services Specialist to assist in determining Medicaid eligibility. The data exchange jobs are assigned to a coordinator who is responsible for seeing that the jobs are placed in the TWS (scheduling system) on the correct calendar with the date and time jobs are to run. Data exchange jobs determined significant for Medicaid eligibility were sampled and tested to determine if the jobs ran at the frequency required. The following exceptions were noted.

- One of the 60 (1.6%) CA930BBD-SSA daily data exchange jobs sampled, did not run on the frequency scheduled.
- One of the 60 (1.6%) CG930D-OSDH daily data exchange jobs sampled, did not run on the frequency scheduled.
- One of the 60 (1.6%) CG930D1-OSDH daily data exchange jobs sampled, did not run on the frequency scheduled.
- One of the 60 (1.6%) CG930D2-OSDH daily data exchange jobs sampled, did not run on the frequency scheduled.
- One of the 60 (1.6%) CN871D-OESC daily data exchange jobs sampled, did not run on the frequency scheduled.
- Two of the 60 (3%) SSONEAD-SSA daily data exchange jobs sampled, did not run on the frequency scheduled.
- Two of the 60 (3%) SSONEBD-SSA daily data exchange jobs sampled, did not run on the frequency scheduled.
- One of the Nine (11%) FT146W-SSA weekly data exchange jobs sampled, did not run on the frequency scheduled.

Details of the reports and the deviation noted are as follows:

DATA EXCHANGE JOB/TRANSMISSION JOB	OWNER	FREQUENCY	DEVIATION FROM SCHEDULED FREQUENCY
CA930BBD	SSA	Daily	Tuesday October 2, 2018
CG930D	OSDH	Daily	Friday November 23, 2018
CG930D1	OSDH	Daily	Friday November 23, 2018
CG930D2	OSDH	Daily	Friday November 23, 2018
CN871D	OESC	Daily	Friday November 23, 2018
SSONEAD	SSA	Daily	Friday November 16, 2018 Wednesday December 12, 2018
SSONEBD	SSA	Daily	Friday November 16, 2018 Wednesday December 12, 2018
FT146W	SSA	Weekly	Week of November 18, 2018

Cause: The Authority lacked appropriate oversight over the data exchange jobs completed by OKDHS resulting in inadequate controls over the data exchange process to ensure jobs are ran at the frequency required.

Effect: Non-compliance with the Social Security Act §1137 and OKDHS Policy OAC 340:65-3-4, which could result in payment of Medicaid benefits to ineligible recipients.

Recommendation: To comply with the Social Security Act §1137 and OKDHS Policy OAC 340:65-3-4, we recommend the Authority review internal control policy and procedures over data exchange jobs and update as necessary to ensure they are operating effectively so that data exchange jobs are run at the frequently required and issues noted are addressed in a timely manner.

Views of Responsible Official(s)

Contact Person: Carla McCarrell-Williams, Programs Manager, Oklahoma Human Services

Anticipated Completion Date: 04/17/2020

Schedule of Findings And Questioned Costs

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report. Additionally, the Department of Human Services agrees with the finding. Please see the DHS corrective action plan located in the corrective action plan section of this report.

OKLAHOMA STATE DEPARTMENT OF HEALTH

FINDING NO: 2019-041

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Centers for Disease Control and Prevention

CFDA NO: 93.268

FEDERAL PROGRAM NAME: Immunization Cooperative Agreements

FEDERAL AWARD NUMBER: 6 NH23IP000766-05-05

FEDERAL AWARD YEAR: 2018 and 2019

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

Criteria: 45 CFR 75 Appendix VII Section (E) (1) states, "Indirect cost rates will be reviewed, negotiated, and approved by the cognizant agency on a timely basis. Once a rate has been agreed upon, it will be accepted and used by all Federal agencies unless prohibited or limited by statute."

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

Condition and Context: While documenting the internal controls related to indirect costs, we were unable to obtain any supporting documentation for the indirect cost journal entry selected for testing. We used the indirect cost calculation method documented by agency and were unable to calculate the same amounts documented on the provided journal entry. However, the indirect costs charged to the grant by the Agency for SFY 2019 were less in total than the amount allowed based on calculating the indirect cost base times the approved indirect cost rate for SFY 2019.

Cause: Management has not implemented adequate controls to ensure that indirect costs are properly supported.

Effect: The indirect costs charged to the grant may not be accurate or in compliance with the approved indirect costs.

Recommendation: We recommend the OSDH ensure that indirect costs supporting documentation is maintained for the calculations made and journal entries posted.

Views of Responsible Official(s)

Contact Person: Bethany Ledel

Anticipated Completion Date: April 15, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-068

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 Formula Grant

FEDERAL AWARD NUMBER: 6 X07HA00048-28-01, 5 X07HA00048-29-00

FEDERAL AWARD YEAR: 2018, 2019

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

QUESTIONED COSTS: \$27,946

Schedule of Findings And Questioned Costs

Criteria: 45 CFR 75.405 (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.”

45 CFR 75.303 (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.”

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

Condition and Context: During comparison of the State Fiscal Year 2019 Ryan White program payroll payments recorded in the TE105BDS reports from the OSDH Time and Effort (Actuals) system to the amount of payroll recorded in the GraceR20 FISCAL data (Budget), we noted \$27,946 (5.09%) in payroll appears to have been overcharged to the Ryan White program.

Cause: OSDH 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 OSDH review the procedures to reconcile and adjust the GraceR20 FISCAL data and make the necessary changes to ensure timely adjustments are made to align the actual payroll costs charged to the grant with the accounting records.

Views of Responsible Official(s)

Contact Person: Danielle Durkee

Anticipated Completion Date: September 30, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-069 (Repeat 2018-003)

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 Formula Grant

FEDERAL AWARD NUMBER: 6 X07HA00048-28-01, 5 X07HA00048-29-00

FEDERAL AWARD YEAR: 2018, 2019

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

QUESTIONED COSTS: \$0

Criteria: 45 CFR 75.302 *Financial management and standards for financial management systems.* (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.”

Schedule of Findings And Questioned Costs

45 CFR 75.302 (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.”

Condition and Context: For the first quarter of state fiscal year 2019, OSDH 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.

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. However, during SFY 2019 two class funds were created to account for Ryan White Program funds and Ryan White Rebate funds separate from other funds in the Statewide Accounting System.

Effect: For the first quarter of state fiscal year 2019, OSDH was 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. Restricted Ryan White rebate funds may have been used for purposes unrelated to the Ryan White program.

Recommendation: During SFY 2019, OSDH established a separate class funds in the Statewide Accounting System for Ryan White program rebates in order to ensure compliance with Federal regulations. We have no further recommendations.

Views of Responsible Official(s)

Contact Person: Jennifer Reeves

Anticipated Completion Date: August 21, 2018

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-070

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 Formula Grant

FEDERAL AWARD NUMBER: 6 X07HA00048-28-01, 5 X07HA00048-29-00

FEDERAL AWARD YEAR: 2018, 2019

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 45 CFR §75.303(a), 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 terms and conditions of the Federal award....”

Per 45 CFR 75.342 *Monitoring and reporting program performance*, (a) *Monitoring by the non-Federal entity*. “The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity....”

Per 45 CFR 75.352 *Requirements for pass-through entities*. “All pass-through entities must: (d) “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: (1) Reviewing financial and performance reports required by the pass-through entity. (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. (3) Issuing a management

Schedule of Findings And Questioned Costs

decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §75.521.”

Condition and Context: For two (2) of three (3) (66%) subrecipients tested, OSDH did not perform subrecipient monitoring in accordance with the contract monitoring plan (CMP) established by OSDH.

Cause: OSDH did not perform monitoring activities to ensure subrecipients were monitored in accordance with the CMP due to lack of personnel.

Effect: Without sufficient monitoring, subrecipients may be non-compliant with the terms and conditions of the subaward and achieve performance goals.

Recommendation: We recommend OSDH hire additional employees or adjust monitoring workloads to ensure OSDH is able to adequately monitor subrecipients in accordance with the CMP.

Views of Responsible Official(s)

Contact Person: Robert Goad

Anticipated Completion Date: July 1, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-071

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 Formula Grant

FEDERAL AWARD NUMBER: 6 X07HA00048-28-01, 5 X07HA00048-29-00

FEDERAL AWARD YEAR: 2018, 2019

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 45 CFR §75.303(a), 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 terms and conditions of the Federal award...”

Per 45 CFR §75.352(a)(1)(iii), *Requirements for pass-through entities*, “All pass-through entities must: (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes: (1) Federal Award Identification. (iii) Federal Award Identification Number (FAIN);”

Condition and Context: For one (1) out of three (3) (33%) subrecipients tested, OSDH did not include the Federal Award Identifying Number (FAIN) in the subaward documentation. During SFY 2019, OSDH included the FAIN in the subaward renewal information; however, the subrecipient did not renew thus the information was not provided.

Cause: OSDH’s control process did not ensure required award information was included in the initial subaward documents. Further, OSDH was correcting the prior period finding during the subsequent award and this subrecipient did not renew and was not sent the updated award information.

Effect: Without identification of required award information, subrecipients 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 (45 CFR sections 75.352(d) through (f)).

Schedule of Findings And Questioned Costs

Recommendation: We recommend OSDH continue to strengthen the contracting processes to ensure required award information is provided to subrecipients at the time of the subaward.

Views of Responsible Official(s)

Contact Person: Robert Goad

Anticipated Completion Date: February 1, 2019

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-072 (Repeat 2018-001)

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 Formula Grant

FEDERAL AWARD NUMBER: 6 X07HA00048-28-01, 5 X07HA00048-29-00

FEDERAL AWARD YEAR: 2018, 2019

CONTROL CATEGORY: Reporting – Schedule of Expenditures of Federal Awards

QUESTIONED COSTS: \$0

Criteria: Per 45 CFR §75.303, “*Internal controls*. 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). (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards...”

Per 45 CFR §75.502 (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....”

Per 45 CFR §75.510 (b), “*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 §75.502....”

Condition and Context: The original FY 2019 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) incorrectly reported the following amounts for the HIV Care Formula Grant:

- overstated the cash basis federal revenue for CFDA #93.917 by \$2,113,424
- overstated the cash basis federal expenditures for CFDA #93.917 by \$2,225,546
- overstated the amount transferred to state agencies for CFDA #93.917 by \$60,030
- overstated the amount provided to non-state agency subrecipients for CFDA #93.917 by \$2,052,305

Cause: The review process for the SEFA’s did not detect these errors. Also, it appears OSDH calculated the CFDA #93.917 cash basis amounts by including non-Federal rebates in Federal cash basis calculation. Per Federal guidance, the rebates are not considered Federal funds for reporting purposes.

Effect: The Federal awarding agency requires accurate reporting in a state’s SEFA to determine Federal program expenditures.

Recommendation: We recommend OSDH amend the SFY 2019 SEFA to reflect the correct cash basis amounts. Further, we recommend OSDH evaluate the current procedures to determine where the breakdown of internal controls occurred and implement the necessary changes or training to ensure accurate reporting on the SEFA (GAAP Package Z) in the future.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Bethany Ledel

Anticipated Completion Date: March 1, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-073

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Centers for Disease Control and Prevention

CFDA NO: 93.268

FEDERAL PROGRAM NAME: Immunization Cooperative Agreements

FEDERAL AWARD NUMBER: 6 NH23IP000766-05-05

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Special Test and Provisions

Criteria: Per 45 CFR §75.361, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the HHS awarding agency or pass-through entity in the case of a subrecipient. HHS awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities.”

Per 45 CFR §75.364(a), “Records of non-Federal entities. The HHS awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents.”

Condition and Context: The Tracking Summaries for the QA VFC Site Visits performed during SFY 2019 were not properly maintained and do not report the entire population of VFC Site Visits performed in SFY 2019. Additionally, for 5 out of a sample of 60 QA VFC Site Visits (8.33%), OSDH was unable to provide the VFC *Follow-up Plan Acknowledgement of Receipt*.

Cause: OSDH did not complete the Tracking Summaries for all QA VFC Site Visits performed during SFY 2019. OSDH also did not properly maintain copies of the *VFC Follow-up Plan Acknowledgement of Receipt*.

Effect: Without properly completed Tracking Summaries, it is not possible to verify the population of QA VFC Site Visits performed during SFY 2019. In addition, OSDH may not have completed all required VFC site visits. Also, we were not able to verify the accuracy of the *VFC Follow-up Plan Acknowledgement of Receipts* because the records were not made available for audit.

Recommendation: We recommend OSDH implement a process to have the Tracking Summaries for the QA VFC Site Visits completed and reviewed by management to ensure that all required site visits are being tracked. We also recommend that OSDH maintain all supporting records for the QA VFC Site Visits in a central location to allow all records to be made available when required.

Views of Responsible Official(s)

Contact Person: Fauzia Khan

Anticipated Completion Date: July 1, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-084

STATE AGENCY: Oklahoma State Department of Health (OSDH)

Schedule of Findings And Questioned Costs

FEDERAL AGENCY: Centers for Disease Control and Prevention
CFDA NO: 93.268
FEDERAL PROGRAM NAME: Immunization Cooperative Agreements
FEDERAL AWARD NUMBER: 6 NH23IP000766-05-05
FEDERAL AWARD YEAR: 2018 and 2019
CONTROL CATEGORY: Cash Management and Reporting

Criteria: Per 45 CFR §75.303 *Internal controls*, “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). (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards. ...”

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

Condition and Context: As a result of our procedures, we noted the cash basis Federal revenue for the Immunization Cooperative Agreements Program (CFDA #93.268) was understated on the SFY 2019 GAAP package Z by \$384,087.

Cause: OSDH did not calculate the CFDA #93.268 Vaccines Distribution (Non-Cash) amount correctly and the review process for the GAAP package Z did not detect this error.

Effect: Because the GAAP package was not properly completed, information included in the State of Oklahoma SEFA may be inaccurate or not complete.

Recommendation: We recommend OSDH amend the SFY 2019 GAAP package Z to reflect the correct cash basis amounts for Federal revenue. Further, we recommend OSDH evaluate the current procedures to determine where the breakdown of internal controls occurred and implement the necessary changes or training to ensure accurate reporting on the GAAP package Z in the future.

Views of Responsible Official(s)

Contact Person: Fauzia Khan

Anticipated Completion Date: July 1, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-085
STATE AGENCY: Oklahoma State Department of Health (OSDH)
FEDERAL AGENCY: Centers for Disease Control and Prevention
CFDA NO: 93.268
FEDERAL PROGRAM NAME: Immunization Cooperative Agreements
FEDERAL AWARD NUMBER: 6 NH23IP000766-05-05
FEDERAL AWARD YEAR: 2018 and 2019
CONTROL CATEGORY: Activities Allowed and Unallowed and Allowable Costs and Cost Principles
QUESTIONED COSTS: \$29,262

Criteria: 45 CFR 75.405 *Allocable costs* (d) 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. ...”

Schedule of Findings And Questioned Costs

45 CFR 75.303 *Internal Controls* 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...”

45 CFR 75.403 *Factors affecting allowability of costs* states, “Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. ...”

45 CFR 75.431 *Compensation – fringe benefits* (c) states, “... Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.”

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

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan were not an allowable charge to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for the Immunization Cooperative Agreements program (CFDA 93.268), we noted a total of \$29,262 of unallowable costs were charged to the program during SFY 2019.

Cause: The Oklahoma State Department of Health did not ensure that charges made to the Immunization Cooperative Agreement program for unallowable costs was discontinued after 2/20/2018.

Effect: OSDH has overcharged the grant \$29,262 during SFY 2019 with its excess Pathfinder costs, which are an unallowable cost.

Recommendation: We recommend the Oklahoma State Department of Health develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

Views of Responsible Official(s)

Contact Person: Danielle Durkee

Anticipated Completion Date: July 1, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

OKLAHOMA DEPARTMENT OF HUMAN SERVICES

FINDING NO: 2019-001

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.575, 93.596

FEDERAL PROGRAM NAME: CCDF Cluster

FEDERAL AWARD NUMBER: 1801OKCCDF and 1901OKCCDF

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Special Tests and Provisions - Health and Safety Requirements

Schedule of Findings And Questioned Costs

QUESTIONED COSTS: \$0

Criteria: CFR 45 §98.41 Health and safety requirements states, in part, “(a) Although the Act specifically states it does not require the establishment of any new or additional requirements if existing requirements comply with the requirements of the statute, each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements designed to protect the health and safety of children that are applicable to child care providers of services for which assistance is provided under this part. Such requirements shall include:

- (1) The prevention and control of infectious diseases (including immunizations).
- (2) Building and physical premises safety; and
- (3) Minimum health and safety training appropriate to the provider setting.”

OAC 340:110-3-11(a)(8) states in part, “Ongoing approvals by fire and health are required every two years.”

OAC 340:110-1-9 (b) states, “Ongoing monitoring: During monitoring visits, the licensing staff observes the entire facility, including outdoor play space and vehicles used for transportation, if available. At or subsequent to each visit, licensing staff checks:

- (1) compliance with licensing regulations;
- (2) records for new staff including personnel sheets and compliance with background investigations per OAC 340:110-1-8.1;
- (3) personnel professional development records;
- (4) Oklahoma Department of Human Services (OKDHS) computer checks on applicable persons per OAC 340:110-1-8.1;
- (5) fire and health inspections within the last 24 months, (when) applicable;
- (6) Form 07LC092E, Insurance Verification, within the last 12 months, or posting of Form 07LC093E, Insurance Exception Notification; and
- (7) other documentation requiring renewal.”

Instructions to Staff OAC 340:110-1-9(3) states, “Licensing staff:(1) documents observations and discussions on the appropriate monitoring checklists, enters the information from the monitoring checklists onto the licensing database, provides copies of the monitoring summary to the program’s owner/operator and files the original in the program’s file in the local Oklahoma Department of Human Services (OKDHS) office.”

An effective internal control system provides for proper record retention to ensure that all information and transactions are accurately recorded and retained.

Condition and Context: We noted the following for a sample of 60 of 1,738 daycare centers and homes:

- 1 center (0.06%) where the fire inspector visits were not up to date,
- 3 centers/homes (5%) where the fire extinguisher was expired but was not noted as non-compliant.
- 3 centers (5%) where no carbon monoxide test date was noted, and no non-compliance was noted.
- 60 centers/homes (100%) where we could not determine that monitoring checklists were adequately documented in relation to compliance with the health and safety requirements.

During walk-through of the monitoring checklist software application, we observed under each header a drop-down box containing the requirements applicable to the header. When non-compliance is noted during monitoring, the monitoring specialist would mark the corresponding requirement in the drop-down box as well as “NC” beside the header. However, we noted that if ‘NC’ is not marked in the header, the non-compliance will not be carried forward to the monitoring summary report that is reviewed and signed by the center/home administrator and the monitoring specialist.

In addition, it does not appear that the tracking mechanism for monitoring visits is being consistently used to ensure that all daycare facilities and homes are being monitored in accordance with their applicable Monitoring Frequency Plan (MFP) or that follow-up is taking place when non-compliance is noted. Work plan reports are generated in the Child Care Monitoring, Administration and Safety System (CCMASS) to assist with tracking monitoring visits,

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pending complaints, and Star review visits to be conducted; however, these are not retained by the licensing specialist, so we were unable to verify their use.

Cause: Monitoring checklists and summary reports are not designed in a manner that allows a reviewer to see what is being observed. Additionally, a uniform system to track monitoring visits and non-compliance follow-up has been designed, but the Agency does not require monitors to use it.

Effect: The agency may not be in compliance with the above stated requirements. If health and safety requirements are not met at each home/center, children in these facilities are at risk for illness and injury. Further, the lack of a required comparison back to the work plan reports could potentially result in a facility not being monitored appropriately.

Recommendation: We recommend the agency implement procedures to ensure all monitoring visits are documented in a manner that clearly conveys that all health and safety requirements were reviewed for the facility. In addition, we recommend training be provided to all monitoring staff to ensure all monitoring visits are performed in a consistent manner and are adequately documented. Further, we recommend the importance of the use of the work plan report and the retention of these real time documents be emphasized to all staff.

Views of Responsible Official(s)

Contact Person: Dione Smith

Anticipated Completion Date: December 1, 2020

Corrective Action Planned: The Department of Human Services partially agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: The State Auditor's Office did not recommend that DHS add an attestation statement to their checklists, this was a compromise reached between the State Auditor's Office and DHS. At the time the compromise was reached the checklist used by DHS to monitor daycare centers and homes was more detailed. The current checklist provides detail under each header only if you are looking at an electronic version of the checklist where you can click on the header. Once completed by CCS staff, these checklists are maintained in hardcopy/scanned format, therefore it was the hardcopies we used during testwork. In looking at the checklists we, as the auditor, are unable to determine if the CCS staff member properly reviewed all aspects of the checklist since there are no markings required unless the requirement is non-compliance or not required. We cannot say with certainty that health and safety standards have been monitored.

FINDING NO: 2019-014

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1801OKTANF; G1901OKTANF

FEDERAL AWARD YEAR: 2018, 2019

CONTROL CATEGORY: Maintenance of Effort

QUESTIONED COSTS: \$12,079,313 (*State funding utilized for MOE*)

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)."

Title 45 CFR §263.4 states, "When do educational expenditures count? (a) Expenditures for educational activities or services count if: (1) They are provided to eligible families (as defined in §263.2(b)) to increase self-sufficiency, job training, and work; and (2) They are not generally available to other residents of the State without cost and without regard to their income. (b) Expenditures on behalf of eligible families for educational services or activities provided

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through the public education system do not count unless they meet the requirements under paragraph (a) of this section.”

Additionally, ACF guidance TANF-ACF-PI-2005-01 states, “All MOE funds must be spent on TANF “eligible families”. One of the qualified activities for which funds may be claimed includes “educational activities to increase self-sufficiency, job training and work”. However, section 409(a)(7)(B)(i)(I)(cc) of the Social Security Act explicitly excludes “any expenditure for public education in the State except expenditures which involve the provision of services or assistance to a member of an eligible family which is not generally available to persons who are not members of an eligible family”. The foregoing statutory language prohibits any and all public education expenditures not meeting the exception, including any pre-kindergarten or early childhood education services included as a component of a State’s public education system.

The 2018 State Preschool Yearbook published by the National Institute of Early Education Research, indicates 99% of Oklahoma school districts offer a state Pre-K program with no income requirement.

Also, per review of the Oklahoma State Department of Education (OSDE) website (posting dated 4/17/19), Oklahoma is one of the top 8 states for Pre-K with 74% of Oklahoma 4-year olds enrolled in public Pre-K program.

Condition and Context: The Pre-K expenditures utilized as TANF MOE are documented through a state certified share letter the OKDHS receives from the OSDE. This letter certifies the amount of OSDE Pre-K expenditures from state appropriated funds, as determined by the state aid formula, that are not being used as MOE for any federal funding at OSDE. OKDHS receives a state certified share letter annually and determines how much of the total certified expenditure amount will be utilized as TANF MOE. During SFY19 \$12,079,313 of the total \$60,119,714 reported as TANF MOE (20%) were OSDE Pre-K expenditures certified by OSDE letter. This state certified share letter is the only support available at OKDHS to support the Pre-K expenditures used as TANF MOE.

Also, as stated in the criteria above, per OSDE records 99% of Oklahoma school districts offer a state Pre-K program with no income requirement and 74% of Oklahoma 4-year olds are enrolled in public Pre-K. These statistics indicate the Pre-K expenditures that are certified by OSDE and used by OKDHS as TANF MOE are generated from a program that is a component of Oklahoma’s public education system and therefore prohibited from being utilized as TANF MOE.

Cause: OKDHS personnel were unaware of the requirements relating to Pre-K expenditures utilized for TANF MOE.

Effect: \$12,079,313 in expenditures that did not meet the requirements to be used as MOE were reported as TANF MOE for SFY19.

Recommendation: We recommend that agency cease the practice of using State funded Pre-K expenditures to meet TANF MOE requirements. We also recommend the agency design and implement internal controls and develop written policies and procedures to prevent expenditures from being utilized as MOE unless they meet TANF MOE requirements.

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: July 1, 2019

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-015

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1801OKTANF; G1901OKTANF

Schedule of Findings And Questioned Costs

FEDERAL AWARD YEAR: 2018, 2019

CONTROL CATEGORY: Maintenance of Effort

QUESTIONED COSTS: \$7,090,471 (*State funding utilized for MOE*)

Criteria: Title 45 CFR §263.3 states, “When do childcare expenditures count? (a) State funds expended to meet the requirements of the CCDF Matching Fund (i.e., as match or MOE amounts) may also count as basic MOE expenditures up to the State's childcare MOE amount that must be expended to qualify for CCDF matching funds. (b) Childcare expenditures that have not been used to meet the requirements of the CCDF Matching Fund (i.e., as match or MOE amounts), or any other Federal childcare program, may also count as basic MOE expenditures. The limit described in paragraph (a) of this section does not apply. (c) The childcare expenditures described in paragraphs (a) and (b) of this section must be made to, or on behalf of, eligible families, as defined in §263.2(b).”

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).”

Condition and Context: SAI staff made inquiry to OKDHS in early July 2019 regarding the process in place over childcare subsidies utilized as TANF MOE to ensure the families receiving these childcare subsidies were income eligible for the TANF program. OKDHS provided SAI a full caseload report of all childcare records. The data file included an income field which *could* be correlated to find cases with income below \$932 per month that *could have been* used as TANF MOE. This file was not a listing of cases *actually used* for TANF MOE purposes because OKDHS does not have record of the specific cases utilized as TANF MOE during SFY19.

During follow-up with agency personnel, it was noted this data file was compiled after SAI began inquiry in order to support the amount of childcare claimed as TANF MOE for SFY19. The area providing the data file submitted the requested file in late-July 2019 and did not have record of ever providing this type of information prior to this date. Further inquiry indicated that after SAI inquiry, OKDHS began working on a procedure for gathering data and developing a monthly report showing payment data for families that receive childcare subsidies. Income is one of the fields that will be included so that compliance with TANF eligibility can be established in the future. However, this process was not in place during SFY19 or prior.

Based on this information, it does not appear OKDHS had any knowledge that the childcare costs being charged as TANF MOE throughout SFY19 were made to, or on behalf of, TANF eligible families. Because of this, we question the \$7,090,471 utilized as TANF MOE during SFY19, which represents 12% of the required \$60,119,713 in TANF MOE.

Cause: OKDHS personnel were unaware of TANF MOE requirements as they relate to childcare expenditures.

Effect: Childcare expenditures reported as TANF MOE may not have been made to, or on behalf of, TANF eligible families.

Recommendation: We recommend the agency design and implement internal controls and develop written policies and procedures to ensure any childcare expenditures utilized as TANF MOE have been made to, or on behalf of, TANF eligible families. This should include the ability to track these costs to the individual case file level in order to demonstrate exactly which cases are being utilized to meet TANF MOE requirements.

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: July 1, 2019

Corrective Action Planned: The Department of Human Services agrees with the internal control aspect of the finding but do not agree with the questioned costs. Please see the corrective action plan located in the corrective action plan section of this report.

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Auditor Response: Although management indicates they have the appropriate data to prove the costs were used appropriately, we were unable to obtain documentation indicating specifically which TANF cases the daycare costs applied to and therefore were unable to determine the costs were paid to, or on behalf of, TANF eligible families. Additionally, the state fiscal year 2019 data noted in the response was not compiled until after state fiscal year end and after inquiries from our office began. Therefore, when these costs were incurred and reported, DHS did not know that the payments were made to, or on behalf of, TANF eligible families.

FINDING NO: 2019-016 (Repeat 2018-067)
STATE AGENCY: Oklahoma Department of Human Services
FEDERAL AGENCY: United States Department of Agriculture
CFDA NO: 10.551
FEDERAL PROGRAM NAME: SNAP Cluster
FEDERAL AWARD NUMBER: N/A
FEDERAL AWARD YEAR: 2018 & 2019
CONTROL CATEGORY: Special Tests and Provisions - EBT Card Security
QUESTIONED COSTS: \$0

Criteria: The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.10 states, “Transaction control activities are actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks. “Transactions” tends to be associated with financial processes (e.g., payables transactions), while “activities” is more generally applied to operational or compliance processes. For the purposes of this standard, “transactions” covers both definitions. Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.”

7 CFR § 274.41(a)(1)(i) states in part “State Agencies shall reconcile their issuances daily using daily tally sheets, cashiers’ daily reports, tapes or printouts.” Also, according to OKDHS’ Electronic Payments Handbook, “At the end of each day, the unused (EBT) cards will be returned to inventory, signed in by the EBT Specialist, and initialed by the County Director or designee.”

According to OKDHS’ Electronic Payments Handbook, “Cards returned by mail or dropped off at the county office must be properly logged and shredded under the following procedures... 3) The card log and the cards will be provided to the supervisor for audit. The supervisor will ensure the cards have been logged and deactivated. 4) The two staff will then conduct the destruction of the cards received. Each staff must sign the log confirming the count, status change (if active) and destruction.”

7 CFR §274.8(b)(3) states in part, “As an addition to or component of the Security Program required of Automated Data Processing systems prescribed under § 277.18(m) of this chapter, the State agency shall ensure that the following EBT security requirements are established:

(i) Storage and control measures to control blank unissued EBT cards and PINs, and unused or spare POS devices.”

Best practice includes the security of Electronic Benefit Transaction (EBT) cards, which includes the security of the cards themselves as well as the security of the keys to the cards, the daily reconciliation of EBT cards, deactivation of an EBT card prior to destruction and dual sign-off confirming EBT card destruction.

Condition and Context:

Based on procedures performed on 60 out of 12,323 EBT cards on DHS destruction logs from SFY 2019 we noted:

- Fifteen (25%) of the EBT cards were still active after the destruction process.
- Four (6.67%) of the EBT card destruction processes was not performed by two employees.

Based on procedures performed on 8 out of 76 county office locations, we noted:

- Four (50%) offices did not keep keys to the EBT card inventory secured.
- Three (37.5%) offices did not maintain the EBT cards in a secure office location where access is restricted to designated staff.

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- Five (62.5%) offices' inventory logs did not support that the inventory count was performed by two individuals at the end of each day.
- One (12.5%) office did not use the 10EB001E 'Daily Card Count' form as prescribed by DHS' Electronic Payment Handbook.

Cause: OKDHS policies and procedures related to the inventory accounting, security, and destruction process of EBT cards are not consistently followed by field employees.

Effect: EBT cards are at risk of improper use leading to potential misuse or misappropriation of Supplement Nutrition Assistance Program (SNAP) benefits.

Recommendation: We recommend DHS ensure policies and procedures related to inventory accounting, security, and the destruction process of the cards are consistently followed. Additionally, we recommend DHS provide training to staff regarding these policies and procedures. We further recommend management implement procedures to monitor the county office locations for compliance with these policies and procedures throughout the year.

Views of Responsible Official(s)

Contact Person: Thomas Pennington

Anticipated Completion Date: January 2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-024

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1801OKTANF

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: Form ACF-204 Instructions for Line 8 state: "Total number of families served under the program with MOE funds. Enter the number of eligible families that are receiving the benefit(s) or service(s) named in line 1 that are funded in whole or in part with State MOE funds. States may use reasonable estimates that have a sound basis where actual numbers are not available. This may include estimates based on samples. Also, put an "X" on the appropriate line to indicate whether the number being provided is a report on the average monthly number of families being served or on the total number served over the course of the fiscal year. States would report in this manner even if the State used MOE funds that were commingled with Federal TANF funds to pay for the service. Hence, the State would not allocate the total number of families according to the percentage of MOE funds that have been commingled with TANF funds. For example, suppose the State used commingled funds to pay for non-compulsory pre-k services. Two hundred (200) eligible families received this benefit over the course of the fiscal year. The commingled funds are comprised of 80% Federal TANF funds and 20% MOE funds. The State would report 200 eligible families in this item, not 40. The State must report all eligible families that were provided the benefit or service, even if just one or two members of the eligible family actually received the benefit."

45 CFR 265.9(c) states, "Each State must provide the following information on the State's program(s) for which the State claims MOE expenditures:

- (1) The name of each program and a description of the major activities provided to eligible families under each such program;
- (2) Each program's statement of purpose;
- (3) If applicable, a description of the work activities in each separate State MOE program in which eligible families are participating;
- (4) For each program, both the total annual State expenditures and the total annual State expenditures claimed as MOE;

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- (5) For each program, the average monthly total number or the total number of eligible families served for which the State claims MOE expenditures as of the end of the fiscal year;
- (6) The eligibility criteria for the families served under each program/activity;
- (7) A statement whether the program/activity had been previously authorized and allowable as of August 21, 1996, under section 403 of prior law;
- (8) The FY 1995 State expenditures for each program/activity not authorized and allowable as of August 21, 1996, under section 403 of prior law (see § 263.5(b) of this chapter); and
- (9) A certification that those families for which the State is claiming MOE expenditures met the State's criteria for "eligible families."

TANF-ACF-PI-2000-06 (Guidance on Submitting the Annual Report on TANF and State MOE Programs) states: "Complete, accurate, and timely reporting is important because the annual reports will be an important source for information about the different ways that States are using their resources to help families attain and maintain self-sufficiency. We intend to synthesize the information provided in the annual reports when we discuss program characteristics in our annual report to Congress. We also will use the information in responding to Congressional and public inquiries about how TANF programs are evolving and in assessing State MOE expenditures. Thus, it is very important that States submit the information required in these reports in a complete, accurate, and timely manner."

Condition and Context: The TANF Child Care Assistance average monthly total number of families served under the program with MOE funds (line 8.b and line 8.d) as reported on the ACF-204 (TANF and State MOE Annual Report) does not agree with supporting documentation. The ACF-204 report is overstated by 531 cases served.

Cause: The figure reported on line 8.b and line 8.d of the ACF-204 was not adequately reviewed for accuracy prior to submission.

Effect: The Department may not be in compliance with the above instructions and 45 CFR 265.9(c) requirements, which may result in applicable MOE penalties and inaccurate data may be reported to Congress.

Recommendation: We recommend the Department establish and implement procedures to ensure the ACF-204 report is prepared in accordance with reporting instructions, amounts used to prepare the report are adequately supported, and the report is adequately reviewed for accuracy prior to submission.

Views of Responsible Official(s)

Contact Person: Paulette Kendrick

Anticipated Completion Date: April 30, 2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-025 (TANF Cluster Repeat 2016-013)

STATE AGENCY: Oklahoma Department of Human Services and Oklahoma Health Care Authority

FEDERAL AGENCY: United States Department of Agriculture and Department of Health and Human Services

CFDA NO: 10.551, 93.558, 93.575, 93.596, and 93.778

FEDERAL PROGRAM NAME: SNAP Cluster, TANF Cluster, CCDF Cluster, and Medicaid Cluster

FEDERAL AWARD NUMBER: G1801OKTANF, G1901OKTANF, G1801OKCCDF, G1901OKCCDF, 1805OK5MAP, and 1905OK5MAP

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Special Tests and Provisions – ADP System for SNAP (SNAP Cluster); Special Tests and Provisions – Income Eligibility and Verification System (TANF Cluster); Eligibility (CCDF Cluster and Medicaid Cluster)

QUESTIONED COSTS: \$0

Criteria: Each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained

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from each data exchange against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services under the applicable program.

45 CFR 205.56(a)(1)(iv) states, "For individuals who are recipients when the information is received or for whom a decision could not be made prior to authorization of benefits, the State agency shall within forty-five (45) days of its receipt, initiate a notice of case action or an entry in the case record that no case action is necessary...."

DHS Policy OAC 340:65-3-4-4 (C) states in part, Automated data exchange with other agencies provides DHS with information regarding household members' benefits, wages, taxes, Social Security numbers, and current addresses. The system compares information obtained electronically with data stored within DHS electronic records to determine if there are discrepancies to be addressed. Automated data exchange information is also available within the DHS system to determine discrepancies. The worker is responsible for: (C) resolving data exchange discrepancy messages within 45-calendar days of the date the message is posted on the data exchange inquiry screen.

Condition and Context: We reviewed the SFY 2019 (July 1, 2018 – June 30, 2019) G1DX Exception and Clearance Reports to determine whether data exchange discrepancy (exception) messages were resolved within the required 45 calendar days of the date the message was posted on the data exchange inquiry screen. Because the method used to compile the discrepancy messages did not differentiate by program, the messages were reviewed at the error type level. Therefore, the discrepancies listed below are a culmination of multiple programs and may not apply to each program individually. We noted 184,183, or 46.98%, of a total of 392,079 exceptions were not resolved within the required 45 calendar day period as noted in the following schedule.

ERROR TYPE	OPEN & RESOLVED G1DX EXCEPTIONS OVER 45 DAYS	TOTAL OPEN & RESOLVED G1DX EXCEPTIONS	% OF EXCEPTIONS OVER 45 DAYS
BEN	10,640	37,125	28.66%
CSE	9,702	16,586	58.50%
DOD	924	1,565	59.04%
ENU	7,205	11,849	60.81%
IEV	3,255	7,432	43.80%
NNH	60,738	131,947	46.03%
OWG	14,348	31,787	45.14%
PRS	2,452	4,369	56.12%
SDX	27,515	71,080	38.71%
SNH	44,855	72,335	62.01%
UIB	2,549	6,004	42.46%
TOTAL	184,183	392,079	46.98%

The G1DX System is a DHS application that compares client information entered by a DHS employee and DHS IEVS information sources as they are periodically updated. These sources include;

- Wage information for the State Wage Information Collection Agency (SWICA).
- Unemployment Compensation
- All available information from the Social Security Administration (SSA)
- Information from the U.S. Citizenship and Immigration Services
- Unearned Income from the Internal Revenue Services (IRS)

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Cause: The discrepancies were not cleared within the allowable 45 days per federal regulation and DHS policy due to an inadequate number of personnel assigned to these duties. Additionally, management is not closely monitoring the clearance of G1DX discrepancies.

Effect: The Department may not be in compliance with the above stated requirement, which may result in ineligible individuals receiving program benefits.

Recommendation: We recommend the Department utilize the monitoring reports created for the G1DX discrepancies that summarize these discrepancies by worker, supervisor, county and area. These reports allow management to monitor not only the type of discrepancy and length of days outstanding, but also to distinguish who is responsible for clearing the discrepancy within the 45 days allowed under current federal regulation and DHS policy.

Views of Responsible Official(s)

Contact Person: Paulette Kendrick

Anticipated Completion Date: July 1, 2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see corrective action plan located in the corrective action plan section of this report. Additionally, management of the Oklahoma Health Care Authority concurs with the finding. Please see the OHCA corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-027

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1801OKTANF and G1901OKTANF

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Special Tests and Provisions – Penalty for Refusal to Work

QUESTIONED COSTS: \$0

Criteria: 45 CFR Sec. 261.14(a) states in part “ If an individual refuses to engage in work required under section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish...”

OAC 340:10-2-2(c) states in part “The worker must contact the individual to determine good cause...”

INSTRUCTIONS TO STAFF OAC 340:10-2-2 2. (c) states “When the worker is unable to reach the client by telephone to schedule an interview, the worker may use Form 08AD092E, Client Contact and Information Request, to request contact.”

INSTRUCTIONS TO STAFF OAC 340:10-2-2 2. (d) states “Family Assistance/Client Services (FACS) case notes must clearly document the worker's efforts to contact the client and, if contact is made, the reasons given by the client for failure to participate.”

Condition and Context: For a sample of 60 of 1,541 case sanction or closure occurrences, we noted six occurrences (10% of the sample) where effort to contact the individual and their refusal/failure to participate without good cause was not made or was not documented in the case file or the Family Assistance/Client Services (FACS) case notes.

Cause: Internal controls regarding proper documentation were not followed.

Effect: The Department may not be in compliance with the above stated policy, which may result in individuals not meeting TANF work participation requirement with good cause to be denied TANF benefits.

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Recommendation: We recommend the Department follow policy and make every effort to contact individuals to determine good cause and document their efforts as required. Also, we recommend the Department follow agency procedures to ensure that documentation of their effort to contact individuals to determine good cause is maintained in the case records.

Views of Responsible Official(s)

Contact Person: Paulette Kendrick

Anticipated Completion Date: July 1, 2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-028

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1801OKTANF and G1901OKTANF

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Special Tests and Provisions – Child under Six When Child Care Not Available

QUESTIONED COSTS: \$0

Criteria: 45 CFR Sec. 261.15(a) states in part “the State may not reduce or terminate assistance based on an individual’s refusal to engage in required work if the individual is a single custodial parent caring for a child under age six who has a demonstrated inability to obtain needed child care, as specified at § 261.56...”

45 CFR Sec. 261.56(c)(1) states “The TANF agency must inform parents about the penalty exception to the TANF work requirement, including the criteria and applicable definitions for determining whether an individual has demonstrated an inability to obtain needed childcare.”

OAC 340:10-2-2(c) states in part “The worker must contact the individual to determine good cause...”

INSTRUCTIONS TO STAFF OAC 340:10-2-2 2. (c) states “When the worker is unable to reach the client by phone to schedule an interview, the worker may use Form 08AD092E, Client Contact and Information Request, to request contact.”

INSTRUCTIONS TO STAFF OAC 340:10-2-2 2. (d) states “Family Assistance/Client Services (FACS) case notes must clearly document the worker's efforts to contact the client and, when contact is made, the reasons for failure to participate.”

Condition and Context: For a sample of 60 of 889 case sanction or closure occurrences with one adult and at least one child under six years of age, we noted two occurrences (3.3%) where effort to contact the individual and their refusal/failure to participate without good cause was not made or was not documented in the case file or the Family Assistance/Client Services (FACS) case notes.

Cause: Internal controls regarding proper documentation were not followed.

Effect: The Department may not be in compliance with the above stated policy, which may result in individuals not meeting TANF work participation requirement with good cause to be denied TANF benefits.

Recommendation: We recommend the Department follow policy and make every effort to contact individuals to determine good cause and document their efforts as required. Also, we recommend the Department follow established procedures to ensure that documentation of their effort to contact individuals to determine good cause is maintained in the case records.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Paulette Kendrick

Anticipated Completion Date: July 1, 2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-031

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.575, 93.596

FEDERAL PROGRAM NAME: CCDF Cluster

FEDERAL AWARD NUMBER: G1801OKCCDF and G1901OKCCDF

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Matching, Level of Effort, Earmarking

QUESTIONED COSTS: \$5,720,906

Criteria: Per 45 CFR §75.303(a), 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 terms and conditions of the Federal award...”

Per 45 CFR §98.53(h), Matching fund requirements: “Public pre-kindergarten (pre-K) expenditures:

- (1) May be used to meet the maintenance-of-effort requirement only if the State has not reduced its expenditures for full-day/full-year childcare services; and
- (2) May be eligible for Federal match if the State includes in its Plan, as provided in § 98.16(q), a description of the efforts it will undertake to ensure that pre-K programs meet the needs of working parents.
- (3) In any fiscal year, a State may use public pre-K funds for up to 20% of the funds serving as maintenance-of-effort under this subsection. In addition, in any fiscal year, a State may use other public pre-K funds as expenditures serving as State matching funds under this subsection; such public pre-K funds used as State expenditures may not exceed 30% of the amount of a State’s expenditures required to draw down the State’s full allotment of Federal matching funds available under this subsection.”

Per 42 U.S. Code §9858e(a)(1), Activities to improve the quality of child care: “Reservation for activities relating to the quality of child care services a State that receives funds to carry out this subchapter for a fiscal year referred to in paragraph (2) shall reserve and use a portion of such funds, in accordance with paragraph (2), for activities provided directly, or through grants or contracts with local child care resource and referral organizations or other appropriate entities, that are designed to improve the quality of child care services and increase parental options for, and access to, high-quality child care, and is in alignment with a Statewide assessment of the State’s needs to carry out such services and care, provided in accordance with this subchapter.

- (2) Amount of reservations such State shall reserve and use— (A) to carry out the activities described in paragraph (1), not less than -
 - (i) 7 percent of the funds described in paragraph (1), for the first and second full fiscal years after November 19, 2014;
 - (ii) 8 percent of such funds for the third and fourth full fiscal years after November 19, 2014; and
 - (iii) 9 percent of such funds for the fifth and each succeeding full fiscal year after November 19, 2014; and

B) in addition to the funds reserved under subparagraph (A), 3 percent of the funds described in paragraph (1) received not later than the second full fiscal year after November 19, 2014, and received for each succeeding full fiscal year, to carry out the activities described in paragraph (1) and subsection (b)(4), as such activities relate to the quality of care for infants and toddlers.”

Condition and Context: The Department of Human Services (DHS) uses an internal Excel spreadsheet to ensure that matching, level of effort, and earmarking requirements are tracked and met at the end of the federal fiscal year (FFY). Based on our review of the CCDF tracking spreadsheet applicable to FFY 2018, we noted that the transfer

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from the Social Services Block Grant (SSBG) to CCDF was not properly tracked. The spreadsheet reflected a total of \$23,333 in total SSBG funds transferred, whereas the actual amount transferred from SSBG was \$70,000.

For the FFY 2018, DHS was unable to support that it met the 8 percent required minimum amount reserved for quality activities. Additionally, DHS was unable to support that it met the 3 percent required minimum amount reserved for quality of care for infants and toddlers.

DHS claimed pre-Kindergarten expenditures as matching and maintenance-of-effort on its SFY 2019 SEFA; however, DHS was unable to provide supporting documentation applicable to the FFY 2018 period subject to our audit procedures to determine compliance with matching and MOE requirements. Consequently, appropriate use of pre-K expenditures for MOE and matching could not be determined.

Cause: The program accountant did not ensure that the tracking spreadsheet accurately reflects the program's funding activity. DHS encountered repeated turnover in the program accountant position related to the CCDF program. Supporting records and grant accounting methodologies were not maintained to ensure matching, level of effort, and earmarking requirements were met and verifiable by agency personnel other than the program accountant.

Effect: Matching, Level of Effort, and Earmarking requirements were not properly monitored to ensure compliance with federal requirements. The Agency is not in compliance with minimum earmarking requirements. Quality activities were underspent by \$1,043,864 and quality improvements for infant and toddlers were underspent by \$4,677,042. Additionally, the Agency may have used Pre-K expenditures exceeding the required maximum and expenditures may have been used for both MOE and matching purposes.

Recommendation: We recommend DHS strengthen its control process to ensure the implemented tracking process accurately reflects the underlying activity. Additionally, we recommend DHS ensure a process is in place to maintain the integrity of the program accounting function regardless of organizational challenges such as personnel turnover.

Views of Responsible Official(s)

Contact Person: Joni Riley

Anticipated Completion Date: July 2019

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-043

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1801OKTANF and G1901OKTANF

FEDERAL AWARD YEAR: 2018 and 2019

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

QUESTIONED COSTS: \$4,824

Criteria: 45 CFR § 206.10(a)(1)(ii) states in part, "The agency shall require a written application, signed under a penalty of perjury, on a form prescribed by the State agency, from the applicant himself, or his authorized representative, or, where the applicant is incompetent or incapacitated, someone acting responsibly for him..."

OAC 340:65-3-1(a) states in part, "The process of determining eligibility includes the applicant filing a signed application, the worker certifying or denying benefits, and all subsequent activities required to receive continuous benefits..."

OAC 340:65-1-3 states in part, "...The case record is the means used by OKDHS to document the factual basis for decisions."

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OAC 340:65-1-3 Instructions to Staff states in part, “(a) Definition of Adult and Family Services (AFS) case records. The AFS electronic case record is an accumulation of imaged documents organized into packets based on case actions that document a client's eligibility for and receipt of benefits. The case record also includes all electronically maintained data associated with the same case number. For legal requirements and audit purposes, the Oklahoma Department of Human Services (DHS) retains case records for at least three years after all benefits included in the case close...”

OAC 340:65-3-8(e)(1)(A) states in part, “Benefit renewal interview requirements vary depending on the program. A face-to-face interview is required for the TANF program.”

OAC 340:65-3-8(b)(2) states in part, “A benefit renewal must be completed at 12-month intervals, unless an earlier renewal date is warranted, with a TANF recipient.”

OAC 340:10-3-56(a)(3)(O) states in part, “(a) Household members who must be, may be, and must not be included in the Temporary Assistance for Needy Families (TANF) assistance unit are (3) Persons whose needs may not be included are (O) a minor unmarried payee who has a dependent child(ren) in the minor's care and does not reside with a parent(s), legal guardian, or other adult relative 18 years of age or older.

OAC 340:10-2-1(1) states in part, “All parents or needy caretakers who apply for or receive Temporary Assistance for Needy Families (TANF) cash assistance from Oklahoma are required to be engaged in a work activity. (1) A work-eligible person is defined as an adult or minor head-of-household included in the TANF assistance unit.

42 USC 608(a)(4) states, “A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide assistance to an individual who has not attained 18 years of age, is not married, has a minor child at least 12 weeks of age in his or her care, and has not successfully completed a high-school education (or its equivalent), if the individual does not participate in—

- (A) educational activities directed toward the attainment of a high school diploma or its equivalent; or
- (B) an alternative educational or training program that has been approved by the State.”

An effective internal control system provides for proper record retention to ensure that all information and transactions are accurately recorded and retained.

Condition and Context: In a sample of 72 of 9,703 TANF cases, we noted the following;

- One case file did not contain documentation of an eligibility re-determination for benefits paid during SFY 2019 (Questioned Costs \$1,435).
- One case file did not contain documentation of school attendance records for a minor payee with a child at least 12 weeks old and benefits were paid during SFY 2019 (Questioned Costs \$2,025).
- One case file did not contain documentation the minor payee lives with a parent or other adult and benefits were paid during SFY 2019 (Questioned Costs \$1,364).

Cause: A lack of internal controls to ensure initial determinations and redeterminations are properly documented.

Effect: The Department is not in compliance with the above stated internal policies and federal program requirements, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department follow policy and complete eligibility determinations and redeterminations for all TANF recipients as required. Also, we recommend the Department ensure the determination and redetermination documentation is maintained in the case records.

Views of Responsible Official(s)

Contact Person: Paulette Kendrick

Anticipated Completion Date: July 1, 2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

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FINDING NO: 2019-044

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1801OKTANF and G1901OKTANF

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Special Tests and Provisions – Income Eligibility and Verification System

QUESTIONED COSTS: \$0

Criteria: 2 CFR Part 200 Compliance Supplement Part 4 TANF Part N2 Compliance Requirement states in part, “Each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. Under the State Plan the State is required coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations and adhere to standardized formats and procedures in exchanging information with other programs and agencies.”

DHS Policy 340:65-3-4 (4) (A) states in part, “The worker is responsible for reviewing data exchange information at application and eligibility renewal.”

DHS Policy 340:65-1-3 INSTRUCTIONS TO STAFF 1. (a) states in part, “Definition of Adult and Family Services (AFS) case records. The AFS electronic case record is an accumulation of imaged documents organized into packets based on case actions that document a client's eligibility for and receipt of benefits.”

DHS Policy 340:65-1-3 INSTRUCTIONS TO STAFF 1. (b)(2) states, “The FACS system includes an Interview Notebook, an Eligibility Notebook, and FACS case notes. The worker uses FACS to process applications, renewals, and change actions, and FACS case notes for case documentation.”

DHS Policy 340:65-1-3 INSTRUCTIONS TO STAFF 1. (b)(4)(D)(i) states in part, “Case notes must describe how initial eligibility, continuing eligibility, or ineligibility was determined, the verification used, and how income was calculated.”

Condition and Context: In a sample of 72 of 9,703 TANF cases, we noted five cases (7%) where no income eligibility and verification system documentation was present in the electronic case record or FACS case notes for the time period tested.

Cause: The initial verification of income is a manual process performed by the social worker. This process was either omitted or not documented when determining eligibility.

Effect: The income used to determine a TANF applicant’s eligibility may not be accurate which could allow for an ineligible recipient to receive benefits.

Recommendation: We recommend the Department emphasize to staff the importance of maintaining documentation to support income verification through data exchange to ensure the TANF applicant’s eligibility is adequately documented.

Views of Responsible Official(s)

Contact Person: Paulette Kendrick

Anticipated Completion Date: July 1, 2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-045

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

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CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1801OKTANF and G1901OKTANF

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0

Criteria: 45 CFR 264.1(a)(1) states: “Subject to the exceptions in this section, no State may use any of its Federal TANF funds to provide assistance (as defined in §60.31 of this chapter) to a family that includes an adult head-of-household or a spouse of the head-of-household who has received Federal assistance for a total of five years (i.e., 60 cumulative months, whether or not consecutive).”

45 CFR 264.1(c) states: “States have the option to extend assistance paid for by Federal TANF funds beyond the five-year limit for up to 20 percent of the average monthly number of families receiving assistance during the fiscal year or the immediately preceding fiscal year, whichever the State elects. States are permitted to extend assistance to families only on the basis of:

(1) Hardship, as defined by the State; or (2) The fact that the family includes someone who has been battered, or subject to extreme cruelty based on the fact that the individual has been subjected to: (i) Physical acts that resulted in, or threatened to result in, physical injury to the individual; (ii) Sexual abuse; (iii) Sexual activity involving a dependent child; (iv) Being forced as the caretaker relative of a dependent child to engage in nonconsensual sexual acts or activities; (v) Threats of, or attempts at, physical or sexual abuse; (vi) Mental abuse; or (vii) Neglect or deprivation of medical care.”

OAC 340:10-1-4 states: “Both federal and state laws specify that assistance is available to those persons who meet certain conditions of eligibility. Receipt of Temporary Assistance for Needy Families has been restricted to a lifetime limit of 60 months, whether consecutive or not, effective October 1, 1996. The time limit can be extended when a hardship extension has been approved.”

OAC INSTRUCTIONS TO STAFF 340:10-3-56 5.(c)(1) states: “When the client meets all other eligibility factors and requests a hardship extension, the worker and applicant complete and sign Part I of Form 08TW024E, Extension Request for Temporary Assistance for Needy Families (TANF), during the face-to-face interview. The worker does not approve the application until a decision regarding the extension request is made.”

OAC INSTRUCTIONS TO STAFF 340:10-3-56 5.(d)(2)(B) states: “The date of the client’s signature on Form 08TW024E is used as the hardship extension request application date. Action is not taken on the hardship extension request until AFS TANF staff reaches a decision”

OAC INSTRUCTIONS TO STAFF 340:10-3-56 5.(f)(1) states: “When the client request an additional extension, the worker and client complete and sign Part 1 of Form 08TW025E, Extension Review/Disposition. The worker gives Form 08AD092E to the client when additional supporting documentation is needed. The worker sends Form 08TW025E, any supporting documentation, and the active case record to AFS TANF staff for a decision. AFS TANF staff reviews the request and completes Part II of Form 08TW025E approving or disapproving the request and sends this form and all submitted information to the worker.”

Condition and Context: When testing 12 of the 86 TANF cases receiving benefits for more than sixty months, we noted the following:

- Form 08TW024E was not present in the case file documenting approval of a hardship for extension of benefits prior to benefits being awarded for one case (8.3%).
- Form (08TW025E) was not present in the case file documenting approval of a hardship for continued extension of benefits prior to benefits being awarded for one case (8.3%).

Cause: The Department did not follow policy in documenting the approval of a hardship which is required prior to awarding extended benefits.

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Effect: The Department is not in compliance with the above stated internal policies, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department follow policy and document hardship approvals for TANF recipients as required. Also, we recommend the Department ensure hardship approval documentation is maintained in the case records.

Views of Responsible Official(s)

Contact Person: Paulette Kendrick

Anticipated Completion Date: March 20, 2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-050

STATE AGENCY: Oklahoma Department of Human Services (OKDHS)

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.667

FEDERAL PROGRAM NAME: Social Services Block Grant

FEDERAL AWARD NUMBER: G-1901OKSOSR, G-1801OKSOSR

FEDERAL AWARD YEAR: 2018 and 2019

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

QUESTIONED COSTS: \$14,479,300

Criteria: According to 2 CFR Part 200, Appendix XI, Part 4 applicable to the Social Services Block Grant, a State may transfer up to 10 percent of the combined total of the State family assistance grant, supplemental grant for population increases, and bonus funds for high performance and illegitimacy reduction, if any, (all part of TANF) for a given fiscal year to carry out programs under the SSBG. Such amounts may be used only for programs or services to children or their families whose income is less than 200 percent of the poverty level.

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).”

Condition and Context: In SFY 2019, the Oklahoma Department of Human Services (OKDHS) transferred \$14,479,300 in TANF funds to the Social Services Block Grant (SSBG). However, the Agency did not have a process in place to ensure TANF transfers to SSBG are used only for programs or services for children or their families whose income is less than 200 percent of the poverty level.

SAI staff made inquiry to OKDHS in early July 2019 regarding the process in place to ensure these funds are used only for clients who meet the income threshold. Subsequent to SAI’s inquiry, OKDHS began working on a procedure for gathering data and developing a methodology to support that the income threshold related to TANF/SSBG transfers were met. However, the methodology used is not appropriately designed to meet the objective of verifying that transfers to SSBG are used only for programs or services to children or their families whose income is less than 200 percent of the poverty level. Additionally, the process noted by OKDHS was not in place during SFY19.

As the basis for its methodology, OKDHS used the Random Moment Time Study (RMTS), a sampling method only approved for the purpose of allocating administrative expenditures to various grants in accordance with its Public Assistance Cost Allocation Plan (PACAP), to support that income thresholds related to TANF transfers to SSBG were met. The use of the RMTS methodology was not approved per the Agency’s PACAP or established in its policies and procedures.

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

Cause: OKDHS used the TANF transfers to SSBG based on the assumption that the population served by the incurred administrative expenditures met the income requirement without implementing a control process as required by 45 CFR §75.303.

Effect: OKDHS may have inappropriately expended funds transferred from TANF to SSBG in the amount of \$14,479,300.

Recommendation: We recommend the agency design and implement appropriate internal controls and develop written policies and procedures identifying a methodology to ensure compliance with TANF transfers to SSBG income requirements. This methodology should meet the objective of ensuring that all children or their families who benefit from program or services under the SSBG program meet the income requirements and should not be based on a statistical sample of cases supported by RTMS responses.

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: July 2019

Corrective Action Planned: The Department of Human Services partially agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-051

STATE AGENCY: Oklahoma Department of Human Services (OKDHS)

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1801OKTANF; G1901OKTANF

FEDERAL AWARD YEAR: 2018, 2019

CONTROL CATEGORY: Maintenance of Effort

QUESTIONED COSTS: \$1,599,996 (*State funding utilized for MOE*)

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).”

According to Title 45 CFR §263.2, “What kinds of State expenditures count toward meeting a State's basic MOE expenditure requirement? (a) Expenditures of State funds in TANF or separate State programs may count if they are made for the following types of benefits or services:...(3) Education activities designed to increase self-sufficiency, job training, and work (see §263.4);...(b) With the exception of paragraph (a)(4)(ii) of this section, the benefits or services listed under paragraph (a) of this section count only if they have been provided to or on behalf of eligible families.”

Title 45 CFR §263.4 states, “When do educational expenditures count? (a) Expenditures for educational activities or services count if: (1) They are provided to eligible families (as defined in §263.2(b)) to increase self-sufficiency, job training, and work; and (2) They are not generally available to other residents of the State without cost and without regard to their income. (b) Expenditures on behalf of eligible families for educational services or activities provided through the public education system do not count unless they meet the requirements under paragraph (a) of this section.”

According to the intergovernmental agreement between DHS and the Oklahoma State Regents for Higher Education (OSRHE), “In accordance with this agreement, a 20% match to the Block Grant funding expended by DHS for

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vocational training programs at local colleges will be provided through OSRHE or local college funds and/or in-kind contributions. In lieu of transfer of matching funds from OSRHE or Local Colleges to DHS, OSRHE will identify the specific amount of matching funds ascertained and that are available for DHS to use as the non-federal share of Block Grant expenditures.” Additionally, “the purpose of this agreement is to set forth a process designed to provide vocational education skills (and/or other necessary skills) needed to gain employment for eligible recipients in the DHS TANF WORK program. *The program may also serve Non-TANF individuals as capacity allows.*”

Condition and Context: During SFY19, OKDHS reported MOE totaling \$1,599,996 as ‘State Certified Share – Regents’. This amount was the amount certified by OSRHE as an amount paid from non-federal funds for vocational training programs at colleges that could be utilized as TANF MOE.

SAI staff made inquiry to OKDHS regarding the process in place over OSRHE funds utilized as TANF MOE to ensure the expenditures reported only included costs for TANF eligible recipients. SAI was unable to obtain detailed support indicating which TANF cases received this MOE benefit as well as the benefit provided per case. OKDHS was unable to provide this detailed data because currently OKDHS is not tracking this in a manner that would allow them to demonstrate specifically which TANF cases received this benefit and that only TANF eligible individuals are included in the total costs reported. Since the agreement between OKDHS and OSRHE indicates this program may also serve non-TANF individuals as capacity allows, it appears there potentially are non-TANF eligible recipients receiving this benefit. Since we are unable to determine that the amount recorded as TANF MOE truly went to TANF eligible families, we are questioning the entire \$1,599,996.

Cause: OKDHS personnel were unaware of TANF MOE requirements.

Effect: Vocational training expenditures reported as TANF MOE may not have been made to, or on behalf of, TANF eligible families.

Recommendation: We recommend the agency design and implement internal controls and develop written policies and procedures to ensure any vocational training expenditures utilized as TANF MOE have been made to, or on behalf of, TANF eligible families. This should include the ability to track these costs to the individual case file level in order to demonstrate exactly which cases are being utilized to meet TANF MOE requirements.

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: July 2019

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-052

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1901OKTANF and G1901OKTANF

FEDERAL AWARD YEAR: 2018 and 2019

CONTROL CATEGORY: Special Tests and Provisions – Income Eligibility and Verification System

QUESTIONED COSTS: \$0

Criteria: Each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual’s eligibility or level of assistance, benefits or services under the TANF program.

DHS Policy OAC 340:65-3-4 (4) states in part, “Automated data exchange with other agencies provides DHS with information regarding household members’ benefits, wages, taxes, Social Security numbers, and current addresses.

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The system compares information obtained electronically with data stored within DHS electronic records to determine if there are discrepancies to be addressed.”

Condition and Context: Office of Management and Enterprise Services – Information Services Division (OMES-ISD) runs scheduled data exchange jobs to gather the information from the various agencies for the Automated Caseload Evaluation System (ACES). The ACES system is a web-based application that gathers all available OKDHS data exchange information on a case, which is used by the Social Services Specialist to determine TANF eligibility at the time the client applies for assistance. The data exchange jobs are assigned to a coordinator who is responsible for seeing that the jobs are placed in the TWS (scheduling system) on the correct calendar with the date and time jobs are to run. For our sample of 5 of 17 IEVS data exchange jobs, we noted 1 (20%) of the jobs was not run as scheduled. See below:

DATA EXCHANGE JOB/TRANSMISSION JOB	OWNER	FREQUENCY	DEVIATION FROM SCHEDULED FREQUENCY
BNDXXMT (CB397MX)	SSA	Monthly	November 2018 through May 2019

Cause: Lack of adequate internal controls in maintaining the IEVS process on the BNDXXMT (CB397MX) job.

Effect: The Department may not be following the above stated requirement, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department emphasize to staff the importance of maintaining the IEVS data exchange jobs to support income verification through data exchange to ensure ineligible individuals do not receive TANF benefits. We further recommend the agency establish internal controls to ensure IEVS jobs are run based on the established frequency for each job.

Views of Responsible Official(s)

Contact Person: Helen Goulden

Anticipated Completion Date: July 1, 2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-063 (Repeat 2018-052)

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.658

FEDERAL PROGRAM NAME: Foster Care – Title IV-E

FEDERAL AWARD NUMBER: 1801OKFOST and 1901OKFOST

FEDERAL AWARD YEAR: 2018 and 2019

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

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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.
 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.

Condition and Context: Based on review of five of nine Foster Care subrecipient contracts during the SFY 2019 audit, we noted the following exceptions related to award identification requirements:

- Five out of five (100%) subawards did not contain the federal identification number, federal award date, period of performance, amount obligated by the pass-through entity, federal award project description, name of the Federal Awarding Agency, identification as to whether the award relates to research and development, and term & conditions concerning the closeout of the subaward and were not subject to financial and performance reporting requirements.
- Four out of five (80%) subawards did not include all requirements to ensure compliance with Federal Laws and regulations and a Single Audit report was not reviewed.
- Two out of five (40%) subawards did not contain the CFDA number, and award amounts.
- One out of five (20%) subrecipients did not have a current subaward on file.

Cause: Management implemented corrective actions in the area of risk assessments in response to prior findings; however, minimal corrective action has been implemented to address identifying the award and applicable requirements or monitoring as identified in 2 CFR 200.331.

Effect: OKDHS is not in compliance with the monitoring requirements for this program. Additionally, subrecipients may not be spending federal funds in accordance with program requirements.

Recommendation: We recommend OKDHS further modify its subrecipient agreements and related documentation to ensure all required award identification is provided. Additionally, we recommend OKDHS ensure all subrecipients provide detailed financial and performance reports to ensure OKDHS can assess the subrecipients' compliance with program requirements and achievements of performance goals. Additionally, DHS should establish policies and procedures to ensure OKDHS receive 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, 2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-067

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

Schedule of Findings And Questioned Costs

FEDERAL AWARD NUMBER: G1701OKTANF G1801OKTANF
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$0

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).”

Form SF-425A Instructions for Line 5 (Cumulative Federal Cash Disbursements) state: “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.”

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

Condition and Context: The SFY 2019 portion of the cumulative Federal cash disbursements reported on the quarter ending 6/30/19 SF-425A report for the TANF 2018 and 2017 grants do not agree with the SFY 2019 TANF total federal expenditures plus the transfers to CCDF and SSBG reported on the TANF ACF-196R reports for the 2018 and 2017 grants.

Cause: The SFY 2019 portion of the cumulative Federal cash disbursements reported on line 5 of the SF-425A report for the TANF 2018 and 2017 grants were not adequately reviewed for accuracy prior to submission.

Effect: The SFY 2019 portion of the cumulative Federal cash disbursement amounts reported on line 5 of the SF-425A report for the TANF 2018 and 2017 grants are understated by \$25,650,198.99 for SFY 2019 and \$40,693,706.64 for SFY 2019.

Recommendation: We recommend the Department follow established procedures to ensure cumulative Federal cash disbursements are entered accurately on the SF-425A reports. Additionally, we recommend a correction be made as soon as possible to correct the cumulative Federal cash disbursements amounts recorded for the TANF 2018 and 2017 grants.

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: July 2019

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-074
STATE AGENCY: Oklahoma Department of Human Services
FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.558
FEDERAL PROGRAM NAME: TANF Cluster
FEDERAL AWARD NUMBER: G1701OKTANF
FEDERAL AWARD YEAR: 2017
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$527,045

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

Schedule of Findings And Questioned Costs

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).”

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

Condition and Context: The SFY 2019 expenditures recorded on line 7.a (Child Welfare – Non IVE – Family Foster Care – Retroactive Federalization) of the ACF-196R report are inaccurate due to an error made in the calculation of the expenditures.

Cause: The Federal expenditures reported on line 7.a of the ACF-196R report were not adequately reviewed for accuracy prior to submission.

Effect: The SFY 2019 expenditure amount recorded on line 7.a (Child Welfare – Non IVE – Family Foster Care – Retroactive Federalization) of the ACF-196R report is overstated by \$527,045.06.

Recommendation: We recommend the Department follow established procedures to ensure Child Welfare – Non IVE – Family Foster Care – Retroactive Federalization expenditures are entered accurately on the ACF-196R reports. Additionally, we recommend a correction be made as soon as possible to correct the SFY 2019 Child Welfare – Non IVE – Family Foster Care – Retroactive Federalization amount recorded for the TANF program.

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: 3/31/2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-075

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1701OKTANF

FEDERAL AWARD YEAR: 2017

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

QUESTIONED COSTS: \$1,638,967

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).”

45 CFR §75.302(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 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.”

Schedule of Findings And Questioned Costs

45 CFR §75.302(b)(3) states, “The financial management system of each non-Federal entity must provide records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.”

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

Condition and Context: We reviewed the ACF-196R reconciliation and noted the SFY 2019 expenditures recorded on line 11.a (Daycare Non-Assistance) are not adequately supported.

SAI staff made inquiry to OKDHS in July 2019 regarding the process in place over childcare subsidies utilized as TANF Day Care Non-Assistance to ensure the families receiving these childcare subsidies were income eligible for the TANF program. (\$923 is the maximum income for a case with one adult and one child) OKDHS provided SAI a full caseload report of all childcare records. The data file included an income field which could be correlated to find cases with income below \$923 per month that could have been used to meet the income eligibility status of TANF. This file was not a listing of cases used for TANF purposes because OKDHS does not have record of the specific cases utilized as TANF during SFY 2019. OKDHS began working on a procedure for gathering data and developing a monthly report showing payment data for families that receive childcare subsidies. Income is one of the fields that will be included so that compliance with TANF eligibility can be established in the future. However, this process was not in place during SFY 2019 or prior. Based on this information, it does not appear OKDHS had any knowledge that the childcare costs being charged as TANF throughout SFY 2019 were made to, or on behalf of, TANF eligible families. Because of this, we question the \$1,638,967 utilized as TANF Daycare Non-Assistance during SFY 2019.

Cause: OKDHS personnel were unaware the Federal expenditures reported on line 11.a must be supported with payment data to document that families receiving childcare subsidies are TANF eligible.

Effect: The expenditures recorded on line 11.a of the ACF-196R report may not have been made to, or on behalf of, TANF eligible families resulting in unallowable expenditures being charged to the TANF program.

Recommendation: We recommend the agency design and implement internal controls and develop written policies and procedures to ensure any daycare expenditures utilized as TANF Daycare Non-Assistance have been made to, or on behalf of, TANF eligible families. This should include the ability to track these costs to the individual case file level in order to demonstrate exactly which cases are being utilized to meet TANF requirements.

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: July 2019

Corrective Action Planned: The Department of Human Services agrees with the internal control aspect of the finding but do not agree with the questioned costs. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: Although management indicates they have the appropriate data to prove the costs were used appropriately, we were unable to obtain documentation indicating specifically which TANF cases the daycare costs applied to and therefore were unable to determine the costs were paid to, or on behalf of, TANF eligible families. Additionally, the state fiscal year 2019 data noted in the response was not compiled until after state fiscal year end and after inquiries from our office began. Therefore, when these costs were incurred and reported, DHS did not know that the payments were made to or on behalf of TANF eligible families.

FINDING NO: 2019-083

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.575, 93.596

FEDERAL PROGRAM NAME: CCDF Cluster

Schedule of Findings And Questioned Costs

FEDERAL AWARD NUMBER: G1801OKCCDF and G1901OKCCDF
FEDERAL AWARD YEAR: 2018 and 2019
CONTROL CATEGORY: Allowable Costs/Cost Principles
QUESTIONED COSTS: \$99,654.01

Criteria: Per 45 CFR §75.303(a), 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 terms and conditions of the Federal award...”

2 CFR Part 200, Subpart E, § 430 states in part...” (i) *Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
- (iv) Encompass both federally assisted, and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.)...”

OKDHS:2-11-60(1)(A) states, “The Finance Division coordinates the preparation, revision, and accumulation of all administrative costs of the cost allocation plan.”

OKDHS:2-11-60(1)(B) states, “The Finance Division oversees the collection of data necessary for allocations and distribution.”

Condition and Context: Based on review of cost certification reports applicable to the Child Care Development Fund (CCDF) program in SFY2019, it was noted that direct payroll charges for an employee in the Electronic Payment Services (EPS) unit who does not work 100% on the program were charged exclusively to the CCDF program.

Cause: OKDHS’ direct payroll certification process did not prevent or detect the erroneous program charges.

Effect: The CCDF direct payroll charges were overstated by \$99,654.01.

Recommendation: We recommend DHS review its direct payroll control processes to ensure that only allowable payroll expenditures for direct employees are charged to the program.

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: 3/31/2020

Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

OKLAHOMA DEPARTMENT OF REHABILITATION SERVICES

FINDING NO: 2019-037

STATE AGENCY: Oklahoma Department of Rehabilitation Services

FEDERAL AGENCY: United States Social Security Administration

CFDA NO: 96.001; 96.006

FEDERAL PROGRAM NAME: Disability Insurance/SSI Cluster

Schedule of Findings And Questioned Costs

FEDERAL AWARD NUMBER: 19040KDI00
FEDERAL AWARD YEAR: 2019
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$0

Criteria: 2 CFR §200.62 states, “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; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (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; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

Program Operations Manual System (POMS) DI 39506.231 Preparation Instructions for Form SSA-4514 states, “The Form SSA-4514 is used to report the number of hours worked by staffing category and employment status (i.e., full-time, part-time, temporary). This report should reflect all hours worked by personnel engaged in the SSA disability program during the reporting period.”

Condition and context: The SSA-4514 for the quarter ending 12/31/2018 reported the following calculations of hours worked incorrectly:

- The number of hours reported for Total Direct Personnel Services Holiday/Leave Hours (column B) on the SSA-4514 is 32,437.30, but it is calculated as 32,478.72 on the 2019 Time Report, resulting in a variance of -41.42.
- The number of hours reported for Full-time Personnel Overtime Hours (column D) on the SSA-4514 is 3,170.00, but it is calculated as 1,076.00 on the 2019 Time Report, resulting in a variance of 2,094.00. The amount was also not carried forward to Total Direct Personnel Services Overtime Hours, which was reported as 0.00.
- The number of hours reported for Total Direct Personnel Services On Duty Hours (column A) on the SSA-4514 is 118,399.60, but it is calculated as 118,635.76 on the 2019 Time Report, resulting in a variance of -236.16.
- The number of hours reported for LWOP Hours on the SSA-4514 is 875.00, but it is calculated as 1,163.25 on the 2019 Time Report, resulting in a variance of -288.25.
- The number of hours reported for Total Direct Personnel Services Total Hours Excluding Overtime (column C) on the SSA-4514 is 0.00 because the full-time and part-time hours were not carried forward.

Additionally, the SSA-4514 for the quarter ending 3/31/2019 reported the following calculations of hours worked incorrectly:

- The number of hours reported for Full-time Personnel Overtime Hours (column D) on the SSA-4514 is 4,179.30, but it was not carried forward to the Total Direct Personnel Services.
- The number of hours reported for Full-time Personnel Total Hours Excluding Overtime (column C) on the SSA-4514 is 147,641.00, but it was not carried forward to the Total Direct Personnel Services.

Cause: The Department has not implemented an adequate review process to ensure that the hours reported on the SSA-4514 are accurate and agree to supporting documentation.

Effect: The lack of adequate internal controls resulted in in accurate reporting in the SSA-4514.

Recommendation: We recommend the Department implement internal controls to ensure the SSA-4514 is adequately reviewed and agrees to supporting documentation before submission.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Jennifer Thornton-Johnson

Anticipated Completion Date: March 17, 2020

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-038

STATE AGENCY: Oklahoma Department of Rehabilitation Services

FEDERAL AGENCY: United States Social Security Administration

CFDA NO: 96.001; 96.006

FEDERAL PROGRAM NAME: Disability Insurance/SSI Cluster

FEDERAL AWARD NUMBER: 19040KDI00

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Period of Performance

QUESTIONED COSTS: \$239,330

Criteria: 2 CFR §200.62 states, “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; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (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; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

2 CFR §200.77 states, “*Period of performance* means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award.”

Additionally, per 2 CFR §200.309, “A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in §200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.”

Program Operations Manual System (POMS) DI 39506.200 states, “Obligations must be based on a bona fide need for goods or services that exist within the Federal fiscal year (October 1 through September 30) and must be made no later than six months after the close of that fiscal year (March 30).”

Condition and context: The November 2018 payroll draw from the FFY2019 grant included 32 payroll expenditures, totaling \$239,330, which were incurred in September 2018. These expenditures were supplemental payroll transactions for the month of September. The obligation to pay these payroll costs occurred at the time the employees worked in September 2018 which was prior to the beginning of the period of performance for the FFY 2019 grant. Therefore, these payroll costs were incorrectly applied to and drawn from FFY 2019 grant.

Cause: Payroll transactions were incorrectly coded to FFY 2019 on the DDD Preliminary Expenditure spreadsheet and this error was not detected during the review process.

Effect: \$239,330 of FFY 2018 expenses were erroneously drawn from the FFY 2019 grant.

Recommendation: We recommend the Department strengthen the current process for the review of transactions on the DDD Preliminary Expenditure spreadsheet to ensure coding errors will be detected and corrected.

Views of Responsible Official(s)

Contact Person: Jennifer Thornton-Johnson

Anticipated Completion Date: March 6, 2020

Schedule of Findings And Questioned Costs

Corrective Action Planned: Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2019-040

STATE AGENCY: Oklahoma Department of Rehabilitation Services (DRS)

FEDERAL AGENCY: United States Social Security Administration

CFDA NO: 96.001; 96.006

FEDERAL PROGRAM NAME: Disability Insurance/SSI Cluster

FEDERAL AWARD NUMBER: 1804OKDI00; 1904OKDI00

FEDERAL AWARD YEAR: 2018; 2019

CONTROL CATEGORY: Special Tests and Provisions – Consultative Examination Process

QUESTIONED COSTS: \$0

Criteria: 2 CFR §200.62 states, “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; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (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; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

20 CFR §404.1503a states, “We will not use in our program any individual or entity, except to provide existing medical evidence, who is currently excluded, suspended, or otherwise barred from participation in the Medicare or Medicaid programs, or any other Federal or Federally-assisted program; whose license to provide health care services is currently revoked or suspended by any State licensing authority pursuant to adequate due process procedures for reasons bearing on professional competence, professional conduct, or financial integrity; or who, until a final determination is made, has surrendered such a license while formal disciplinary proceedings involving professional conduct are pending. By individual or entity, we mean a medical or psychological consultant, consultative examination provider, or diagnostic test facility. Also see §§404.1519 and 404.1519g(b)”.

20 CFR §404.1519g(b) states, “By “qualified,” we mean that the medical source must be currently licensed in the State and have the training and experience to perform the type of examination or test we will request; the medical source must not be barred from participation in our programs under the provisions of §404.1503a. The medical source must also have the equipment required to provide an adequate assessment and record of the existence and level of severity of your alleged impairments”.

According to Program Operations Manual System (POMS) DI 39569.300, section C.1.b., the agency must “Conduct license checks of CE providers. . . including providers who perform CEs near and across the borders of neighboring States, specifically. . . 2. Conduct periodic licensure reviews prior to renewal dates to ensure licenses are active. 3. Review the [System of Award Management] SAM for each CE provider at least annually. . . 5. Annotate the provider file with the: date and name of the DDS [Disability Determination Services] employee verifying the license and the source of the verification (e.g., state licensing agency webpage, SAM database), or date and name of the individual who provided the credential verification.”

Additionally, POMS DI 39545.075 *Management of the Consultative Examination (CE) Process*, “Each State agency is responsible for comprehensive oversight management of its CE process and for ensuring accuracy, integrity, and economy of the CE process.” In addition, “DDSs at a minimum must provide procedures for... Performing medical license verifications to ensure only qualified providers perform CEs for disability determination services.”

Condition and Context:

- During our walk through and documentation of the internal control process to ensure internal controls were designed and implemented for the new CE's, we noted an exception where one of the provider files we selected for our review did not include the New Vendor Audit checklist. Therefore, we were unable to

Schedule of Findings And Questioned Costs

determine that the SAM review and licensure verification of the CE provider had been reviewed and approved by someone other than the Professional Relations Officer (PRO) performing the review and verification process.

- During our walk through and documentation of the internal control process for active CE's, we were unable to determine that there was an internal control designed and implemented to ensure that the SAM review and licensure verifications of the active CE provider were reviewed and approved by someone other than the Professional Relations Officer (PRO) performing the verifications in order to ensure all checks were occurring within the required timeframe and were adequate.
- When testing a sample of 15 of the 72 New CE providers (20% of population), we noted 2 instances where the New Vendor Audit checklist was not included in the CE provider's file, and therefore, we were unable to determine that the SAM review and licensure verifications of the CE provider were properly reviewed and approved by someone other than the Professional Relations Officer (PRO) performing the verifications.
- When testing a sample of 33 of the 165 Active CE providers (20% of population), we noted the SAM review for one CE provider was not performed on an annual basis. There was not a SAM review present for the SFY19 time period.

Cause: It appears there are inadequate internal controls in place over the process for SAM and licensure reviews of CE providers.

Effect: The failure to properly perform/maintain documentation of the required reviews of SAMs and medical licensure prevents the agency from ensuring that only qualified providers or providers that are not suspended/debarred are being utilized. Without proper review and approval by someone other than the PRO performing the verifications, DDS has no assurance the verifications are being performed in accordance to SSA requirements.

Recommendation: We recommend management design and implement adequate internal control procedures to ensure that a review and approval of the verification of licenses and review of the System of Award Management occurs, all verifications are in accordance with SSA POMS requirements, and all applicable documentation is retained.

Views of Responsible Official(s)

Contact Person: Jama Holman-West

Anticipated Completion Date: March 18, 2020

Corrective Action Planned: Management concurs that additional documentation of reviews needs to occur. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: Although management indicated that POMS does not require a second review, effective internal controls are required for every requirement of every federal grant therefore implementing internal controls over the consultative examination process is required. In our testing, we learned that the internal control over new providers was not operating effectively and that there was not a proper internal control designed and implemented for the active providers. Without proper internal controls in place, there is a much greater likelihood that noncompliance will occur.

FINDING NO: 2019-079

STATE AGENCY: Oklahoma Department of Rehabilitation Services (DRS)

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Rehabilitation Services – Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-170053, H126A-180053, H126A-190053

FEDERAL AWARD YEAR: 2017, 2018, and 2019

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

QUESTIONED COSTS: \$2,858

Criteria: Per 2 CFR Part 200.403, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: (c) Be consistent with policies and procedures that

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apply uniformly to both federally-financed and other activities of the non-Federal entity” and “(g) Be adequately documented.”

Per 2 CFR Part 200, “The non-Federal entity must: (a) establish and maintain 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....”

According to the Department of Rehabilitation Services (DRS) policy as outlined in the Oklahoma Administrative Code:

- 612:10-7-20 – Case Recording: “A case record will be established and maintained on each individual who applies for and/or receives vocational rehabilitation services. Narrative recordings of activities are mandatory at application, at eligibility, the development of the plan, program/financial reviews, and case closure. An action in any case is not considered effective until all required approvals have been obtained in accordance with Department policy. Documentation must be factual and conform to ethical and professional standards.”
- 612:10-7-51(d)(2)(A) - Content of the Individualized Plan for Employment: “The Individualized Plan for Employment must include: (2) a description of the specific VR services that are: (A) needed to achieve the employment outcome including as appropriate, the provision of assistive technology services and devices, and personal assistance services, including training in the management of such services;”

Condition: While testing 55 of 7,096 direct client services claims tested, we noted:

- One (1.82%) instance where the services provided were not on the clients’ Individual Plan for Employment (IPE) at the time of the claim.
- One (1.82%) instance where the applicable authorizations did not have the appropriate supervisor approvals.
- Five (9.09%) instances where the case files did not include the appropriate support for the claims.
- Two (3.64%) instances where the services were based on estimates for transportation/mileage and were not supported by calculations of actual mileage.

Cause: The agency has not implemented adequate internal controls to ensure the following agency policies and Federal requirements were adhered to for activities allowed and allowable costs:

- The service category for the claim is part of the client’s IPE prior to approving payment;
- The authorization is appropriately approved; and
- The appropriate supporting documentation is maintained.

Effect: The Federal grantor could require reimbursement of the unsupported costs from the Department.

Recommendation: We recommend management investigate these claims to determine whether the claims were improperly reimbursed and, if so, take appropriate action to recoup these funds. In addition, we recommend management review current internal controls and policies and procedures to determine where the breakdown in controls occurred and make necessary improvements to ensure compliance with agency and Federal requirements pertaining to client service claims and to ensure appropriate documentation is maintained for the client files.

Views of Responsible Official(s)

Contact Person: Mark Kinnison

Anticipated Completion Date: 7/1/2020

Corrective Action Planned: Management concurs that additional documentation and reviews are needed on case files. Management does not concur with the questioned cost. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: As of the report date, DRS had not provided any additional documentation to support the costs that were questioned.

**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	\$ 691,899	\$ -
Voluntary Public Access and Habitat Incentive	10.093		Department of Wildlife Conservation	234,724	-
Inspection Grading and Standardization	10.162		Department of Agriculture	1,292,948	-
Specialty Crop Block Grant Program - Farm Bill	10.170		Department of Agriculture	368,815	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		Department of Agriculture	1,049,492	-
Supplemental Nutrition Assistance Program	10.551		Department of Human Services	820,168,107	⊛ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		Department of Human Services	34,796,021	⊛ 5,192,139
			SNAP Cluster Total	854,964,128	⊛ ⊛ 5,192,139
School Breakfast Program	10.553		Department of Education	61,027,818	⊛ 60,888,831
National School Lunch Program	10.555		Department of Education	169,743,730	⊛ 169,479,019
National School Lunch Program	⊛ 10.555		Department of Human Services	24,237,789	⊛ 2,056,161
			Program Total	193,981,519	⊛ 171,535,180
Special Milk Program for Children	10.556		Department of Education	5,912	⊛ -
Summer Food Service Program for Children	10.559		Department of Education	4,718,492	⊛ 4,474,265
Summer Food Service Program for Children	⊛ 10.559		Department of Human Services	20,134	⊛ -
			Program Total	4,738,626	⊛ 4,474,265
			Child Nutrition Cluster Total	259,753,875	⊛ ⊛ 236,898,276
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		State Department of Health	66,667,933	6,227,479
Child and Adult Care Food Program	10.558		Department of Education	63,997,685	63,479,146
Child and Adult Care Food Program	⊛ 10.558		Department of Human Services	181,585	-
			Program Total	64,179,270	⊛ 63,479,146
State Administrative Expenses for Child Nutrition	10.560		Department of Education	4,775,181	757,290
State Administrative Expenses for Child Nutrition	10.560		Department of Human Services	926,252	-
			Program Total	5,701,433	757,290
Commodity Supplemental Food Program	10.565		Department of Human Services	1,148,115	⊛ 240,133
Emergency Food Assistance Program (Administrative Costs)	10.568		Department of Human Services	1,760,471	⊛ 1,728,882
Emergency Food Assistance Program (Food Commodities)	⊛ 10.569		Department of Human Services	11,816,993	⊛ -
			Food Distribution Cluster Total	14,725,579	⊛ 1,969,015
Senior Farmers Market Nutrition Program	10.576		Department of Human Services	56,076	-
Child Nutrition Discretionary Grants Limited Availability	10.579		Department of Education	320,255	-
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580		Department of Human Services	746,783	-
Fresh Fruit and Vegetable Program	10.582		Department of Education	2,832,147	2,832,147
Forestry Research	10.652		Department of Agriculture	265,989	-
Cooperative Forestry Assistance	10.664		Department of Agriculture	1,013,375	-
Resource Conservation and Development	10.901		Conservation Commission	190,000	-
Soil and Water Conservation	10.902		Department of Agriculture	2,648	-
Soil and Water Conservation	10.902		Conservation Commission	789,355	-
			Program Total	792,003	-
Watershed Protection Flood Prevention	10.904		Conservation Commission	481,843	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Watershed Rehabilitation Program	10.916		Conservation Commission	3,967,290	-
Conservation Security Program	10.921		Department of Agriculture	11,810	-
Agricultural Conservation Easement Program	10.931		Department of Wildlife Conservation	28,000	-
Cost Reimbursement Contract - McGee Creek Project	10 UNK		Department of Wildlife Conservation	217,703	-
U.S. Department of Agriculture-Subtotal				<u>\$ 1,280,553,370</u>	<u>\$ 317,355,492</u>
U.S. Department of Commerce					
Direct and Pass Through Programs:					
Investments for Public Works and Economic Development					
Facilities	11.300	9000002670	Pass-Through from City of Durant to Department of Transportation	1,500,000	-
Economic Adjustment Assistance	11.307		Department of Commerce	31,606	-
Cost Reimbursement Contract: Economic Adjustment Assistance	11.307		Oklahoma Center for the Advancement of Science and Technology	235,925	47,029
			Economic Development Cluster Total	1,767,531	47,029
State and Local Implementation Grant Program	11.549		Office of Management and Enterprise Services	146,321	-
U.S. Department of Commerce-Subtotal				<u>\$ 1,913,852</u>	<u>\$ 47,029</u>
U.S. Department of Defense					
Direct and Pass Through Programs:					
Procurement Technical Assistance For Business Firms	12.002		Department of Career & Technology Education	642,999	198,764
Cost Reimbursement Contract - State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		Department of Environmental Quality	184,988	-
Cost Reimbursement Contract - Military Construction, National Guard	12.400		Oklahoma Military Department	15,397,863	-
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401		Oklahoma Military Department	35,543,576	-
Cost Reimbursement Contract - National Guard ChalleNGe Program	12.404		Oklahoma Military Department	4,651,143	-
Troops to Teachers Grant Program	12.620		Department of Education	205,993	-
U.S. Department of Defense-Subtotal				<u>\$ 56,626,562</u>	<u>\$ 198,764</u>
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					
Emergency Solutions Grant Program	14.228		Department of Commerce	13,645,482	13,093,690
Shelter Plus Care	14.231		Department of Commerce	1,766,713	1,705,989
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.238		Mental Health and Substance Abuse Services	251,585	208,196
	14.269		Department of Commerce	6,763,197	6,371,759
			CDBG-Disaster Recovery Grants - Pub. L. No. 113-2 Cluster Total	6,763,197	6,371,759
U.S. Department of Housing and Urban Development-Subtotal				<u>\$ 22,426,977</u>	<u>\$ 21,379,634</u>
U.S. Department of the Interior					
Direct and Pass Through Programs:					
Road Maintenance - Indian Roads	15.033		Department of Transportation	1,000	-
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250		Department of Mines	1,078,022	-
Abandoned Mine Land Reclamation (AMLR)	15.252		Conservation Commission	704,061	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		State Auditor and Inspector	409,668	-
Title XVI Water Reclamation and Reuse	15.504		Water Resources Board	62,115	-
Recreation Resources Management	15.524		Department of Agriculture	101,429	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Fish and Wildlife Management Assistance	15.608		Department of Wildlife Conservation	52,146	-
Sport Fish Restoration Program	15.605		Department of Wildlife Conservation	7,239,660	709,569
Wildlife Restoration and Basic Hunter Education	15.611		Department of Wildlife Conservation	13,066,810	1,253,151
			Fish and Wildlife Cluster Total	20,306,470	1,962,720
Cooperative Endangered Species Conservation Fund	15.615		Department of Wildlife Conservation	114,107	62,528
Sportfishing and Boating Safety Act / Boating Infrastructure Grants (BIG)	15.622		Department of Tourism and Recreation	400,000	-
Enhanced Hunter and Safety Education	15.626		Department of Wildlife Conservation	138,618	-
Partners for Fish and Wildlife	15.631		Department of Wildlife Conservation	347,845	-
State Wildlife Grants	15.634		Department of Wildlife Conservation	693,238	530,050
Historic Preservation Fund Grants-In-Aid	15.904		Historical Society	859,339	-
Outdoor Recreation - Acquisition, Development and Planning	15.916		Department of Tourism and Recreation	638,927	-
National Ground-Water Monitoring Network	15.980		Water Resources Board	75,093	-
Water Use and Data Research	15.981		Water Resources Board	24,313	-
U.S. Department of the Interior-Subtotal				<u>\$ 26,006,391</u>	<u>\$ 2,555,298</u>
U.S. Department of Justice					
Direct and Pass Through Programs:					
Sexual Assault Services Formula Program	16.017		District Attorneys Council	280,237	272,982
Juvenile Justice and Delinquency Prevention	16.540		Office of Juvenile Affairs	342,792	-
Juvenile Justice and Delinquency Prevention	16.540		District Attorneys Council	4,649	-
			Program Total	347,441	-
Missing Children's Assistance	16.543		State Bureau of Investigation	343,751	-
State Justice Statistics Program for Statistical Analysis Centers	16.550		State Bureau of Investigation	30,537	-
National Criminal History Improvement Program (NCHIP)	16.554		District Attorneys Council	165,660	165,660
National Criminal History Improvement Program (NCHIP)	16.554		State Bureau of Investigation	226,765	-
			Program Total	392,425	165,660
Crime Victim Assistance	16.575		District Attorneys Council	26,377,399	22,588,236
Crime Victim Assistance	16.575		Medicolegal Investigation Board	34,663	-
Crime Victim Assistance	16.575		Attorney General	127,158	-
Crime Victim Assistance	16.575		State Bureau of Investigation	95,740	-
			Program Total	26,634,960	22,588,236
Crime Victim Compensation	16.576		District Attorneys Council	1,513,347	1,433,106
Crime Victim Assistance/Discretionary Grants	16.582		District Attorneys Council	239,345	109,278
Crime Victim Assistance/Discretionary Grants	16.582		Mental Health and Substance Abuse Services	93,722	5,000
			Program Total	333,067	114,278
Drug Court Discretionary Grant Program	16.585		Mental Health and Substance Abuse Services	340,106	227,174
Violence Against Women Formula Grants	16.588		District Attorneys Council	1,935,448	890,795
Violence Against Women Formula Grants	16.588		Attorney General	99,448	-
Violence Against Women Formula Grants	16.588		Department of Corrections	71,659	-
			Program Total	2,106,555	890,795
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		District Attorneys Council	253,580	5,802

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		District Attorneys Council	154,746	47,850
Residential Substance Abuse Treatment for State Prisoners	16.593		District Attorneys Council	3,050	657
Residential Substance Abuse Treatment for State Prisoners	16.593		Department of Corrections	10,855	-
Residential Substance Abuse Treatment for State Prisoners	16.593		Mental Health and Substance Abuse Services	44,438	-
Residential Substance Abuse Treatment for State Prisoners	16.593		Office of Juvenile Affairs	8,485	-
			Program Total	66,828	657
Bulletproof Vest Partnership Program	16.607		Department of Corrections	411	-
Project Safe Neighborhood	16.609		District Attorneys Council	16,894	-
Public Safety Partnership and Community Policing Grants	16.710		Bureau of Narcotics & Dangerous Drugs Control	662,349	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		District Attorneys Council	2,524,383	507,474
	16.738		Department of Corrections	59,422	-
			Program Total	2,583,805	507,474
DNA Backlog Reduction Program	16.741		State Bureau of Investigation	939,231	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		District Attorneys Council	23,361	16,279
	16.742		State Bureau of Investigation	49,837	-
	16.742		Medicolegal Investigation Board	6,039	-
			Program Total	79,237	16,279
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		Mental Health and Substance Abuse Services	153,364	-
Support for Adam Walsh Act Implementation Grant Program	16.750		Department of Corrections	95,260	-
Harold Rogers Prescription Drug Monitoring Program	16.754		Bureau of Narcotics & Dangerous Drugs Control	144,198	-
Second Chance Act Reentry Initiative	16.812		Department of Corrections	37,459	-
Second Chance Act Reentry Initiative	16.812		Mental Health and Substance Abuse Services	95,026	-
			Program Total	132,485	-
NICS Act Record Improvement Program	16.813		State Bureau of Investigation	476,586	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		District Attorneys Council	38,242	34,418
Postconviction Testing of DNA Evidence	16.820		State Bureau of Investigation	36,935	-
Emergency Planning for Juvenile Justice Facilities	16.823		Office of Juvenile Affairs	61,790	-
Justice Reinvestment Initiative	16.827		Mental Health and Substance Abuse Services	352,393	158,486
Justice Reinvestment Initiative	16.827		Department of Corrections	565,916	-
			Program Total	918,309	158,486
Innovative Responses to Behavior in the Community: Swift, Certain, and Fair Supervision Program	16.828		Department of Corrections	481,820	-
STOP School Violence	16.839		Department of Education	81,700	-
U.S. Department of Justice-Subtotal				\$ 39,700,196	\$ 26,463,197
U.S. Department of Labor					
Direct and Pass Through Programs:					
Labor Force Statistics	17.002		Employment Security Commission	880,151	-
Compensation and Working Conditions	17.005		Department of Labor	36,415	-
Employment Service/Wagner-Peyser Funded Activities	17.207		Employment Security Commission	9,288,402	-
	17.207		Office of Management and Enterprise Services	577	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Jobs for Veterans State Grants	17.801		Employment Security Commission	1,516,290	-
Local Veterans' Employment Representative Program	17.804		Employment Security Commission	484,222	-
			Employment Service Cluster Total	11,289,491	-
Unemployment Insurance	17.225		Employment Security Commission	241,576,368	-
Senior Community Service Employment Program	17.235		Department of Human Services	969,695	807,412
Trade Adjustment Assistance	17.245		Employment Security Commission	1,516,553	-
Work Opportunity Tax Credit Program (WOTC)	17.271		Employment Security Commission	283,513	-
Temporary Labor Certification for Foreign Workers	17.273		Employment Security Commission	100,359	-
Workforce Investment Act National Dislocated Worker/Emergency Grant	17.277		Employment Security Commission	382,284	-
Consultation Agreements	17.504		Department of Labor	1,329,719	-
Mine Health and Safety Grants	17.600		Department of Mines	165,332	165,332
U.S. Department of Labor-Subtotal				\$ 258,529,880	\$ 972,744
U.S. Department of Transportation					
Direct and Pass Through Programs:					
Airport Improvement Program	20.106		Oklahoma Aeronautics Commission	886,503	-
Highway Research and Development Program	20.200		Department of Transportation	2,335,270	2,990
Highway Planning and Construction	20.205		Department of Transportation	591,567,609	4,313,070
		9000003546;			
Highway Planning and Construction	20.205	9000003547; 9000003548	Pass-Through from Cherokee Nation to Department of Transportation	413,750	-
Highway Planning and Construction	20.205	900004816	Pass-Through from Seminole Nation to Department of Transportation	2,250	-
Highway Planning and Construction	20.205	3000000005	Pass-Through from Kialefee Tribal to Department of Transportation	78,000	-
			Pass-Through from Texas Department of Transportation to Department of		
Highway Planning and Construction	20.205	9000002669; 9000003642	Transportation	2,308,745	-
			Program Total	594,370,354	4,313,070
Recreational Trails Program	20.219		Department of Tourism and Recreation	1,613,006	-
			Highway Planning and Construction Cluster Total	595,983,360	4,313,070
Highway Training and Education	20.215		Department of Transportation	260,822	1,740
Motor Carrier Safety Assistance	20.218		Department of Public Safety	4,633,337	-
Commercial Driver's License Program Implementation Grant	20.232		Department of Public Safety	20,001	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237		Department of Transportation	44,489	-
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		Department of Transportation	2,458,540	1,161,195
			Federal Transit Cluster Total	2,458,540	1,161,195
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		Department of Transportation	558,504	547,035
Formula Grants for Rural Areas and Tribal Transit Program	20.509		Department of Transportation	14,229,251	13,924,009
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Department of Human Services	1,975,380	-
			Transit Services Programs Cluster Total	1,975,380	-
Rail Fixed Guildeway Public Transportation System State Safety Oversight Formula Grant Program	20.528		Department of Transportation	271,051	270,918
Minimum Penalties for Repeat Offender for Driving While Intoxicated	20.608		Department of Public Safety	249,437	151,396
Cost Reimbursement Contract - National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		Department of Public Safety	66,428	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
State and Community Highway Safety	20.600		Mental Health and Substance Abuse Services	14,329	-
State and Community Highway Safety	20.600		Department of Public Safety	3,909,208	2,136,149
			Program Total	3,923,537	2,136,149
National Priority Safety Programs	20.616		Department of Public Safety	3,308,665	698,115
National Priority Safety Programs	20.616		State Bureau of Investigation	165,113	-
National Priority Safety Programs	20.616		Mental Health and Substance Abuse Services	131,517	-
National Priority Safety Programs	20.616		District Attorneys Council	138,380	-
			Program Total	3,743,675	698,115
			Highway Safety Cluster Total	7,667,212	2,834,264
Cost Reimbursement Contract - Pipeline Safety Program State Based Grant	20.700		Corporation Commission	1,621,280	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		Department of Emergency Management	511,448	413,941
U.S. Department of Transportation- Subtotal				\$ 633,772,313	\$ 23,620,558
General Services Administration					
Direct and Pass Through Programs:					
Donation of Federal Surplus Personal Property	39.003		Office of Management and Enterprise Services-DCAM	1,973,409	-
General Services Administration-Subtotal				\$ 1,973,409	\$ -
National Foundation on the Arts and the Humanities					
Direct and Pass Through Programs:					
Promotion of the Arts - Partnership Agreements	45.025		State Arts Council	885,026	-
Grants to States	45.310		Department of Libraries	2,244,613	567,871
National Foundation on the Arts and the Humanities-Subtotal				\$ 3,129,639	\$ 567,871
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	1,784,258	-
Veterans State Nursing Home Care	64.015		Department of Veterans Affairs	99,808,576	-
All-Volunteer Force Educational Assistance	64.124		Department of Veterans Affairs	534,527	-
U.S. Department of Veterans Affairs-Subtotal				\$ 102,127,361	\$ -
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	404,658	-
State Clean Diesel Grant Program	66.040		Department of Environmental Quality	334,543	-
Water Pollution Control State, Interstate and Tribal Program Support	66.419	OK292PT2928126218; OK292PT2928126318;	Pass-Through from Sec. of Energy & Enviro. to Dept of Enviro. Quality	2,028,139	-
Water Pollution Control State, Interstate and Tribal Program Support	66.419	OK292PT2928131718	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	608,052	-
			Program Total	2,636,191	-
State Underground Water Source Protection	66.433		Corporation Commission	407,853	-
Water Quality Management Planning	66.454	OK292PT2928121418	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	58,655	-
Capitalization Grants for Clean Water State Revolving Funds	66.458		Water Resources Board	19,939,759	18,559,162
			Clean Water State Revolving Fund Cluster Total	19,939,759	18,559,162

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Nonpoint Source Implementation Grant	66.460	OK292PT2928131318; OK292PT2928131418; OK292PT2928131518	Pass-Through from Secretary of Environment to Conservation Commission	2,156,691	-
Regional Wetland Program Development Grant	66.461	OK292PT2928137919	Pass-Through from Sec. of Energy & Environment to Conservation Commission	195,018	-
Regional Wetland Program Development Grant	66.461	OK292PT2928133817	Pass-Through from Sec. of Energy & Environment to Water Resources Board	82,127	-
			Program Total	277,145	-
Capitalization Grants for Drinking Water State Revolving Fund	66.468		Department of Environmental Quality	14,458,897	9,388,330
			Drinking Water State Revolving Fund Cluster Total	14,458,897	9,388,330
Performance Partnership Grants	66.605		Department of Environmental Quality	6,582,120	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		Water Resources Board	48,575	-
	66.608		Department of Agriculture	15,731	-
			Program Total	64,306	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700		Department of Agriculture	592,916	-
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		Department of Labor	183,603	-
Pollution Prevention Grants Program	66.708		Department of Environmental Quality	70,342	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		Department of Environmental Quality	8,126,674	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		Corporation Commission	503,999	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		Corporation Commission	808,000	-
State and Tribal Response Program Grants	66.817		Corporation Commission	256,403	-
State and Tribal Response Program Grants	66.817		Department of Environmental Quality	401,208	-
			Program Total	657,611	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		Department of Environmental Quality	13,208	-
U.S. Environmental Protection Agency-Subtotal				\$ 58,277,171	\$ 27,947,492
U.S. Department of Energy					
Direct and Pass Through Programs:					
State Energy Program	81.041		Department of Commerce	1,029,279	762,230
Weatherization Assistance for Low-Income Persons	81.042		Department of Commerce	2,825,581	2,558,777
U.S. Department of Energy-Subtotal				\$ 3,854,860	\$ 3,321,007
U.S. Department of Education					
Direct and Pass Through Programs:					
Adult Education - Basic Grants to States	84.002		Department of Corrections	582,188	-
Adult Education - Basic Grants to States	84.002		Department of Career & Technology Education	7,344,663	5,732,639
			Program Total	7,926,851	5,732,639
Title I Grants to Local Educational Agencies	84.010		Department of Education	183,467,055	181,567,623
Title I Grants to Local Educational Agencies	84.010		Office of Juvenile Affairs	49,690	-
			Program Total	183,516,745	181,567,623
Migrant Education State Grant Program	84.011		Department of Education	1,048,566	874,705
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		Department of Education	338,431	335,513
	84.013		Department of Corrections	185,761	-
	84.013		Office of Juvenile Affairs	33,815	-
			Program Total	558,007	335,513

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Special Education Grants to States	84.027		Department of Education	157,117,812	143,830,806
Special Education Grants to States	84.027		Office of Juvenile Affairs	33,531	-
Special Education Grants to States	84.027		Department of Corrections	1,150	-
			Program Total	157,152,493	143,830,806
Special Education Preschool Grants	84.173		Department of Education	3,359,892	3,243,500
			Special Education Cluster (IDEA) Total	160,512,385	147,074,306
Career and Technical Education - Basic Grants to States	84.048		Department of Career & Technology Education	16,283,679	14,358,085
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		Department of Rehabilitation Services	40,763,154	-
Migrant Education Coordination Program	84.144		Department of Education	55,336	-
Rehabilitation Services Client Assistance Program	84.161		Office of Disability Concerns	144,035	-
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		Department of Rehabilitation Services	384,897	-
Special Education Grants for Infants and Families	84.181		Department of Education	289,134	-
Special Education Grants for Infants and Families	84.181		State Department of Health	4,723,428	-
			Program Total	5,012,562	-
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184		Department of Education	517,921	-
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	979,448	961,464
Javits Gifted and Talented Students Education	84.206		Department of Education	309,676	-
Twenty-First Century Community Learning Centers	84.287		Department of Education	12,071,519	11,337,065
Indian Education - Special Programs for Indian Children	84.299		Department of Education	223,565	-
Special Education - State Personnel Development	84.323		Department of Education	1,302,442	-
Rural Education	84.358		Department of Education	4,833,602	4,648,288
English Language Acquisition State Grants	84.365		Department of Education	5,643,647	5,483,124
Mathematics and Science Partnerships	84.366		Department of Education	163,666	163,059
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		Department of Education	19,057,182	18,227,921
Grants for State Assessments and Related Activities	84.369		Department of Education	4,256,829	-
Comprehensive Literacy Development	84.371		Department of Education	6,147,755	5,815,312
School Improvement Grants	84.377		Department of Education	3,830,731	3,636,590
Performance Partnership Pilots for Disconnected Youth	84.420		Department of Human Services	62,757	(10,358)
Student Support and Academic Enrichment Program	84.424		Department of Education	8,185,011	8,151,253
Student Support and Academic Enrichment Program	84.424		Office of Juvenile Affairs	15,000	-
			Program Total	8,200,011	8,151,253
U.S. Department of Education-Subtotal				\$ 484,106,968	\$ 408,356,589
National Archives and Records Administration					
Direct and Pass Through Programs:					
National Historical Publications and Records Grants	89.003		Department of Libraries	28,680	3,000
National Archives and Records Administration - Subtotal				\$ 28,680	\$ 3,000
U.S. Election Assistance Commission					
Direct and Pass Through Programs:					
Help America Vote Act Requirements Payments	90.401		State Election Board	912,661	-
U.S. Election Assistance Commission - Subtotal				\$ 912,661	\$ -

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
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	64,610	64,610
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042		Department of Human Services	187,717	-
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043		Department of Human Services	192,009	179,091
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		Department of Human Services	3,636,890	3,394,823
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		Department of Human Services	9,653,870	9,276,570
Nutrition Services Incentive Program	93.053		Department of Human Services	1,733,021	1,562,488
			Aging Cluster Total	15,023,781	14,233,881
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048		Department of Human Services	(9,473)	-
	93.048		Oklahoma Insurance Department	261,748	-
			Program Total	252,275	-
National Family Caregiver Support, Title III, Part E	93.052		Department of Human Services	1,387,186	1,346,733
Medicare Enrollment Assistance Program	93.071		Oklahoma Insurance Department	239,750	-
Medicare Enrollment Assistance Program	93.071		Department of Human Services	270,654	-
			Program Total	510,404	-
Lifespan Respite Care Program	93.072		Department of Human Services	287,085	-
Birth Defects and Developmental Disabilities- Prevention and Surveillance	93.073		State Department of Health	317,534	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		State Department of Health	9,031,150	2,904,855
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		State Department of Health	111,629	-
Enhance Safety of Children Affected by Substance Abuse	93.087		Mental Health and Substance Abuse Services	663,982	50,920
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		State Department of Health	586,029	522,259
Food and Drug Administration - Research	93.103		Department of Agriculture	1,262,864	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		Mental Health and Substance Abuse Services	3,797,490	2,078,015
Maternal and Child Health Federal Consolidated Programs	93.110		State Department of Health	103,151	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		State Department of Health	574,679	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		State Department of Health	178,703	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		State Department of Health	1,994,981	260,635
	93.136		Bureau of Narcotics & Dangerous Drugs Control	295,969	-
			Program Total	2,290,950	260,635

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Childhood Lead Poison Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		State Department of Health	334,618	-
Projects for Assistance in Transition from Homelessness (PATH) Family Planning - Services	93.150 93.217		Mental Health and Substance Abuse Services State Department of Health	443,424 3,932,906	197,231 1,088,744
Research on Healthcare Costs, Quality and Outcomes	93.226	1R18HS025067-01	Pass-Through from Agency for Healthcare Research and Quality to Mental Health and Substance Abuse Services	57,675	-
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235		State Department of Health	735,724	259,273
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243 93.243 93.243		State Department of Health Department of Education Mental Health and Substance Abuse Services	291,419 527,579 9,173,576	8,585 - 4,749,333
			Program Total	9,992,574	4,757,918
Early Hearing Detection and Intervention	93.251		State Department of Health	190,254	-
Immunization Cooperative Agreements	93.268	✦	State Department of Health	63,702,439	145,167
Viral Hepatitis Prevention and Control Centers for Disease Control and Prevention	93.270		State Department of Health	337,926	-
Investigations and Technical Assistance	93.283		State Department of Health	65,572	-
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305		State Department of Health	962,269	529,830
Early Hearing Detection and Intervention Information System (EHDII-S) Surveillance Program	93.314		State Department of Health	112,968	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		State Department of Health	1,534,226	-
State Health Insurance Assistance Program	93.324		Oklahoma Insurance Department	567,749	-
Behavioral Risk Factor Surveillance System	93.336		State Department of Health	250,576	-
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.354		State Department of Health	399,925	273,469
ACL Independent Living State Grants	93.369		Department of Rehabilitation Services	310,927	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426 93.426		State Department of Health Mental Health and Substance Abuse Services	459,832 42,482	22,503 -
			Program Total	502,314	22,503
Pregnancy Assistance Fund Program	93.500		State Department of Health	477,116	382,026
Pregnancy Assistance Fund Program	93.500		Office of Juvenile Affairs	105,730	-
			Program Total	582,846	382,026
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	104,448	-
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	723,845	151,852
Promoting Safe and Stable Families	93.556		Department of Human Services	3,274,972	813,939
Promoting Safe and Stable Families	93.556		Mental Health and Substance Abuse Services	57,430	-
Promoting Safe and Stable Families	93.556		Office of Juvenile Affairs	255,550	-
			Program Total	3,587,952	813,939

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Temporary Assistance for Needy Families	93.558		Department of Human Services	23,415,802	-
Temporary Assistance for Needy Families	93.558		Department of Career & Technology Education	3,609,508	-
Temporary Assistance for Needy Families	93.558		Department of Libraries	250,959	-
Temporary Assistance for Needy Families	93.558		Mental Health and Substance Abuse Services	2,040,477	-
TANF Cluster Total				29,316,746	-
Child Support Enforcement	93.563		Department of Human Services	25,597,586	2,861,529
Child Support Enforcement	93.563		District Attorneys Council	3,018,585	-
Program Total				28,616,171	2,861,529
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		Department of Human Services	683,349	621,239
Low-Income Home Energy Assistance	93.568		Department of Human Services	44,787,268	-
Low-Income Home Energy Assistance	93.568		Department of Commerce	1,353,489	1,308,489
Program Total				46,140,757	1,308,489
Community Services Block Grant	93.569		Department of Commerce	8,336,716	7,857,101
Child Care and Development Block Grant	93.575		Department of Human Services	116,427,953	1,618,112
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		Department of Human Services	39,401,257	-
CCDF Cluster Total				155,829,210	1,618,112
State Court Improvement Program	93.586		Supreme Court	384,139	-
Community-Based Child Abuse Prevention Grants	93.590		State Department of Health	719,214	416,405
Grants to States for Access and Visitation Programs	93.597		Department of Human Services	122,160	-
Chafee Education and Training Vouchers Program (ETV)	93.599		Department of Human Services	966,579	-
Head Start	93.600		Department of Commerce	156,811	156,811
Developmental Disabilities Basic Support and Advocacy Grants	93.630		Department of Human Services	994,158	-
Children's Justice Grants to States	93.643		Department of Human Services	165,833	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		Department of Human Services	944,667	-
Child Welfare Research Training or Demonstration	93.648		Department of Human Services	375,184	-
Adoption Opportunities	93.652		Department of Human Services	494,547	-
Foster Care Title IV-E	93.658		Department of Human Services	89,598,047	2,895,791
Foster Care Title IV-E	93.658		Office of Juvenile Affairs	106,883	-
Foster Care Title IV-E	93.658		Oklahoma Commission on Children and Youth	870,130	-
Program Total				90,575,060	2,895,791
Adoption Assistance	93.659		Department of Human Services	81,647,347	-
Social Services Block Grant	93.667		Department of Human Services	33,639,593	-
Child Abuse and Neglect State Grants	93.669		Department of Human Services	197,709	-
Child Abuse and Neglect Discretionary Activities	93.670	90CA1854	Pass-Through from National Quality Improvement Center to Mental Health and Substance Abuse Services	119,176	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		Attorney General	1,438,743	1,335,794
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		Department of Human Services	4,289,522	1,505,828
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	93.735		State Department of Health	210,009	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Elder Abuse Prevention Interventions Program	93.747		Department of Human Services	28,120	0
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753		State Department of Health	51,543	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.757		State Department of Health	838,658	-
	93.758		State Department of Health	62,187	-
PPHF- Cooperative Agreements to Implement the National Strategy for Suicide Prevention (Short Title: National Strategy Grants)	93.764		Mental Health and Substance Abuse Services	54,663	28,405
Children's Health Insurance Program	93.767		Health Care Authority	248,460,539	-
Children's Health Insurance Program	93.767		State Department of Health	390,870	-
Children's Health Insurance Program	93.767		Mental Health and Substance Abuse Services	99,238	-
			Program Total	248,950,647	-
State Medicaid Fraud Control Units	93.775		Attorney General	1,881,213	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		State Department of Health	6,908,019	-
Medical Assistance Program	93.778		Office of Juvenile Affairs	149,196	-
Medical Assistance Program	93.778		Health Care Authority	3,107,075,744	-
Medical Assistance Program	93.778		State Department of Health	3,152,751	-
Medical Assistance Program	93.778		Department of Human Services	47,034,385	-
Medical Assistance Program	93.778		Mental Health and Substance Abuse Services	584,779	-
			Program Total	3,157,996,855	-
			Medicaid Cluster Total	3,166,786,087	-
Oploid STR	93.788		Mental Health and Substance Abuse Services	9,702,926	5,492,703
Money Follows the Person Rebalancing Demonstration	93.791		Health Care Authority	1,097,209	-
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796		Health Care Authority	4,792,745	-
	93.796		State Department of Health	4,811,491	-
			Program Total	9,604,236	-
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815		State Department of Health	169,243	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		State Department of Health	94,797	-
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870		State Department of Health	6,041,666	3,918,154
Section 223 Demonstration Programs to Improve Grants to Provide Outpatient Early Intervention Services with Resepct to HIV Disease	93.918		State Department of Health	12,563	0
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		State Department of Health	1,406,518	-
HIV Care Formula Grants	93.917		State Department of Health	3,680,482	327,632
Healthy Start Initiative	93.926		State Department of Health	1,010	-
HIV Prevention Activities Health Department Based Assistance Programs for Chronic Disease Prevention and Control	93.945		State Department of Health	2,261,302	474,098
	93.945		State Department of Health	74,901	-
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		State Department of Health	141,581	-
Block Grants for Community Mental Health Services	93.958		Mental Health and Substance Abuse Services	4,984,322	1,133,262

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Block Grants for Prevention and Treatment of Substance Abuse	93.959		Mental Health and Substance Abuse Services	13,397,143	2,848,629
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		State Department of Health	1,057,775	-
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981		Department of Education	179,324	-
	93.981		State Department of Health	65,840	-
			Program Total	245,164	-
Preventive Health and Health Services Block Grant	93.991		State Department of Health	521,750	75,206
Maternal and Child Health Services Block Grant to the States	93.994		State Department of Health	4,387,730	1,333,102
Maternal and Child Health Services Block Grant to the States	93.994		Department of Human Services	1,749,381	-
			Program Total	6,137,111	1,333,102
Assisted Outpatient Treatment Cost Reimbursement Contracts:	93.997		Mental Health and Substance Abuse Services	1,257,196	866,007
Implementation Alcohol/Drug Data Collection Client Level Projects	93.UNK		Mental Health and Substance Abuse Services	56,555	-
	93.UNK		Mental Health and Substance Abuse Services	46,983	-
U.S. Department of Health and Human Services-Subtotal				\$ 4,091,384,123	\$ 67,337,248
Corporation for National and Community Service					
Direct and Pass Through Programs:					
Social Innovation Fund Pay for Success	94.024	14PSHNY001	Pass-Through from Corp for Supp Housing/Non-Profit Finance to Mental Health and Substance Abuse Services	(6,713)	-
Corporation for National and Community Service-Subtotal				\$ (6,713)	\$ -
Executive Office of the President					
Cost Reimbursement Contract: High Intensity Drug Trafficking Areas Program					
Executive Office of the President-Subtotal	95.001		Bureau of Narcotics & Dangerous Drugs Control	76,375	-
				\$ 76,375	\$ -
Social Security Administration					
Direct and Pass Through Programs:					
Social Security - Disability Insurance	96.001		Department of Rehabilitation Services	44,985,423	-
Supplemental Security Income	96.006		Department of Rehabilitation Services	-	-
			Disability Insurance/SSI Cluster Total	44,985,423	-
Social Security Administration-Subtotal				\$ 44,985,423	\$ -
U.S. Department of Homeland Security					
Direct and Pass Through Programs:					
Boating Safety Financial Assistance	97.012		Department of Public Safety	946,040	-
Community Assistance Program State Support Services Element	97.023		Water Resources Board	399,071	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		Department of Emergency Management	49,233,215	48,800,979
Hazard Mitigation Grant	97.039		Department of Emergency Management	9,507,719	8,914,052
National Dam Safety	97.041		Water Resources Board	340,204	-
Emergency Management Performance Grants	97.042		Department of Emergency Management	3,594,397	1,634,932
Cooperating Technical Partners	97.045		Water Resources Board	487,864	-
Fire Management Assistance Grant	97.046		Department of Emergency Management	284,994	284,994
Pre-Disaster Mitigation	97.047		Department of Emergency Management	211,640	211,640

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
State Homeland Security Program (SHSP)	97.073		Department of Public Safety	3,598,960	3,463,935
State Homeland Security Program (SHSP)	97.073		State Bureau of Investigation	407,833	-
State Homeland Security Program (SHSP)	97.073		Conservation Commission	42,535	-
			Program Total	<u>4,049,328</u>	<u>3,463,935</u>
Earthquake Consortium	97.082		Department of Emergency Management	2,493	-
Disaster Assistance Project	97.088		Department of Emergency Management	248,991	-
U.S. Department of Homeland Security-Subtotal				<u>\$ 69,305,956</u>	<u>\$ 63,310,532</u>
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	72,887	-
U.S. Drug Enforcement Administration-Subtotal				<u>\$ 72,887</u>	<u>\$ -</u>
Total Federal Assistance				<u>\$ 7,179,758,341</u>	<u>\$ 963,436,455</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, 2019

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, 2019. 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, 2019. 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 CAFR. The modified accrual basis of accounting recognizes expenditures and expenses when liquidated with current resources. The Oklahoma Department of Wildlife Conservation, Department of Environmental Quality, and Water Resources Board use the accrual basis of accounting that recognizes expenditures when incurred.

Note 2. 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:

<u>Yes</u>	<u>No</u>
Office of Management and Enterprise Services	Military Department
Department of Mines	Attorney General
Office of Disability Concerns	Oklahoma Arts Council
	Oklahoma Aeronautics Commission
	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
	Oklahoma State Bureau of Investigation
	Medicolegal Investigation Board
	Transportation Department
	Oklahoma Historical Society
	Office of Juvenile Affairs
	Department of Libraries
	Narcotics/Dangerous Drugs Control

Notes to the Schedule of Expenditures of Federal Awards

Ctr for Advancement of Science/Technology
Department of Wildlife Conservation
Supreme Court
Department of Commerce
Oklahoma Health Care Authority
Department of Human Services
Veterans Affairs Department
Insurance Department

Note 3. 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 \$208,873,189. The federal portion of UI funds amounted to \$32,992,278.

Note 4. Cost Recovery of Federal Program Expenditures

During fiscal year 2019, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$19,018,799 on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA#10.557. The rebate contracts are authorized by 7 CFR 246.16a as a cost containment measure. The cash rebates are 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 \$22,470,800 were in suspense at June 30, 2019, and once the modified contracts are approved by the U.S. Department of Transportation an estimated 100% will be considered available.

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
Oklahoma Department of Environmental Quality
Oklahoma Water Resources Board

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 these 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.

Notes to the Schedule of Expenditures of Federal Awards

The Department utilized \$33,940,278 of the soft match provision for projects billed during fiscal year 2019. 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 utilized on the progressive estimate billings submitted to the Federal Highway Administration 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 the Federal Highway Administration.

Note 7. Department of Health HIV Care Rebates

Although federal expenditures for HIV Care Formula Grants, CFDA #93.917, 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 \$16,583,328 during 2019 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 2019

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
19-695-023	CAFR - Governmental Funds General Fund; Taxes Receivable Account	<p>OMES accepts the finding and has corrected the financial statements to include the taxes receivable of other governments on the State of Oklahoma’s agency fund financial statements. It was the belief of financial reporting that such receivables were receivables of the jurisdictions that had levied the taxes, and therefore were not reportable by the State of Oklahoma until such time as the taxes had been collected and were then payable to the levying institution. OMES’ research found this treatment to be common practice. After consultation with the Government Accounting Standards Board, it was determined that such taxes should be reported as receivable at both the State of Oklahoma’s agency fund, as well as the levying institution.</p> <p>In future years, the Oklahoma Tax Commission has been instructed to report the amounts of taxes receivable for the state and taxes receivable on behalf of other governments in separate submissions. This will segregate the reporting in a</p>	12/29/2019	Matt Clarkson

		way that will protect against commingling the receivables in the state CAFR.		
19-695-029	CAFR - Agency Fund; General Fund; Cash/Cash Equivalents Account	OMES accepts this finding and has made the proper adjustments to meet the new understanding of the proper treatment of taxes held for others. The practice that had been adhered to since the implementation of GASB pronouncement number 34 was that all tax revenue collected for distribution to other governments was reported as fiduciary cash. After consultation with the Government Accounting Standards Board on a different matter, this treatment was thrown into question. For fiscal year 2019 and future reporting periods, the State of Oklahoma will only include tax revenues collected by the state but levied by other governments in the fiduciary financial statements.	12/29/2019	Matt Clarkson

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**CORRECTIVE ACTION PLAN
 2 CFR § 200.511(c)
 SFY 2019**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-004	10.553, 10.555, 10.556 Child Nutrition Cluster	The \$752,000 payments were recouped within 7 days. The funds were delayed in being returned to USDA. The processes were re-evaluated within the same fiscal year, once it was detected the processes were updated which included reviewing payments and system data as available from the programmers. Further process updates will include a manual review of claims on a quarterly basis.	April 1, 2020	Jennifer Weber & Laura Meissner

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**CORRECTIVE ACTION PLAN
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 SFY 2019**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-005	10.553, 10.555, 10.556 Child Nutrition Cluster	This year letters were sent to program participants since we were told to late into the review process last year to collect the supporting documentation for reviews conducted in SY 18-19, hence the reason this is a repeat finding. So, at the request of the State auditor’s, letters were sent to the sample size selected and the program participants were requested to send them the supporting documentation, this process was partially successful but needed more time. We will explore all options that are reasonable and feasible to get the documentation including possible collection while doing onsite review or a shared drive upload. USDA FNS does not require that we collect and maintain any of the review supporting documentation for the Management Reviews (ME) they conduct on our agency. OSDE CN Management staff will perform a review of a sample of the field consultant ARs and documentation submitted upon completion of reviews conducted in SY 2019-2020.	July 1, 2020 FY 21	Jennifer Weber

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**CORRECTIVE ACTION PLAN
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 SFY 2019**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-006	10.559 Child Nutrition Cluster	This year letters were sent to program participants since we were told to late into the review process last year to collect the supporting documentation for reviews conducted in SY 18-19, hence the reason this is a repeat finding. So, at the request of the State auditor’s, letters were sent to the sample size selected and the program participants were requested to send them the supporting documentation, this process was partially successful but needed more time. We will explore all options that are reasonable and feasible to get the documentation including possible collection while doing onsite review or a shared drive upload. USDA FNS does not require that we collect and maintain any of the review supporting documentation for the Management Reviews (ME) they conduct on our agency. OSDE CN Management staff will perform a review of a sample of the field consultant ARs and documentation submitted upon completion of reviews conducted in FY 20.	May 15, 2020, summer 2020 program year	Jennifer Weber

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 SFY 2019**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-010	84.010 Title I Grants to Local Educational Agencies (LEAs)	The Office of Assessment will create a monitoring procedures manual for the 2020-2021 school year. This monitoring procedures manual will address all four of the above recommendations.	September 30, 2020	Craig Walker

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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
2019-034	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	<p>For FY20 the risk assessment procedures have been modified to better evaluate whether an LEA that has failed Consolidated Monitoring should be re-monitored immediately in the following fiscal year, or during the following three-year cycle. Entering the FY20 monitoring cycle, all LEAs that failed FY19 Consolidated Monitoring were assigned either five or ten points in risk assessment. Those LEAs that were found to be non-compliant on more than ten indicators of the monitoring tool, or who failed to submit acceptable Corrective Action Plans within thirty days of notification of non-compliance, were awarded ten points. LEAs found to be non-compliant on ten or fewer indicators and that submitted acceptable Corrective Action Plans within the allotted time were awarded five points.</p> <p>Given the resources available to the Office of Federal Programs, each year we are able to monitor roughly twenty LEAs beyond the approximately 175 LEAs on the regular three-year cycle. This year, FY20, we are monitoring the 20 LEAs that scored 11 points or more in risk assessment (Langston Hughes Academy and Seeworth Academy were not monitored as they closed. Mosely and Davenport were not monitored, because they did not claim any federal funds in FY19.)</p> <p>Thus, of the ten LEAs who failed FY19 Consolidated Monitoring with more than ten items of non-compliance, or that did not submit an acceptable Corrective Action Plan within the allotted amount of time, six were re-monitored, two were excluded because they did not claim federal funds in FY19, and two showed no other risk factors, scoring only ten points in risk assessment.</p> <p>Of the LEAs that failed FY19 Consolidated Monitoring due to non-compliance on ten or fewer indicators, four are being re-monitored in FY20.</p>	July 2019	Gloria Bayouth

		<p>In order to better follow up on compliance with federal regulations and on implementation of Corrective Action Plans, beginning with the current FY20 monitoring cycle, LEAs found to be non-compliant on the April 13, 2020 deadline, will be required to submit a Corrective Action Plan within 30 days of receipt of their non-compliance letter. Federal funds will be withheld from LEAs that fail to submit Corrective Action Plans within the 30-day period and those LEAs will automatically be subject to monitoring the following year. Then, evidence of implementing the Corrective Action Plan will be submitted to the Office of Federal Programs by Sept. 30, 2020. LEAs that fail to submit evidence of implementing Corrective Action Plans will be re-monitored and risk the withholding of federal funds, at the discretion of the Office of Federal Programs.</p>		
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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
2019-035	84.010 Title I Grants to Local Educational Agencies (LEAs)	To strengthen our written procedures, OFP will create a review checklist for the first reviewer and second reviewer to ensure a detailed review is performed.	July 2019	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
2019-036	84.367 Supporting Effective Instruction State Grant	<p>The GMS created the FY18 closeout report to calculate the nonpublic carryover amount to FY19. Under extenuating circumstances, the nonpublic carryover amount was manually entered by LEAs in the FY19 equitable share table. GMS also checks the FY19 program specific Nonpublic Equitable Share table against the budget and the Nonpublic Services table. Starting with FY19, a new page was added in GMS named "Nonpublic School Services" which prompts the LEAs to describe the types of services that are provided to nonpublic students and schools. Also, the Ombudsman sends a form to LEAs to collect information from participating nonpublic schools in regard to the services provided, to ensure that actual services were provided to the students. Each fiscal year, LEAs submit claims that indicate that funds allocated for equitable services are obligated in the year for which they were appropriated. If there are carryover funds, the Ombudsman sends the "Extenuating Circumstances" form to LEAs to collect information from participating nonpublic schools in regard to the services provided in the previous fiscal year, to determine if there were any extenuating circumstances that resulted in carryover of the funds to the following fiscal year. If there were no extenuating circumstances, the unexpended nonpublic school funds are not carried- over to the nonpublic share.</p> <p>To strengthen our written procedures, OFP will create a review checklist for the first reviewer and second reviewer to ensure services were provided and private schools that indicated extenuating circumstances receive those funds in the following fiscal year.</p>	July 2019	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
2019-049	84.010 Title I Grants to Local Educational Agencies (LEAs)	The Office of Federal Programs (OFP), Director of Finance and the Financial Analyst is currently working with the US Department of Education to revamp the Title I Allocation process and rewriting the OFP allocation processes. This will help make the allocation process much better. The charter school hold harmless allocation process is addressed in the process. The US Department of Education has given the OFP permission to adjust any FY 19 and FY 20 miscalculations in FY 20 or FY 21. The Director of Finance will calculate the allocations, and the Financial Analyst will verify the allocation calculation. OFP will also provide the allocation calculations to USDE for verification during the first few years.	July 2020	Nancy Hughes

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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
2019-054	10.558 Child and Adult Care Food Program	This was a finding on our last USDA Management Evaluation. We have updated the contract to include the required language per regulations and have developed a review checklist to use as well. This will be used starting FY 21 or sooner if any new program participants come on sooner that require a contract.	October 2020; FY21	Jennifer Weber

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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
2019-055	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>In order to ensure the supplement not supplant requirements have been met, OSDE has done the following:</p> <ul style="list-style-type: none"> • placed an assurance in the FY20 Assurances Application that required LEAs to attest that the supplement not supplant requirements will be met for the current fiscal year. • required the LEAs to describe in the FY20 Consolidated Monitoring Tool the processes the LEA has in place to evaluate LEA’s compliance with supplanting requirements. • required the LEAs to describe in the FY20 Consolidated Monitoring Tool the processes to correct budgets and expenditure reports due to supplanting violations. • required the LEAs to upload in the FY20 Consolidated Application the methodology used to allocate state and local funds to each school in order to meet the supplement not supplant requirement under ESSA, Section 1118(b)(2). <p>The OFP will collaborate with Financial Accounting Services to assist with verification of financial data submitted to that office by the LEA to ensure Title I, Part A compliance under section 1118(b)(2). Once the financial data has been verified, and a site has not demonstrated SNS compliance, the district will be notified by the OFP. The OFP will also perform verification of the Title I, Part A methodology compliance through the Consolidated Monitoring process.</p>	July 2019	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
2019-056	84.367 Supporting Effective Instruction State Grant	<p>In order to ensure the supplement not supplant requirements have been met, OSDE has done the following:</p> <ul style="list-style-type: none"> • placed an assurance in the FY20 Assurances Application that required LEAs to attest that the supplement not supplant requirements will be met for the current fiscal year. • required the LEAs to describe in the FY20 Consolidated Monitoring Tool the processes the LEA has in place to evaluate LEA’s compliance with supplanting requirements. • required the LEAs to describe in the FY20 Consolidated Monitoring Tool the processes to correct budgets and expenditure reports due to supplanting violations. • required the LEAs to upload in the FY20 Consolidated Application the methodology used to allocate state and local funds to each school in order to meet the supplement not supplant requirement under 20 U.S. Code § 6691 or ESEA, Section 2301. <p>The OFP will collaborate with Financial Accounting Services to assist with verification of financial data submitted to that office by the LEA to ensure Title II, Part A compliance under 20 U.S. Code § 6691 or ESEA, Section 2301. Once the financial data has been verified, and a site has not demonstrated SNS compliance, the district will be notified by the OFP. The OFP will also perform verification of the Title II, Part A methodology compliance through the Consolidated Monitoring process.</p>	January 2021	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
2019-057	10.558 Child and Adult Care Food Program	This year letters were sent to program participants since we were told to late into the review process last year to collect the supporting documentation for reviews conducted in SY 18-19, hence the reason this is a repeat finding. So, at the request of the State auditor’s letters were sent to the sample size selected and the program participants were requested to send them the supporting documentation, this process was partially successful but needed more time. We will explore all options that are reasonable and feasible to get the documentation including possible collection while doing onsite review or a shared drive upload. USDA FNS does not require that we collect and maintain any of the review supporting documentation for the Management Reviews (ME) they conduct on our agency.	October 1, 2020; FY21	Jennifer Weber

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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
2019-058	10.558 Child and Adult Care Food Program	This year letters were sent to program participants since we were told to late into the review process last year to collect the supporting documentation for reviews conducted in SY 18-19, hence the reason this is a repeat finding. So, at the request of the State auditor’s, letters were sent to the sample size selected and the program participants were requested to send them the supporting documentation, this process was partially successful but needed more time. We will explore all options that are reasonable and feasible to get the documentation including possible collection while doing onsite review or a shared drive upload. USDA FNS does not require that we collect and maintain any of the review supporting documentation for the Management Reviews (ME) they conduct on our agency.	October 1, 2020; FY21	Jennifer Weber

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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
2019-059	10.558 Child and Adult Care Food Program	The system edits within the system failed. We will have IT start the review of this issue as soon as possible and once a fix is found it will be corrected and pushed to production to avoid this error in the future.	As soon as IT can determine the system failure for edits and push out a fix.	Jennifer Weber

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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
2019-065	84.010 Title I Grants to Local Educational Agencies (LEAs)	The OSDE is committed to ensuring the highest quality data are being used to calculate the Oklahoma School Report Cards and the Adjusted Cohort Graduation Rate (ACGR). As such, the OSDE has developed automated processes to ensure the cleanliness and quality of the data to support valid and reliable interpretations. For the 2019 cohort (i.e., 2020 Oklahoma School Report Cards) and all future cohorts, the ACGR will be migrated from the WAVE to the Accountability Reporting system. (This will occur in the Accountability Reporting application [Single Sign-On], which is a separate reporting system from the WAVE.) Within this system, in order to remove the student from the cohort, the LEA will need to submit a request to OSDE for every student that is coded 02 (transferred out), 04 (emigrated), and 05 (passed away) and must include appropriate documentation. OSDE will approve/deny requests as warranted by the provided documentation and existing OSDE records. Any student who does not have appropriate documentation will remain in that school’s cohort year as a non-graduate. Their exit status will be updated to one deemed most appropriate by OSDE (in most cases, this will be “03 - Dropout”). By transitioning to an automated auditing process, the OSDE will be able to monitor 100% of the students being removed from a cohort to ensure the graduation rates are an accurate reflection of Oklahoma’s high schools. Additionally, the OSDE is producing and disseminating standardized policies and procedures to ensure the most accurate reporting as possible.	Fall 2020	Maria Harris

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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
2019-081	10.553, 10.555, 10.556 & 10.559 Child Nutrition Cluster	A spreadsheet has been created to track the SFAs that exceed their 3-month operating balance. This includes the amount they are over and the documentation the SFA submits to show that this excess was spent to bring them into compliance with this requirement.	June 1, 2020	Jennifer Weber



STATE OF OKLAHOMA
DEPARTMENT OF EMERGENCY MANAGEMENT

**OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT (OEM)
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2019**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-008	97.036 Disaster Grants – Public Assistance	OEM has adopted a subrecipient monitoring policy and completed the subrecipient risk assessment for 2020. This will ensure OEM monitors subrecipients in accordance with 2 CFR 200.331. Additionally, OEM now monitors all advances prior to closeout or before advancing additional funds. A formalized procedure outlining this process will be crafted and adopted no later than 05/01/2020.	5/1/2020	Alden Graybill and the Public Assistance Division; Daniel Piltz and the Compliance Division
2019-009	97.036 Disaster Grants – Public Assistance	OEM will formalize a procedure for necessary controls to ensure accurate reporting of total federal expenditures no later than 5/1/2020, Agency Business Services (ABS) will be included in this process. Additionally, OEM will work with ABS for all GAAP reporting.	5/1/2020	Sandy Henry and the Finance Division
2019-018	97.036 Disaster Grants – Public Assistance	OEM has hired an Accountant whose main job function is to reconcile and document all draws on an AGL for each award. Policies and procedures are being developed for AGL as well as 425 reporting. This process will be documented and the policy and procedure will be completed no later than 6/5/2020.	6/5/2020	Sandy Henry and the Finance Division
2019-032	97.036 Disaster Grants – Public Assistance	OEM has returned the relevant funds. Additionally, OEM and ABS now have a process to reconcile Pathfinder contributions monthly. Journal vouchers are created monthly to ensure the appropriate accounts are charged. This process will be documented into a formal procedure no later than 5/1/2020.	5/1/2020	Sandy Henry and the Finance Division





STATE OF OKLAHOMA
DEPARTMENT OF EMERGENCY MANAGEMENT

<p>2019-033</p>	<p>97.036 Disaster Grants – Public Assistance</p>	<p>OEM is currently re-assessing and updating the Large Project Closeout checklists, standard operating procedures, and standard operating guides. During this process, OEM will pay special attention to document the Large Project Closeout process in detail. Doing so should mitigate future issues such as the one noted in finding no: 2019-033.</p> <p>1.1 Draft How To document for Large Project Closure for Review - March 25, 2020 - Michael Teague 1.2 Complete How To Document for Large Project Closure - April 15, 2020 - Michael Teague 1.3 Draft SOP for Large Project Closures - May 1, 2020 Alden Graybill 1.4 Train Additional Staff on Large Project Closures - May 1, 2020 1.5 Submit Request to FEMA for additional Staff for Closures - March 15, 2020 - Alden Graybill - Complete 1.6 FEMA staff deployed to aid in Large Project Closures - May 1, 2020</p>	<p>6/1/2020</p>	<p>Alden Graybill, Michael Teague, and the Public Assistance Team</p>
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Oklahoma Employment Security Commission



Robin Roberson, Executive Director

J. Kevin Stitt, Governor

Representing Employers

David Adams, Commissioner
Karen Hudson, Commissioner

Representing the Public

David Reid, Chair

Representing Employees

Jim Quillen, Commissioner
Trent Smith, Commissioner

**OKLAHOMA EMPLOYMENT SECURITY COMMISSION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
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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
2019-077	17.225 Unemployment Insurance	OESC has reclassified the excess SFY2019 Pathfinder contributions from the account code 513300 for federal grant funds to the OESC revolving funds for penalty and interest. The finance comptroller will review the 513300 account each month and will create a journal entry that is approved by the CFO to reclassify any unallowable charges to the account. USDOL has reviewed this process and deemed it sufficient to correct this finding on October 18, 2019.	9/25/19	Denise Edmond
2019-078	17.225 Unemployment Insurance	OESC has successfully completed the design, programming, and implementation of a system that will ensure compliance with 40 O.S. § 2-613 (1) in assessing a 25% penalty applicable to fraud overpayments with 3/5 of the penalty amount collected being deposited into the Unemployment Trust Fund.	12/31/19	Kerry Master



**OKLAHOMA HEALTH CARE AUTHORITY
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
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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
2019-012	93.767 Children’s Health Insurance Program 93.778 Medicaid Cluster	To address monitoring of changes, above and beyond the process already in place, a monthly system report of changes to edits/audits will be made available to the Claims Resolution Supervisor in the Financial Resources Division at OHCA. Any changes reported will be reviewed in the MMIS by the supervisor or staff member to ensure that the change went through the proper approval process and there is supporting documentation.	January 2020	Holly Rictor
2019-025	93.778 Medicaid Cluster	DHS concurs. During SFY’19, AFS experienced a significant loss in staff resulting from the state’s revenue shortfall. Initially, the task of addressing G1DX’s was assigned to the Support Center Staff. With an increase in applications based on the economy, the Support Center staff fell behind with the task of addressing G1DX’s. To address the untimeliness, the following process was implemented during the 3 rd quarter of FY’19: <ul style="list-style-type: none"> • County Staff is responsible for clearing data match discrepancies (G1DX messages) on a weekly basis. • Supervisors must review their staff’s G1DX messages every two weeks to ensure that messages are properly being cleared and case noted. • All data match discrepancies must be cleared and case noted within 45 calendar days of receiving the G1DX message. • Conduct Back to Basics Training to address G1DX discrepancies. OHS AFS staff will continue to utilize the monitoring reports created for the G1DX discrepancies based on worker, supervisor, county and region. This will assist management with monitoring the type of discrepancy; number of outstanding days, and identify	July 1, 2020	Paulette Kendrick; Ginger Clayton



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Kevin Corbett | Chief Executive Officer

J. Kevin Stitt | Governor

		<p>staff responsible for clearing the discrepancy within the 45 days based on current Federal regulation 45 CFR 205.56(a)(1)(iv) and DHS Policy OAC 340:65-3-4-4 (C).</p> <p>To ensure the operating effectiveness of these procedures, the Member Audit team at the Oklahoma Health Care Authority will conduct a post implementation audit and sample cases monthly for six months. The post implementation audit will include a minimum of 100 items listed on G1DX to assure appropriate action occurred in a timely manner. The cases will be selected from cases that appeared on G1DX lists. The Member Audit team will complete additional reviews as determined necessary to resolve insufficiencies, and may focus on specific county offices if necessary. Additionally, the Member Audit team will evaluate new business processes and training materials.</p>		
2019-046	93.778 Medicaid Cluster	<p>OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. OHCA will also continue with annual spring and fall provider training to better educate our providers.</p>	June 30, 2020	Josh Richards
2019-047	93.767 Children's Health Insurance Program	<p>OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. OHCA will also continue with annual spring and fall provider training to better educate our providers. Regarding these specific findings, the improper payments will be recouped and the federal share returned to CMS.</p>	June 30, 2020	Josh Richards
2019-053	93.778 Medicaid Cluster	<p>As of June 30, 2019, the Oklahoma Health Care Authority implemented written policies to ensure that violations of Medicaid laws and regulations by providers were identified and referred to the Office of the Oklahoma Attorney General.</p> <p>The OHCA concurs internal controls over the reporting of MFCU recoveries need to be implemented. The restitutions amounts of \$55,508.62 and \$922,932.03 were included on the CMS-64 quarter ending 9-30-2019 report. Only the MFCU investigative costs reimbursements transferred to the OHCA were not reported on the CMS-64. These amounts total \$73,167.83 total computable of which \$43,836.25 is the federal share.</p> <p>The OHCA will request all MFCU correspondence related to recoveries not only be sent to the General Accounting Unit but the Financial Accountability and Compliance Unit as well. This will ensure the recoveries are reported on the CMS-64. The OHCA will also make the appropriate adjustments on the next CMS-64.</p>	April 30, 2020	Candace Arnold; Susan Crooke



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Kevin Corbett | Chief Executive Officer

J. Kevin Stitt | Governor

2019-087	<p>93.767 Children's Health Insurance Program</p> <p>93.778 Medicaid Cluster</p>	<p>The Authority has followed available guidance on regulations and interpretation as it has become available since the implementation of Modified Adjusted Gross Income (MAGI) in 2013. All procedures implemented prior to recent efforts to revise eligibility determination practices were based on information available in regulations and guidance at implementation and from subsequent updates from Centers for Medicare and Medicaid Services (CMS). The Authority has received further guidance on regulation interpretation and began working toward creating system and operational changes to address the newly identified procedural expectations. The Authority has discovered gaps in procedures related to verification of income when data exchange information is unavailable, inadequate application of data exchange matches, zero income reported on applications, applications possibly exceeding the Federal Poverty Level, and child support computing in total household income. The Authority has been working diligently to resolve insufficiencies and weaknesses in income verification procedures within the Online Eligibility system and operational procedures to align with Federal Regulations. Additionally, the Agency is exploring additional wage matching options through CMS. Exceptions the State Auditor and Inspector's Office identified are consistent with recent PERM findings, as well as agency audit findings. Verification will be obtained through alternate sources, including member requests, to ensure all unverified sources of income not available through electronic data exchange sources are verified. The change will include verification post initial determination, prior to renewal, and when changes are reported. The expansion of these practices will occur after electronic verification has been attempted and will serve to fill the gap in verification that was identified in this report. The Authority will update the State Verification Plan to more explicitly explain updated income verification practices, how the state utilizes self-attestation to benefit members at initial application, termination of income, and when reporting a change in income. In order to achieve the identified corrections, the agency intends to implement systematic change, exploring additional wage verification sources, operational training, revising business processes, and increase staffing available to meet the demand of increased documentation request processing.</p> <p>To ensure these changes are properly designed and operating effectively, the Member Audit team at the Oklahoma Health Care Authority will conduct a post implementation audit and sample cases monthly for six months.</p>	July 15, 2020	Ginger Clayton
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		The post implementation audit will include 100 eligibility cases appropriate for each identified corrective action. The cases will be selected for the appropriateness to the identified issue. The Member Audit team will complete additional reviews as determined necessary to resolve insufficiencies. Additionally, the Member Audit team will review new language on the State Verification Plan and evaluate new business processes and training materials.		
2019-088	93.778 Medicaid Cluster	<p>Outlined below are the steps Oklahoma Human Services' Social Service Specialist will be encouraged to follow during the Non-MAGI Medicaid eligibility determination/redetermination process:</p> <ul style="list-style-type: none"> • Monitor their County Worker Action (CWA) report weekly for pending applications and upcoming Medicaid redeterminations reviews. • Review the Asset Verification System (AVS) and Case Notes steps via the on-line training tool QUEST Steps to Completing Annual Reviews https://fsquest.oucpm.org/2017/programs/aged-blind-disabled/steps-to-completing-annual-reviews/. • Review the Notice List (NL) screen or DISC Image System following certification to ensure the Non-MAGI Medicaid recipients receive accurate eligibility notification. <p>OHS Adult Family Services Social Services Specialist will adhere to the steps above in order to ensure determinations/redeterminations of Non-MAGI Medicaid eligibility complies with applicable laws and regulations.</p> <p>To ensure the operating effectiveness of these procedures, the Member Audit team at the Oklahoma Health Care Authority will conduct a post implementation audit and sample cases monthly for six months. The post implementation audit will include a minimum of 100 eligibility cases appropriate for each identified corrective action. The cases will be selected for the appropriateness to the identified issue. The Member Audit team will complete additional reviews as determined necessary to resolve insufficiencies. Additionally, the Member Audit team will evaluate new business processes and training materials.</p>	July 1, 2020	Carla McCarrell-Williams; Ginger Clayton
2019-089	93.778 Medicaid Cluster	Office of Management and Enterprise Services – Information Services Division (OMES-ISD) runs scheduled data exchange jobs to gather the information from the various agencies for the Automated Caseload Evaluation System (ACES).	July 1, 2020	Carla McCarrell-Williams; Ginger Clayton



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		<p>OHS’ Adult and Family Services, Business Analysis and Product Unit are responsible for setting jobs to run automatically or manually in a production environment. These jobs are performed during off peak business hours.</p> <p>Outlined below are the steps in place to be used when the system indicates the data exchange job failed to run:</p> <ul style="list-style-type: none"> • Take action to immediately follow-up the next business day. • Consult with the customer to identify the error. • Determine if and when the job will be re-run. <p>OHS’ Adult Family Services Business Analysis and Product Unit will continue to collaborate with the Office of Management and Enterprise Services – Information Services Division (OMES-ISD) to ensure compliance with the Social Security Act §1137 and OKDHS Policy OAC 340:65-3-4 (4).</p> <p>To ensure the operating effectiveness of data exchange jobs, the Member Audit team at the Oklahoma Health Care Authority will conduct a monthly review of all data exchange jobs to ensure proper frequency and resolution for missed jobs. The post implementation audit will include a review of all data exchange jobs expected for the timeframe under review to assure appropriate action occurred in a timely manner. This review will be an ongoing process for the Member Audit team. Additionally, the Member Audit team will evaluate new business processes and training materials.</p>		
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Oklahoma State Department of Health
 Creating a State of Health

OKLAHOMA STATE DEPARTMENT OF HEALTH
 STATE OF OKLAHOMA - SINGLE AUDIT

CORRECTIVE ACTION PLAN
 2 CFR § 200.511(c)
 SFY 2019

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-041	93.268 Immunization Cooperative Agreements	The OSDH has established procedures to retain supporting documentation of the Indirect Cost (IDC) rate calculation applied to each month, with journal entries posting IDC.	4/15/2020	Bethany Ledel
2019-068	93.917 HIV Care Formula Grant	The Ryan White grant has been reconciled between Time and Effort (actuals) and the FISCAL system, once at closeout. The Ryan White grant budget period is from April through March. At June 30, 2019, there were three months unreconciled. This accounts for the discrepancy. To prevent this going forward, OSDH is changing the procedure from reconciling Time and Effort to FISCAL once at closeout to reconciling Time and Effort to PeopleSoft SAS at reporting of the grant and at the closing of the last pay period of the State Fiscal Year.	9/30/2020	Danielle Durkee
2019-069	93.917 HIV Care Formula Grant	On August 21, 2018 the OSDH implemented the two separate funds for Ryan White within the FISCAL system. These funds clearly delineate the revenues received and expense incurred for the AIDS Drug Assistance Program (ADAP) rebate fund (Fund 411) and the RWHAP federal award (Fund 410). This delay caused the finding. However, the two funds are currently being utilized by OSDH to track the revenues and expenditures associated with the Ryan White HIV/AIDS Program.	8/21/2018	Jennifer Reeves
2019-070	93.917	The OSDH procurement staff currently maintains a log of sub-recipient contracts. This list is forwarded to the grants unit on a monthly basis. The grant unit	07/01/2020	Robert Goad

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	HIV Care Formula Grant	reviews the document for inclusion on the SEFA report. The grants unit maintains a list of grants including the FAIN #. This list is now supplied to OSDH procurement who will review Federal Award Identifying Numbers (FAINs) for inclusion on the sub-recipient award documentation. The Procurement Division will hire sufficient employees or adjust monitoring workloads to ensure OSDH is able to adequately monitor sub-recipients in accordance with the CMP.		
2019-071	93.917 HIV Care Formula Grant	The OSDH procurement staff currently maintains a log of sub-recipient contracts. This list is forwarded to the grants unit on a monthly basis. The grant unit reviews the document for inclusion on the SEFA report. The grants unit maintains a list of grants including the FAIN #. This list is now supplied to OSDH procurement who will review Federal Award Identifying Numbers (FAINs) for inclusion on the sub-recipient award documentation. The OSDH will review the FAIN number as part of its review of subaward documentation, before contracts are finalized.	02/01/2019	Robert Goad
2019-072	93.917 HIV Care Formula Grant	Previously, rebates were included in SEFA balances. Per federal guidance, rebates are not considered Federal funds for reporting purposes. The OSDH has developed a revised SEFA procedure to omit rebate balances from Ryan White reported balances. A secondary review will be performed to ensure no rebate balances are included in SEFA reported balances, in addition to the supervisory review.	03/01/2020	Bethany Ledel
2019-073	93.268 Immunization Cooperative Agreements	OSDH will designate a file for QA VFC Site Visit documentation and will be reviewed by supervisory staff.	07/01/2020	Fauzia Khan
2019-084	93.268 Immunization Cooperative Agreements	OSDH will ensure appropriate review process for GAAP package Z with final approval for submission from Budget and Grants Management.	07/01/2020	Fauzia Khan
2019-085	93.268 Immunization Cooperative Agreements	Procedures will be put in place to ensure Pathfinder excess contributions are not charged to Federal grants.	07/01/2020	Danielle Durkee



OKLAHOMA Human Services

OKLAHOMA DEPARTMENT OF HUMAN SERVICES STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) SFY 2019

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	93.575 and 93.596 CCDF Cluster	<p>Bullet 1: Concur: It is the responsibility of the child care program to request fire inspections. A plan of action will be put in place by 4-1-20. Child Care Services will consult with child care program to assist in getting fire inspections timely. However, when fire inspections are not obtained timely a non-compliance will be documented.</p> <p>Bullet 2: Concur: The programs cited did not have documentation that programs were compliant and did not document non-compliance. A plan of action will be put in place by 4-1-20.</p> <p>Furthermore, quality review audits are being conducted annually with each supervisory group in Child Care Services to address errors or inconsistencies when monitoring child care programs.</p> <p>Bullet 3: Concur: The programs cited did not have documentation that programs were compliant and did not document non-compliance. A plan of action will be put in place by 4-1-20.</p> <p>Furthermore, quality review audits are being conducted annually with each supervisory group in Child Care Services to address errors or inconsistencies when monitoring child care programs.</p> <p>Bullet 4: Do not concur: On the recommendation of the State Auditor a statement has been added to monitoring checklist which states that “all items on the checklist were monitored and found to be in compliance at the time of the monitoring visit unless marked otherwise.” This statement was added to the monitoring checklists as of March 18th, 2015. In addition, a statement has been incorporated into the child care center monitoring checklist as of January 1st, 2016 stating that “All items listed below are compliant unless marked as “NC” Non-compliant or “NR” Not reviewed.” The format of the current monitoring checklist and summary used by licensing staff has not changed from the monitoring checklist and summary previously approved. It appears CCS staff followed existing DHS policy, OAC 340:110-1-9, when completing the monitoring checklists. In addition CCS staff complete rigorous training to ensure the monitoring visits and checklists are completed</p>	December 1, 2020	Dione Smith

		<p>according to DHS policy.</p> <p>Furthermore, only monitoring checklists and summaries were requested for review. In accordance with DHS policy, OAC 340:110-1-9.3. Non-compliance with requirements section (d) (1-12), follow up may take place in a number ways, which may include options other than follow-up visits (Policy attached). Follow up documents were not requested by the State Auditor</p>		
2019-014	93.558 TANF Cluster	<p>As of July 1st, 2019, the agency stopped charging Pre-K expenditures as MOE. For state fiscal year 2019, the agency did receive a certification letter of expenditures from the State Department of Education for the Pre-K program. The expenditures for Pre-K were \$68,679,704 for the year. This vastly exceeds the \$12,079,313 DHS used as MOE.</p> <p>Through Open Records Request, DHS was able to determine the overall percentage of children eligible for the Free and Reduced Lunch Program across the state. The income eligibility requirements of this program match the eligibility for TANF. Using that percentage, DHS can be highly confident the claimed expenditures were used to provide services to TANF eligible children. However, the Program Instruction from ACF establishing the 50% general population availability was not taken into account.</p>	July 1, 2019	Chris Smith
2019-015	93.558 TANF Cluster	<p>The Oklahoma Department of Human Services concurs with the internal control process not being adequate to provide case by case determinations of TANF eligibility during state fiscal year 2019. Starting with state fiscal year 2020, the agency receives monthly data which meets eligibility requirements. This data is provided on a case by case basis for childcare subsidies. For state fiscal year 2019, the Oklahoma Department of Human Services was able to obtain data which provides case by case TANF eligibility information for childcare subsidies. This data can be provided on a month by month basis and the total expenditures exceed the questioned costs. While we concur the internal controls were not adequate during the fiscal year, the agency does have the appropriate data to prove the costs were used appropriately.</p>	July 1, 2019	Chris Smith
2019-016	10.551 SNAP Cluster	<p>The EPS State Office along with AFS leadership are working together to ensure all existing EBT Specialists review the EBT Handbook. EPS and AFS leadership will require all existing EBT Specialists to submit a validation of reviewing the handbook on an annual basis. This handbook is updated electronically each year by the EPS State Office and emailed to existing and new EBT Specialists. Each EBT Specialist must sign an access form stating they have read and understand the handbook. The access form is maintained by EPS in a locked file cabinet in the EPS office area. The EPS office has revised the handbook for 2019, adding clarification on some changes and located some requirements in more than one place in the handbook so that they get reinforced. The AFS division now performs EBT audits semi-annually on all county offices. Additionally, the audit checklist was expanded to ensure required areas are being reviewed and verified. Satellite offices that have only one employee located in that office cannot have two signatures each day. Instead, a supervisor comes to the office once a week and reviews all reports for the previous week and signs off on the reports for those days that are correct. If any day is not</p>	January 2020	Thomas Pennington

		correct, then the employee and the supervisor review that day's reports and find the error, correct the report, and both sign the report. AFS leadership has also required the Administrative Assistants in the field offices to spot check the destruction logs every month to make sure that cards that are returned to the field offices are being deactivated and destroyed properly and the report is being completed correctly. EPS is also requesting that AFS leadership require all field offices to use a standard report form for logging all destroyed cards so that there is uniformity and consistency across all offices. Finally, there are occasions that a field office requests a duplicate card be printed since the first card may have had a magnetic strip error or the ink ribbon skipped some of the printing making it illegible to read the card. EPS is requesting that all AFS field offices, when destroying a duplicate card, note this on the destruction log since these cards cannot be deactivated without deactivating the card the client received since it is a duplicate card.		
2019-024	93.558 TANF Cluster	Supporting documentation had the correct number of children served in child care, however, a human error was identified in transferring data from the spreadsheet into the report. The TANF Program Manager has addressed this situation with the PFR and the report has been corrected and going through the process of resubmission. Special Care will be taken in the future in proofreading the spreadsheet data that is transferred into the 204 document. The spreadsheet document field for the average number of children in childcare is being reformatted into a visually friendly format to help ensure the proper data number is used and transferred into the ACF-204.	April 30, 2020	Paulette Kendrick
2019-025	93.558 TANF Cluster, 10.551 SNAP Cluster, 93.575 and 93.596 CCDF Cluster, and 93.778 Medicaid Cluster	<p>During SFY'19, AFS experienced a significant loss in staff resulting from the state's revenue shortfall. Initially, the task of addressing G1DX's was assigned to the Support Center Staff. With an increase in applications based on the economy, the Support Center staff fell behind with the task of addressing G1DX's. To address the untimeliness, the following process was implemented during the 3rd quarter of FY'19:</p> <ul style="list-style-type: none"> • County Staff is responsible for clearing data match discrepancies (G1DX messages) on a weekly basis. • Supervisors must review their staff's G1DX messages every two weeks to ensure that messages are properly being cleared and case noted. • All data match discrepancies must be cleared and case noted within 45 calendar days of receiving the G1DX message. • Conduct Back to Basics Training to address G1DX discrepancies. <p>OHS AFS staff will continue to utilize the monitoring reports created for the G1DX discrepancies based on worker, supervisor, county and region. This will assist management with monitoring the type of discrepancy; number of outstanding days, and identify staff responsible for clearing the discrepancy within the 45 days based on current Federal regulation 45 CFR 205.56(a)(1)(iv) and DHS Policy OAC 340:65-3-4-4 (C).</p>	July 1, 2020	Paulette Kendrick
2019-027	93.558 TANF Cluster	Deputy Directors and County Directors will be notified of the findings and the requirements of determining good cause prior to sanctioning any case. Back to Basics will be required statewide and a 2 nd party Supervisory Read will be put into place prior to closing any case on 52A. In addition,	July 1, 2020	Paulette Kendrick

		as we are beginning to transition our TANF workers to a Family Centered Coaching case management method that requires frequent communication between TANF clients and Workers, we feel this will also assist in fostering additional communication regarding good cause determinations as well.		
2019-028	93.558 TANF Cluster	Deputy Directors and County Directors will be notified of the findings and the requirements of determining good cause prior to sanctioning any case. Back to Basics will be required statewide and a 2 nd party Supervisory Read will be put into place prior to closing any case on 52A. In addition, as we are beginning to transition our TANF workers to a Family Centered Coaching case management method that requires frequent communication between TANF clients and Workers, we feel this will also assist in fostering additional communication regarding good cause determinations as well.	July 1, 2020	Paulette Kendrick
2019-031	93.575 and 93.596 CCDF Cluster	Starting in August of 2018, the agency will have the opportunity to include the rate increase to child care providers within the bounds of the quality initiatives. This will provide adequate expenditures to meet the 9% and 3% requirements for FFY19. Finance has also tightened the internal controls of the tracking and reporting spreadsheet for the ACF-696. These controls will allow for monthly and quarterly monitoring and analysis of the initiatives to ensure the agency is meeting requirements.	July 2019	Joni Riley
2019-043	93.558 TANF Cluster	The Deputy Director and the County Directors are being notified of the errors on these cases. They will be required to conduct Back to Basics Training on proper forms to be imaged into the case file with emphasis being placed on documentation required to be imaged into the case file including application and reviews, school attendance records, TANF Work requirements for Minor parent, and interview information that is required to be documented in case notes such as household information.	July 1, 2020	Paulette Kendrick
2019-044	93.558 TANF Cluster	AFS State Office leadership will be meeting with the Deputy Directors to develop a cohesive plan to ensure that all staff are printing off the ACES screens as well as reviewing and documenting their review findings in case notes. Due to the current COVID-19 pandemic causing some delays, the meeting with the Deputy Directors will be held and a plan of action will be established no later than July 1, 2020.	July 1, 2020	Paulette Kendrick
2019-045	93.558 TANF Cluster	We discovered last summer (mid July 2019) there seemed to be inconsistencies in scanning the hardship forms in. It was at that time that we made a change to our process. Now, when the TW-24 or TW-is received by the AFS TANF Unit, once a decision is made and the form is completed, the TANF Unit members now scan the document into imaging and then notify the client by email that a decision has been made and they can find the document in imaging. This ensures that all TW-24 & 25 forms are scanned in immediately and in the same folder for each client, reducing the chances of lost forms, forms being scanned into other cases and all forms are consistently filed in the same location for each client. I did send a reminder email to the State Office TANF Unit of the importance of continuing to do this prior to notifying county staff that a decision has been made.	March 20, 2020	Paulette Kendrick

2019-050	93.667 Social Services Block Grant	The Oklahoma Department of Human Services concurs with the internal control process not being adequate to provide monthly determinations of the 200% poverty level for children being served on the TANF transfer to SSBG in state fiscal year 2019. Starting with state fiscal year 2020, the agency receives monthly data from KIDS which meets eligibility requirements. This data is assigned to SSGB cases provided in the Random Moment Time Study. For state fiscal year 2019, the agency was able to obtain month by month data which provides evidence of the 200% poverty level on 805 cases in the RMTS. The agency does not concur with SAI's view of the basis for the methodology of the RMTS. The expenditures assigned to a RMTS response can be calculated as the value of the Child Welfare case worker's time and efforts for each response. Using that value per response, the agency does meet and exceed the questioned costs.	July 2019	Chris Smith
2019-051	93.558 TANF Cluster	Though there was an internal understanding in a written memo which states the services were for TANF participants only, the contract does not reflect that terminology. Since 2015 per the written memo, the contracted training was only provided to TANF clients. DHS does receive attendee lists from the vocational programs. These will be provided on a quarterly basis starting with state fiscal year 2020. Also, the contract will be amended to state the participants of the training program will only be available for current TANF clients.	July 2019	Chris Smith
2019-052	93.558 TANF Cluster	In November, when we receive the Social Security File with the new COLA amounts, we temporarily stop several jobs related to G1DX discrepancies for Social Security and SSI. We do this because the cases haven't yet been updated (overall will do that) and each case will get a discrepancy. After the overall runs the process is started again. Except that this year it didn't get completely re-started. The program that sends records to SSA when the TPQYC screen is updated was not initiated. From about 11/2018 - 06/2019 nothing was going to Social Security when a TPQYC screen was completed. There are other processes that send records to Social Security (putting a case in app status, certifications, and renewals) and these processes worked, but the TPQYC process did not work. The issue was resolved in 06/2019. Updates were made to the documentation regarding overalls to specifically mention that this process must be restarted.	July 1, 2020	Helen Goulden
2019-063	93.658 Foster Care – Title IV-E	<ol style="list-style-type: none"> 1. All non-compliant agreements will be cancelled. New contracts will be written and executed for the appropriate sub-recipient agencies. These contracts will have language covering all required information. 2. DHS will develop and require quarterly performance reports to assess compliance with program requirements. 3. Establish procedures with OIG to ensure DHS receives and reviews a single audit or program audit from sub-recipients in compliance with 2 CFR 200.501. 	July 1, 2020	Kevin Haddock
2019-067	93.558 TANF Cluster	Established procedures for the Payment Management (PMS) reporting will be tightened to ensure proper expenditures match the federal reports such as the ACF-196R.	July 2019	Chris Smith
2019-074	93.558 TANF Cluster	An accounting error was made in the month of June 2019 which was intended to reconcile line 7.a of the ACF-196R. As a corrective action plan, a process will be established to check all adjustments and reconciliations by the Finance	March 31, 2020	Chris Smith

		Administrator for the ACF-196R report. A cost allocation adjustment to correct the mis-calculation was reported in the month of February 2020.		
2019-075	93.558 TANF Cluster	The Oklahoma Department of Human Services concurs with the internal control process not being adequate to provide case by case determinations of TANF eligibility during state fiscal year 2019. Starting with state fiscal year 2020, the agency receives monthly data which meets eligibility requirements. This data is provided on a case by case basis for childcare subsidies. For state fiscal year 2019, the Oklahoma Department of Human Services was able to obtain data which provides case by case TANF eligibility information for childcare subsidies. This data can be provided on a month by month basis and the total expenditures exceed the questioned costs. While we concur the internal controls were not adequate during the fiscal year, the agency does have the appropriate data to prove the costs were used appropriately.	July 2019	Chris Smith
2019-083	93.575 and 93.596 CCDF Cluster	An adjustment of \$99,654.01 will be made with the Quarter Ending March 2020 cost allocation reports. Further, the CARE unit will review and update the internal controls of the direct cost certificates to ensure a quarterly check procedure is included.	March 31, 2020	Chris Smith
2019-089	93.778 Medicaid Cluster	<p>Office of Management and Enterprise Services – Information Services Division (OMES-ISD) runs scheduled data exchange jobs to gather the information from the various agencies for the Automated Caseload Evaluation System (ACES).</p> <p>DHS’ Adult and Family Services, Business Analysis and Product Unit are responsible for setting jobs to run automatically or manually in a production environment. These jobs are performed during off peak business hours.</p> <p>Outlined below are the steps in place to be used when the system indicates the data exchange job failed to run:</p> <ul style="list-style-type: none"> • Take action to immediately follow-up the next business day. • Consult with the customer to identify the error. • Determine if and when the job will be re-run. <p>DHS’ Adult Family Services Business Analysis and Product Unit will continue to collaborate with the Office of Management and Enterprise Services – Information Services Division (OMES-ISD) to ensure compliance with the Social Security Act §1137 and OKDHS Policy OAC 340:65-3-4 (4).</p> <p>To ensure the operating effectiveness of data exchange jobs, the Member Audit team at the Oklahoma Health Care Authority will conduct a monthly review of all data exchange jobs to ensure proper frequency and resolution for missed jobs. The post implementation audit will include a review of all data exchange jobs expected for the timeframe under review to assure appropriate action occurred in a timely manner. This review will be an ongoing process for the Member Audit team. Additionally, the Member Audit team will evaluate new business processes and training materials.</p>	March 17, 2020	Carla McCarrell- Williams (DHS) and Ginger Clayton (OHCA)



April 10, 2020

**DEPARTMENT OF REHABILITATION SERVICES
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2019**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-037	#96.001/96.006 Disability Insurance/SSI Cluster	Fiscal How Tos” is an electronic handbook in OneNote that outlines how to complete the varying documents and reports that are requested by SSA. The tab outlining the completion of the 4514 has been updated to double check that all Excel formulas are accurately capturing the information necessary.	3/17/2020	Jennifer Thornton-Johnson
2019-038	#96.001/96.006 Disability Insurance/SSI Cluster	Fiscal How Tos” is an electronic handbook in OneNote that outlines how to do everything that the accounting department needs to know how to do. This is a living document that outlines the procedures on how to complete any given document. A reminder was added in “Monthly”/“October” to remind the person doing the expenditures file that the Payroll completed in the first part of October should be in the previous federal fiscal year. Additionally, we are asking that DRS staff double check that this is correct when received from DDS staff. FSD has implemented a procedure to capture the actual pay run date cycle and include it on the Preliminary Expenditure spreadsheet. In the monthly processing of the SSA expenditures staff will use the Pay Run ID number located on the PR Reconciliation Spreadsheet to identify the pay cycle of each payroll transaction generated from People Soft. The pay cycle date will be added to the Preliminary Expenditure spreadsheet payroll	3/6/2020 6/30/2020	Jennifer Thornton-Johnson Cynthia Knight

Empowering Oklahomans with Disabilities

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2019

2019-038	#96.001/96.006 Disability Insurance/SSI Cluster	transactions and will serve as the additional checkpoint to DDS to correctly identify and enter the federal grant year of the expenditure. On the finalization of the monthly expenditures, staff will have an additional opportunity to review the federal grant year entered by DDS and confirm it coincides with the pay cycle entered. In regard to the questioned cost of \$239,330 as it pertains to the FFY2018 period of performance, we will work with the regional office of SSA for guidance on the reporting issue and questioned cost.	Continued 6/30/2020	Cynthia Knight
2019-040	#96.001/96.006 Disability Insurance/SSI Cluster	The PR Unit has performed random reviews of a percentage of the Vendor files. We will increase the number of random reviews to include a 100% review of Vendor files to ensure the Licensure verification and SAM checks are performed.	3/18/2020	Jama Holman-West
2019-079	#84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States	DRS will follow the recommendations to review current internal controls and policies and procedures to determine where the breakdown in controls occurred and make necessary improvements to ensure compliance with agency and Federal requirements pertaining to client service claims and to ensure appropriate documentation is maintained for the client files. The new PM is being trained appropriately on direct client payments, requirements for receipts, documentation and review of cases. All counselors, including new counselors and current counselors, will receive on-going training on case documentation and requirements for direct client payments.	7/1/2020 7/1/2020	Mark Kinnison Tracy Brigham

Empowering Oklahomans with Disabilities

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Executive Director Melinda Freundt
Commissioners Emily Cheng, Wes Hilliard and Jace Wolfe



OKLAHOMA TAX COMMISSION

STATE OF OKLAHOMA

DIEDRA O'NEIL
Chief Administrative Officer

2501 NORTH LINCOLN BOULEVARD
OKLAHOMA CITY, OKLAHOMA 73194-0001
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OKLAHOMA TAX COMMISSION STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) SFY 2019

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
19-695-023	CAFR – Taxes Receivable	The Tax Commission now understands the complete requirement of GAAP Package E-1 that was not previously outlined in the instructions for the package. The Commission will provide the specific fund to which the receivable was attributable in future submissions.	04/30/2020	Patricia Garcia
19-695-024	CAFR – Taxes Receivable	The Tax Commission will contact other Departments of Revenue to determine how other state governments are using the information available to determine taxes receivable. Using this information the Commission will develop and document a method to accurately and consistently implement for reporting.	04/30/2020	Patricia Garcia
19-695-026	CAFR – Taxes Receivable	The Tax Commission will contact other Departments of Revenue to determine how other state governments are using the information available to determine taxes receivable. Using this information the Commission will develop and document a method to accurately and consistently implement for reporting.	04/30/2020	Patricia Garcia
19-695-029	CAFR – Cash/Cash Equivalents	The Tax Commission now understands the complete requirement of GAAP Package S-1 that was not previously outlined in the instructions for the package. The Commission will provide the specific fund to which the cash/cash submissions are attributable in future submissions.	04/30/2020	Patricia Garcia

Summary Schedule of Prior Audit Findings



Office of Management and Enterprise Services
Prior Year Finding Follow-up
2019

Reference Number: 18-090-008

Fund Type: Governmental Activities & General Fund

Status: Corrected



TRENT H. BAGGETT
Executive Coordinator

KATHRYN B. BREWER
Assistant Executive Coordinator

STATE OF OKLAHOMA

DISTRICT ATTORNEYS COUNCIL

421 NW 13th Street, Suite 290 • Oklahoma City, Oklahoma 73103

EXECUTIVE 405-264-5000 FAX 405-264-5099	FINANCE 405-264-5004 405-264-5099	GRANTS 405-264-5008 405-264-5099	VICTIMS 405-264-5006 405-264-5097	IT 405-264-5002 405-264-5099	TRAINING 405-264-5000 405-264-5099	UVED 405-264-5010 405-264-5099
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding No: 2017-006
CFDA No: 16.575
Program Name: Crime Victims Assistance
Status: Corrected

Finding No: 2017-022
CFDA No: 16.575
Program Name: Crime Victims Assistance
Status: Corrected

Finding No: 2017-024
CFDA No: 16.575
Program Name: Crime Victims Assistance
Status: Corrected

Finding No: 2017-027
CFDA No: 16.575
Program Name: Crime Victims Assistance
Status: Corrected



OKLAHOMA STATE
DEPARTMENT of EDUCATION

CFDA No: 84.010

Finding No: 2017-011, 2018-014

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: Partially Corrected

2018-014 Assign a second reviewer to verify LEAs subject to the carryover requirements were adequately identified, and to verify excess carryover calculations.

After the report is generated and first reviewed by the Financial Analyst, the Director of Finance assists with the second review to identify calculation errors.

There is no official email that confirms the second review, however, moving forward the Office of Federal Programs will continue the second review process and will include a required email to verify the second review process was complete.

CFDA No: 84.010

Finding No: 2017-026, 2018-010

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: Partially Corrected

The OSDE is committed to ensuring the highest quality data are being used to calculate the Oklahoma School Report Cards and the Adjusted Cohort Graduation Rate (ACGR). As such, the OSDE has developed automated processes to ensure the cleanliness and quality of the data to support valid and reliable interpretations. For the 2019 cohort (i.e., 2020 Oklahoma School Report Cards) and all future cohorts, the ACGR will be migrated from the WAVE to the Accountability Reporting system. (This will occur in the Accountability Reporting application [Single Sign-On], which is a separate reporting system from the WAVE.) Within this system, in order to remove the student from the cohort, the LEA will need to submit a request to OSDE for every student that is coded 02 (transferred out), 04 (emigrated), and 05 (passed away) and must include appropriate documentation. OSDE will approve/deny requests as warranted by the provided documentation and existing OSDE records. Any student who does not have appropriate documentation will remain in that school's cohort year as a non-graduate. Their exit status will be updated to one deemed most appropriate by OSDE (in most cases, this will be "03 - Dropout"). By transitioning to an automated auditing process, the OSDE will be able to monitor 100% of the students being removed from a cohort to ensure the graduation rates are an accurate reflection of Oklahoma's high schools. Additionally, the OSDE is producing and disseminating standardized policies and procedures to ensure the most accurate reporting as possible.

CFDA No: 84.010, 84.367

Finding No: 2017-035, 2018-030

Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

Status: Corrected

CFDA No: 84.010, 84.367

Finding No: 2017-038, 2018-015

Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

Status: Partially Corrected.

84.010 – Title I. In school year 2017-2018, a program specialist was assigned to create a district/site supplement not supplant methodology spreadsheet in order to document district state/local and federal expenditures. The designated program specialist left the Office of Federal Programs prior to completing the spreadsheet. The project was reassigned to a second reviewer who subsequently left for military duty. Currently, another program specialist is assigned to the project and has begun to recreate the spreadsheet and enter data.



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

84.367 – Title IIA program specialist, is creating a spreadsheet to document the Local Educational Agencies state/local Title II expenditures to compare federal expenditures for the supplement not supplant requirement.

CFDA No: 84.010

Finding No: 2017-039, 2018-078

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: Partially Corrected

The Office of Federal Programs has procedures in place to document the private school data indicators. To strengthen internal control procedures, an additional verification step will be added to include a review checklist to ensure a detailed crosscheck of data is verified.

CFDA No: 84.010, 84.367

Finding No: 2017-041, 2018-016

Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

Status: Corrected

CFDA No: 84.010, 84.367

Finding No: 2017-044, 2018-059

Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

Status: Corrected

CFDA No: 84.367

Finding No: 2017-053, 2018-080

Program Name: Supporting Effective Instruction State Grant

Status: Partially Corrected.

The Office of Federal Programs (OFP) has procedures in place to document services provided to private schools were performed and extenuating carryover funds return to the intended private school.

To strengthen internal control procedures, OFP will create a review checklist for the first reviewer and second reviewer to ensure services were provided and private schools that indicated extenuating circumstances receive those funds in the following fiscal year.

CFDA No: 84.010

Finding No: 2018-017

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: Partially Corrected.

The Office of Federal Programs has developed procedures and created a control spreadsheet in alignment with the Fiscal, Non-Regulatory Guidance from USDE. The recurrence was due to an internal control process oversight.

Going forward, a second reviewer will verify the calculation process and any discrepancies will be resolved in the following fiscal year.

CFDA No: 84.010

Finding No: 2018-019

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: Not corrected

The Office of Assessment will create a monitoring procedures manual for the 2020-2021 school year. This monitoring procedures manual will address all four of the above recommendation.



OKLAHOMA STATE
DEPARTMENT of EDUCATION

CFDA No: 10.553, 10.555, 10.556, and 10.559

Finding No: 2018-033

Program Name: Child Nutrition Cluster

Status: Partially Corrected.

Due to the late notice in the school year that this information was to be maintained, we were not able to collect all the information and management was not able to implement procedures to review the consultant's performance of the AR that were required by the state auditors. Management's review procedures were performed that satisfied the USDA requirements. OSDE CN Management staff will perform a review of a sample of the field consultant ARs and documentation submitted upon completion of reviews conducted in SY 2019-2020.

CFDA No: 10.558

Finding No: 2018-034

Program Name: Child and Adult Care Food Program

Status: Partially Corrected.

Due to the late notice in the school year that this information was to be maintained we were not able to collect all the information and management was not able to implement procedures to review the consultant's performance of the AR that were required by the state auditors. Management's review procedures were performed that satisfied the USDA requirements. OSDE CN Management staff will perform a review of a sample of the field consultant ARs and documentation submitted upon completion of reviews conducted in FY 20.

CFDA No: 10.553, 10.555, 10.556, and 10.559

Finding No: 2018-036

Program Name: Child Nutrition Cluster

Status: Not Corrected.

This will be implemented for FY 21. OSDE has now been approved for a 5 year review cycle for NSLP/SBP and this will allow us to develop these risk areas and have the field staff implement them since they are conducting fewer school reviews during the year now.

CFDA No: 10.558

Finding No: 2018-037

Program Name: Child and Adult Care Food Program

Status: Partially Corrected.

The Office of Child Nutrition Programs conducts all reviews unannounced now. Child care center that were declared Seriously Deficient in the prior Fiscal Year receive another review the next fiscal year to ensure that corrective action implemented in the prior fiscal year was implemented, if the review has the same areas of noncompliance the center is immediately proposed for termination and disqualification from the program. Also, a report is going to be generated which will identify centers that claim the same number of meals for all meal types claimed and a follow - up visit or a claim validation review be conducted by a desk review to verify paperwork.



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

CFDA No: 10.558

Finding No: 2018-038

Program Name: Child and Adult Care Food Program

Status: Partially Corrected.

Due to the timing of when the audit ended and when OSDE found out about this issue, we could not fully correct this. The audit log is updated on an annual basis to include the date of the end of the subrecipient's fiscal year. As of 1/31/19, notifications have been sent to all sub-recipients to send their audits ASAP. In addition, letters were created and sent to the subrecipient at the end of their fiscal year requesting supporting documentation in the form a "Summary of Federal Expenditures" to verify they did or did not receive \$750,000 in Federal funds. This letter also serves as the audit notification per 2 CFR 200 subpart (f): Failure to submit the organization audit by the due date will result in being declared Seriously Deficient as well as possibly being proposed for Termination and Disqualification. The audit log is updated to reflect all of the tracking for this requirement.

CFDA No: 84.367

Finding No: 2018-044

Program Name: Supporting Effective Instruction State Grant

Status: Corrected

CFDA No: 10.559

Finding No: 2018-048

Program Name: Child Nutrition Cluster

Status: Corrected



MARK GOWER

State Director

J. KEVIN STITT

Governor

STATE OF OKLAHOMA
DEPARTMENT OF EMERGENCY MANAGEMENT

CFDA No: 97.036
Finding No: 2015-024, 2016-003, 2017-028, 2018-011
Program Name: Disaster Grants – Public Assistance
Status: Corrected

CFDA No: 97.036
Finding No: 2018-012
Program Name: Disaster Grants – Public Assistance
Status: Partially Corrected

The Oklahoma Department of Emergency Management (OEM) thanks you for the information regarding the Cash Management Improvement Act. OEM will formalize a procedure and set up the required loan program with OMES as allowed by State Title 62 Sec 34.55 Paragraph B in order to prevent interest events and to remain revenue neutral. Additionally, OEM now monitors all advances prior to closeout or before advancing additional funds. A formalized procedure outlining this process will be crafted and adopted no later than 05/01/2020.

CFDA No: 97.036
Finding No: 2015-012, 2016-002, 2017-015, 2018-013
Program Name: Disaster Grants – Public Assistance
Status: Partially Corrected

OEM has adopted a subrecipient monitoring policy and completed the subrecipient risk assessment for 2020. This will ensure OEM monitors subrecipients in accordance with 2 CFR 200.331. Additionally, OEM now monitors all advances prior to closeout or before advancing additional funds. A formalized procedure outlining this process will be crafted and adopted no later than 05/01/2020. Finally, OEM obtained retroactive extensions for the projects that were found to be outside their period of performance.

CFDA No: 97.036
Finding No: 2015-026, 2016-012, 2017-048, 2018-047
Program Name: Disaster Grants – Public Assistance
Status: Partially Corrected

OEM continues to develop OK EMGrants. When fully operational, this system has the ability to accurately generate 425 reports for all grants within the system. Currently, OEM is has implemented OK EMGrants for all disaster grants starting with DR-4247. OEM plans to add DR- 4222 to the system as well in the near future.

During this continued development phase, OEM plans to work with the State Auditor's Office to outline both a process and a timeline to transition to system generated reports. Additionally, FEMA has provided 425 reporting instructions to help with the development with the automated reporting and the current manual processing of reports.

OEM Finance wishes to have the opportunity to demonstrate the process of completing the FFCTR with representatives from the State Auditor's Office to possibly clear any misinformation.



MARK GOWER

State Director

J. KEVIN STITT

Governor

STATE OF OKLAHOMA
DEPARTMENT OF EMERGENCY MANAGEMENT

CFDA No: 97.036

Finding No: 2018-057

Program Name: Disaster Grants – Public Assistance

Status: Partially Corrected

The Oklahoma Department of Emergency Management (OEM) thanks you for the information regarding correct procedures for running this query, reporting was corrected to reflect accurate totals. OEM will formalize a procedure for necessary controls to ensure accurate reporting of total federal expenditures no later than 5/1/2020, Agency Business Services (ABS) will be included in this process. Additionally, OEM will work with ABS for all GAAP reporting.

CFDA No: 97.036

Finding No: 2018-069

Program Name: Disaster Grants – Public Assistance

Status: Partially Corrected

OEM and ABS now have a process to reconcile Pathfinder contributions quarterly. This process will be documented into a formal procedure no later than 5/1/2020.

Oklahoma Employment Security Commission



Robin Roberson, Executive Director

J. Kevin Stitt, Governor

Representing Employers

David Adams, Commissioner
Karen Hudson, Commissioner

Representing the Public

David Reid, Chair

Representing Employees

Jim Quillen, Commissioner
Trent Smith, Commissioner

April 14, 2020

CFDA No: 17.225

Finding No: 2017-055, 2018-022

Program Name: Unemployment Insurance

Status: Not Corrected. The Oklahoma Employment Security Commission has successfully completed the design, programming and implementation of a system that will ensure compliance with 40 O.S. § 2-613 (1) in assessing a 25% penalty applicable to fraud overpayments with 3/5 of the penalty amount collected being deposited into the Unemployment Trust Fund. This system was fully implemented effective 12/31/2019.

CFDA No: 17.225

Finding No: 2018-060

Program Name: Unemployment Insurance

Status: Not Corrected. The Oklahoma Employment Security Commission has reclassified the excess SFY2019 Pathfinder contributions from the account code 513300 for federal grant funds to the OESC revolving funds for penalty and interest. The finance comptroller will review the 513300 account each month and will create a journal entry that is approved by the CFO to reclassify any unallowable charges to the account. USDOL has reviewed this process and deemed it sufficient to correct this finding on October 18, 2019.



Kevin Corbett | Chief Executive Officer

J. Kevin Stitt | Governor

CFDA No: 93.767; 93.778

Finding No: 2016-004, 2017-002, 2018-008

Federal Program Name: Children's Health Insurance Program; Medicaid Cluster

Status: Corrected

CFDA No: 93.778

Finding No: 2016-008, 2017-004, 2018-023

Federal Program Name: Medicaid Cluster

Status: Partially Corrected. Outlined below are the steps Oklahoma Human Services' Social Service Specialist will be encouraged to follow during the Non-MAGI Medicaid eligibility determination/redetermination process:

- Monitor their County Worker Action (CWA) report weekly for pending applications and upcoming Medicaid redeterminations reviews.
- Review the Asset Verification System (AVS) and Case Notes steps via the on-line training tool QUEST Steps to Completing Annual Reviews <https://fsquest.oucpm.org/2017/programs/aged-blind-disabled/steps-to-completing-annual-reviews/>.
- Review the Notice List (NL) screen or DISC Image System following certification to ensure the Non-MAGI Medicaid recipients receive accurate eligibility notification.

OHS Adult Family Services Social Services Specialist will adhere to the steps above in order to ensure determinations/redeterminations of Non-MAGI Medicaid eligibility complies with applicable laws and regulations.

To ensure the operating effectiveness of these procedures, the Member Audit team at the Oklahoma Health Care Authority will conduct a post implementation audit and sample cases monthly for six months. The post implementation audit will include a minimum of 100 eligibility cases appropriate for each identified corrective action. The cases will be selected for the appropriateness to the identified issue. The Member Audit team will complete additional reviews as determined necessary to resolve insufficiencies. Additionally, the Member Audit team will evaluate new business processes and training materials.

CFDA No: 93.778

Finding No: 12-807-008, 2013-043, 2014-026, 2015-035, 2016-006, 2017-033, 2018-025

Federal Program Name: Medicaid Cluster

Status: Partially Corrected. OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. OHCA will also continue with annual spring and fall provider training to better educate our providers.



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Kevin Corbett | Chief Executive Officer

J. Kevin Stitt | Governor

CFDA No: 93.767

Finding No: 12-807-006, 2013-044, 2014-025, 2015-036, 2016-007, 2017-034, 2018-026

Federal Program Name: Children's Health Insurance Program

Status: Partially Corrected. OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. OHCA will also continue with annual spring and fall provider training to better educate our providers. Regarding these specific findings, the improper payments will be recouped and the federal share returned to CMS.

CFDA No: 93.767; 93.778

Finding No: 2018-027

Federal Program Name: Children's Health Insurance Program; Medicaid Cluster

Status: Partially Corrected. To address monitoring of changes, above and beyond the process already in place, a monthly system report of changes to edits/audits will be made available to the Claims Resolution Supervisor in the Financial Resources Division at OHCA. Any changes reported will be reviewed in the MMIS by the supervisor or staff member to ensure that the change went through the proper approval process and there is supporting documentation.

CFDA No: 93.778

Finding No: 2018-054

Federal Program Name: Medicaid Cluster

Status: Partially Corrected. As of June 30, 2019 the Oklahoma Health Care Authority implemented written policies to ensure that violations of Medicaid laws and regulations by providers were identified and referred to the Office of the Oklahoma Attorney General.

The OHCA concurs internal controls over the reporting of MFCU recoveries need to be implemented. The restitutions amounts of \$55,508.62 and \$922,932.03 were included on the CMS-64 quarter ending 9-30-2019 report. Only the

MFCU investigative costs reimbursements transferred to the OHCA were not reported on the CMS-64. These amounts total \$73,167.83 total computable of which \$43,836.25 is the federal share.

The OHCA will request all MFCU correspondence related to recoveries not only be sent to the General Accounting Unit but the Financial Accountability and Compliance Unit as well. This will ensure the recoveries are reported on the CMS-64. The OHCA will also make the appropriate adjustments on the next CMS-64.

CFDA No: 93.767; 93.778

Finding No: 2018-073

Federal Program Name: Children's Health Insurance Program; Medicaid Cluster

Status: Corrected



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Oklahoma State Department of Health
Creating a State of Health

Summary of Prior Year Findings

Finding No: 2017-058, 2017-059, 2018-001

CFDA No: 10.557; 93.505 and 93.870; 93.917

Program Name: Special Supplemental Nutrition Program for Women, Infants and Children (WIC); Maternal, Infant, and Early Childhood Home Visiting Cluster; HIV Care Formula Grant

Status: Not Corrected

OSDH will ensure appropriate review process for GAAP package Z with final approval for submission from Budget and Grants Management.

Finding No: 2018-002

CFDA No: 93.917

Program Name: HIV Care Formula Grant

Status: Corrected

Finding No: 2017-061, 2018-020

CFDA No: 93.505 and 93.870

Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster

Status: Corrected

Finding No: 2017-065, 2018-028

CFDA No: 93.505 and 93.870

Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster

Status: Not Corrected

The OSDH procurement staff currently maintains a log of sub-recipient contracts. This list is forwarded to the grants unit on a monthly basis. The grant unit reviews the document for inclusion on the SEFA report. The grants unit maintains a list of grants including the FAIN #. This list is now supplied to OSDH procurement who will review Federal Award Identifying Numbers (FAINs) for inclusion on the sub-recipient award documentation. The Procurement Division will hire sufficient employees or adjust monitoring workloads to ensure OSDH is able to adequately monitor sub-recipients in accordance with the CMP.

Finding No: 2017-062, 2018-003

CFDA No: 93.917

Program Name: HIV Care Formula Grant

Status: Not Corrected

During SFY 2019, OSDH established a separate class funds in the Statewide Accounting System for Ryan White program rebates in order to ensure compliance with Federal regulations. We have no further recommendations.

Board of Health

Gary Cox, JD
Commissioner of Health

Timothy E Starkey, MBA (*President*)
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Oklahoma State Department of Health
Creating a State of Health

Finding No: 2018-066

CFDA No: 93.505 and 93.870

Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster

Status: Corrected

Finding No: 2018-071

CFDA No: 10.557

Program Name: Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Status: Not Corrected

Procedures will be put in place to ensure Pathfinder excess contributions are not charged to Federal grants.

Finding No: 2016-046

CFDA No: 93.268

Program Name: Immunization Cooperative Agreements

Status: Corrected



CFDA No: 93.658

Finding No: 2017-050, 2018-052

Program Name: Foster Care – Title IV-E

Status: **Not Corrected**

1. All non-compliant agreements will be cancelled. New contracts will be written and executed for the appropriate sub-recipient agencies. These contracts will have language covering all required information.
2. DHS will develop and require quarterly performance reports to assess compliance with program requirements.
3. Establish procedures with OIG to ensure DHS receives and reviews a single audit or program audit from sub-recipients in compliance with 2 CFR 200.501.

CFDA No: 93.659

Finding No: 2017-051

Program Name: Adoption Assistance Program

Status: **Not Corrected.** The agency will continue to develop and implement a comprehensive adoption assistance funding document. This documentation between CWS and finance will evidence the annual pre and post adoption assistance expenditures, baseline funding sources identified by amount and source, expenditures of state adoption savings used to supplement (not supplant) existing federal and state funding, and ensure at least 30 percent of adoption savings are spent on post adoption and post guardianship services. Finance will conduct a review of this document prior to entry into the CB-496.

CFDA No: 93.558

Finding No: 2018-061

Program Name: TANF Cluster

Status: **Corrected**

CFDA No: 10.551

Finding No: 2018-067

Program Name: SNAP Cluster

Status: **Not Corrected.** Based upon the response for 2019-016 audit finding, the EPS State Office along with AFS leadership are working together to ensure all existing EBT Specialists review the EBT Handbook. EPS and AFS leadership will require all existing EBT Specialists to submit a validation of reviewing the handbook on an annual basis.

CFDA No: 93.563

Finding No: 2018-075

Program Name: Child Support Enforcement

Status: **Corrected**

CFDA No: 10.551, 10.561

Finding No: 2018-076

Program Name: SNAP Cluster

Status: **Corrected**

CFDA No: 93.658

Finding No: 2018-077

Program Name: Foster Care – Title IV-E

Status: **Corrected**

CFDA No: 93.778
Finding No: 2018-079
Program Name: Medicaid Cluster
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, 2017-008
Program Name: Low Income Home Energy Assistance Program
Status: Corrected

CFDA No: 93.568
Finding No: 2017-009
Program Name: Low Income Home Energy Assistance Program
Status: Partially Corrected. From HHS guidance, this was implemented in the first quarter of the fiscal year.

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, 2017-023
Program Name: Low Income Home Energy Assistance Program
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: Not Corrected. To address the untimeliness, the following process was implemented during the 3rd quarter of FY'19:

- County Staff is responsible for clearing data match discrepancies (G1DX messages) on a weekly basis.
- Supervisors must review their staff's G1DX messages every two weeks to ensure that messages are properly being cleared and case noted.
- All data match discrepancies must be cleared and case noted within 45 calendar days of receiving the G1DX message.
- Conduct Back to Basics Training to address G1DX discrepancies.



OKLAHOMA TAX COMMISSION

STATE OF OKLAHOMA

DIEDRA O'NEIL
Chief Administrative Officer

2501 NORTH LINCOLN BOULEVARD
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(405) 522-1656

Reference Number: 08-695-006

Fund Type: Governmental Activities

Status: Not Corrected

The Oklahoma Tax Commission computed Taxes and Fee Receivables and Accounts Receivable on the modified accrual basis, only including the payment received in July and August following the fiscal year.

The Commission is currently evaluating and defining the methodology based on historical payment data to accurately accrue Taxes and Fee Receivables and Accounts Receivable using the full accrual method. Delinquent payments and refunds for all major tax types are included in the analysis for both the government-wide and fiduciary funds. This, with the payments received in July and August, will most accurately reflect the appropriate estimate of Taxes and Fee Receivables.

April 24, 2020

Finding No: 2018-009

CFDA No: 20.205

Program Name: Highway Planning and Construction Cluster

Status: Corrected

Finding No: 2018-065

CFDA No: 20.205

Program Name: Highway Planning and Construction Cluster

Status: Partially Corrected. The risk assessment is in development.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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