



STATE OF OKLAHOMA 2018

Single Audit Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

OKLAHOMA 2018

Single Audit Report For the Fiscal Year Ended June 30, 2018

Prepared by
Office of the State Auditor and Inspector

Cindy Byrd, CPA
Oklahoma State Auditor and Inspector



Cindy Byrd, CPA | State Auditor & Inspector

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March 29, 2019

**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, 2018. 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,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



State of Oklahoma
Single Audit Reporting Package
Year Ended June 30, 2018

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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, 2018. The State of Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. We did not audit compliance with those requirements that are applicable to the major federal programs administered by the Department of Commerce and the Department of Wildlife Conservation, which were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All of the federal programs for the above referenced agencies represent 0.98% 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, 2018. Our audit, described below, did not include the operations of those component units because they engaged other auditors to perform audits in accordance with Uniform Guidance.

Management's Responsibility

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



Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above and the reports of other auditors. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Medicaid Cluster

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the State of Oklahoma with CFDA #93.778 Medicaid Cluster - Special Tests Requirement (N6) as described in finding #2018-054. Consequently, we were unable to determine whether the State of Oklahoma complied with this requirement applicable to that program.

Qualified Opinion on Medicaid Cluster

In our opinion, except for the possible effects of the matter described in the immediately preceding 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 Medicaid Cluster for the year ended June 30, 2018.

Basis for Qualified Opinion on SNAP Cluster; Child Nutrition Cluster; Child and Adult Food Care Program; Unemployment Insurance; Title I Grants to Local Educational Agencies; Supporting Effective Instruction State Grants; Foster Care – Title IV-E; 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
2018-067	10.551	SNAP Cluster	Special Tests (N3)
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Activities Allowed/ Unallowed
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Eligibility
2018-033, 2018-036	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Subrecipient Monitoring
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Special Tests (N1)
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Special Tests (N3)
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Special Tests (N4)
2018-048	10.559	Child Nutrition Cluster	Eligibility
2018-034	10.558	Child and Adult Care Food Program	Activities Allowed/ Unallowed
2018-034	10.558	Child and Adult Care Food Program	Allowable Costs/Cost Principles
2018-034	10.558	Child and Adult Care Food Program	Eligibility
2018-034, 2018-037, 2018-038	10.558	Child and Adult Care Food Program	Subrecipient Monitoring
2018-022	17.225	Unemployment Insurance	Special Tests (N5)
2018-010	84.010	Title I Grants to Local Educational Agencies	Special Tests (N3)
2018-015	84.010	Title I Grants to Local Educational Agencies	Level of Effort
2018-016, 2018-017	84.010	Title I Grants to Local Educational Agencies	Special Tests (N2)
2018-015	84.367	Supporting Effective Instruction State Grants	Level of Effort
2018-016	84.367	Supporting Effective Instruction State Grants	Special Tests (N2)
2018-052	93.658	Foster Care – Title IV-E	Subrecipient Monitoring
2018-011, 2018-013	97.036	Disaster Grants - Public Assistance	Subrecipient Monitoring



2018-012, 2018-013	97.036	Disaster Grants - Public Assistance	Cash Management
2018-013	97.036	Disaster Grants - Public Assistance	Special Tests (N1)
2018-047, 2018-057	97.036	Disaster Grants - Public Assistance	Reporting

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 Food Care Program; Unemployment Insurance; Title I Grants to Local Educational Agencies; Supporting Effective Instruction State Grants; Foster Care – Title IV-E; and Disaster Grants - Public Assistance

In our opinion, except for the noncompliance described in the immediately preceding 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 Food Care Program; Unemployment Insurance; Title I Grants to Local Educational Agencies; Supporting Effective Instruction State Grants; Foster Care – Title IV-E; and Disaster Grants - Public Assistance programs for the year ended June 30, 2018.

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, 2018.

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:

2018-001	2018-002	2018-003	2018-009	2018-013	2018-014
2018-017	2018-019	2018-020	2018-023	2018-025	2018-026
2018-028	2018-030	2018-034	2018-054	2018-059	2018-060
2018-061	2018-065	2018-066	2018-069	2018-071	2018-073
2018-075	2018-076	2018-077	2018-078	2018-079	2018-080

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.

2018-003	2018-010	2018-011	2018-012	2018-013	2018-015
2018-016	2018-019	2018-022	2018-033	2018-034	2018-047
2018-052	2018-054	2018-057	2018-061	2018-067	

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.

2018-001	2018-002	2018-008	2018-009	2018-014	2018-017
2018-020	2018-023	2018-027	2018-028	2018-030	2018-036
2018-037	2018-038	2018-044	2018-048	2018-054	2018-059
2018-060	2018-065	2018-066	2018-069	2018-071	2018-073
2018-075	2018-076	2018-077	2018-078	2018-079	2018-080

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, 2018, 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 22, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; GASB Statement No. 85, *Omnibus 2017*; and GASB Statement No. 86, *Certain Debt Extinguishment Issues* effective July 1, 2017.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other



additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described previously, and the reports of other auditors, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cindy Byrd

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR AND INSPECTOR

March 29, 2019 except for our report on the Schedule of Expenditures
of Federal Awards, for which the date is December 22, 2018



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 2018, 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, 2018, dated December 22, 2018.

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 #10.551 – SNAP Cluster; #10.553/10.555/10.556/10.559 – Child Nutrition Cluster; #10.558 – Child and Adult Food Care Program; #17.225 - Unemployment Insurance; #84.010 - Title I Grants to Local Educational Agencies; #84.367 - Supporting Effective Instruction State Grants; #93.658 - Foster Care – Title IV-E; #93.778 – Medicaid Cluster; and #97.036 - Disaster Grants - Public Assistance which were qualified.

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

Dollar threshold used to distinguish between
type A and type B programs: \$20,392,282

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
		10.093 Voluntary Public Access and Habitat Incentive	Department of Wildlife Conservation
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
	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	State Department of Health
	10.558	Child and Adult Care Food Program	Department of Education, Department of Human Services
	14.228	Community Development Block Grant	Department of Commerce
	14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	Department of Commerce
Fish and Wildlife Cluster	15.605	Sport Fish Restoration Program	Department of Wildlife Conservation
	15.611	Wildlife Restoration and Basic Hunter Education	
	17.225	Unemployment Insurance	Employment Security Commission
Highway Planning and Construction Cluster	20.205	Highway Planning and Construction	Department of Transportation, Historical Society
	20.219	Recreational Trails Program	Tourism & Recreation Department
	64.015	Veterans State Nursing Home Care	Department of Veterans Affairs
	84.010	Title I Grants to Local Educational Agencies	Department of Education, Office of Juvenile Affairs
	81.042	Weatherization Assistance for Low-Income Persons	Department of Commerce
	84.367	Supporting Effective Instruction State Grants	Department of Education
Maternal, Infant, and Early Childhood Home Visiting Cluster	93.505	Affordable Care Act (ACA) - Maternal, Infant, and Early Childhood Home Visiting Program	State Department of Health
	93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	State Department of Health
	93.563	Child Support Enforcement	Department of Human Services, District Attorney's Council

Schedule of Findings

Summary of Auditor's Results

	93.569	Community Services Block Grant	Department of Commerce
	93.658	Foster Care IV-E	Department of Human Services, Commission on Children and Youth, Office of Juvenile Affairs
	93.767	Children's Health Insurance Program	Health Care Authority, 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 (Regular and ARRA)	Health Care Authority, Department of Human Services, Department of Health, Department of Mental Health, and Office of Juvenile Affairs
	93.917	HIV Care Formula Grants	Department of Health
	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Emergency Management, Department of Tourism, Department of Transportation

Schedule of Findings And Questioned Costs

FINANCIAL STATEMENT FINDINGS

Reference Number: 18-695-006

State Agency: Oklahoma Tax Commission (the Commission)

Fund Type: Governmental Activities

Criteria: The GASB 33 *Recognition Standards* section states, in part, “The timing of recognition for each class of nonexchange transactions is outlined below. . . . *Derived tax revenues* – Assets—when the underlying exchange transaction occurs or resources are received, whichever is first.” Paragraph 16 states, in part, “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.” Paragraph 67 states, in part, “for derived tax revenues, a government should recognize assets when the exchange transaction on which the government imposes the tax occurs. At that point, the government has a legal claim to the provider’s resources, supported by the enabling legislation. That is so, even if actual payment to the government is not required until a later date or, if the amount of the required payment is not certain (but is reasonably estimable), until a tax return or other required validation report is submitted and accepted.”

The Governmental Accounting, Auditing, and Financial Reporting Chapter 7, *Measurement Focus and Basis of Accounting* states, in part, “Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. All other financial statements (proprietary fund, fiduciary fund, and government-wide) use the economic resources measurement focus and the accrual basis of accounting, with the exception of agency funds (which technically have no measurement focus but do employ the accrual basis of accounting for purposes of asset and liability recognition).” Chapter 8, *Categories of Transactions and Events and Their Recognition* states, in part, “Governments frequently generate revenue from exchange transactions to which they are not a party.” It also states, “Accountants describe such arrangements as derived tax revenues, because the revenue results (*derives*) from events unrelated to the government’s own operations. A government should recognize both a receivable and revenue (net of estimated refunds and uncollectible amounts) as soon as the underlying exchange transaction has taken place.” Chapter 9, *Revenue Recognition in Governmental Funds* states, in part, “Derived tax revenues arise when a government imposes a tax on an exchange transaction to which it is not a party. The most commonly encountered examples are sales taxes and income taxes.” It also states, “A government should recognize a receivable, net of estimated refunds and uncollectible amounts, as soon as the underlying exchange transaction has taken place.”

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.”

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.”

Office of Management and Enterprise Services (OMES) GAAP Conversion Manual for GAAP Package C. Accounts Receivable/Deferred Revenue Conversion Package IV. A. states, “Calculate or estimate the amount of cash that has been collected or reported, or will be collected or reported, for each type of revenue for any year(s) subsequent to this fiscal year to determine the amount of deferred revenue.” Section III. E. states, in part, “Accounts receivable are all amounts that are measurable and due to your agency from parties outside state government at June 30. As of June 30, you either:

- * Have billed these non-state parties and not yet collected the related cash, or
- * Know that these parties owe you money even though you have not yet billed them.”

Condition and Context: We noted the amount reported by the Commission as Taxes Receivable on the GAAP Package E-1 was derived from taxes due to the Commission as of June 30, 2018 and received between July 1, 2018

Schedule of Findings And Questioned Costs

to August 30, 2018. Since the Commission reported tax payments received between July 1 and August 30, 2018, the remaining taxes due to the Commission as of June 30, 2018 were not accounted for on the GAAP Package E-1. Based on the definition of accrual accounting, the taxes earned and expected to be collected by the Commission as of June 30, 2018 should have been included in the taxes receivable balance reported for SFY 2018.

We noted the amount reported by the Commission as Accounts Receivable on the GAAP Package C-1 was derived from interest and penalties due to the Commission as of June 30, 2018 and received between July 1, 2018 to August 30, 2018. Since the Commission reported interest and penalty payments received between July 1 and August 30, 2018, the remaining interest and penalties due to the Commission as of June 30, 2018 were not accounted for on the GAAP Package C-1. Based on the definition of accrual accounting, the interest and penalties earned and expected to be collected by the Commission as of June 30, 2018 should have been included in the accounts receivable balance reported for SFY 2018.

Cause: The method currently being used by the Commission to calculate Taxes Receivable and Accounts Receivable does not comply with GAAP accrual basis accounting. The method used does not consider all taxes, interest, and penalties due to the Commission at year-end but rather only accounts for the taxes, interest, and penalties collected for July and August related to June 30, 2018.

Effect: The Taxes Receivable amount reported by the Commission on the GAAP Package E-1 and the Accounts Receivable amount reported by the Commission on the GAAP Package C-1 excluded some of the taxes, interest, and penalties due to the Commission at year-end.

Recommendation: We recommend the Commission develop a method to determine and report Taxes Receivables and Accounts Receivable in compliance with the accrual basis of accounting. This method should include taxes, interest, and penalties earned as of year-end.

Views of Responsible Official(s)

Contact Person: Carol McCullar

Anticipated Completion Date: June 30, 2019

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

Reference Number: 18-090-008

State Agency: Office of Management and Enterprise Services

Fund Type: Governmental Activities & General Fund

Criteria: Statewide Accounting Manual paragraph 12.13 *Supervising Internal Control Activities* states, "...Supervisors should systematically review each staff member's work."

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

Paragraph 13.02 of GAO *Standards for Internal Control in the Federal Government* 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."

Paragraph 13.04 of GAO *Standards for Internal Control in the Federal Government* states, "... Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability."

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

Condition: During our review of the preliminary financial statements and statewide adjusting journal entries, we noted 4 material errors that required adjustment to the preliminary financial statements. The errors noted were, as

Schedule of Findings And Questioned Costs

follows:

- An overstatement of the Net Pension Liability by approximately \$1.7 billion.
- A misclassification of expenditures resulting in an overstatement of \$568.8 million in Social Services expenditures and an understatement of \$568.8 million in Education expenditures.
- The recording of an entry from FY 2017 again instead of the entry for FY 2018 resulting in an understatement of Capital Outlay by approximately \$33.5 million.
- An understatement of the Government-Wide Net Position of approximately \$191.1 million relating to an incorrect recording of Deferred Inflows and Deferred Outflows of Resources Relating to Pensions.

After the errors were discussed with the Financial Reporting Unit at OMES, all necessary corrections were made.

Cause: The current review process in place at OMES did not detect the errors in the adjusting journal entries prior to recording them.

Effect: Material misstatements were present in the preliminary financial statements that were provided to the Auditor's Office.

Recommendation: The agency should review their internal control procedures and implement additional controls to strengthen the review process of the adjusting journal entries and preliminary financial statements to ensure they are adequately reviewed prior to submitting to the Auditor's Office. In addition, we recommend that the agency perform a comparison of preliminary financial statements and adjusting journal entries (government-wide and fund) to the prior year to identify any unexpected change in balances.

Views of Responsible Official(s)

Contact Person: Matt Clarkson

Anticipated Completion Date: June 30, 2019

Corrective Action Planned: The agency agrees with the finding. Please see the 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: 2018-010 (Repeat 2017-026)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

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

FEDERAL AWARD NUMBER: S010A170036

FEDERAL AWARD YEAR: 2018

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

QUESTIONED COSTS: \$0

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

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

Schedule of Findings And Questioned Costs

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

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

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

Cause: OSDE was unable to fully implement procedures in 2018 to ensure LEA’s maintain documentation to identify all students who have been removed from the regulatory adjusted cohort.

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

Schedule of Findings And Questioned Costs

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

Views of Responsible Official(s)

Contact Person: Maria Harris

Anticipated Completion Date: June 1, 2019

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

FINDING NO: 2018-014 (Repeat 2017-011)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

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

FEDERAL AWARD NUMBER: S010A170036

FEDERAL AWARD YEAR: 2017/2018

CONTROL CATEGORY: Period of Performance

QUESTIONED COSTS: \$0

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

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

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

Condition and Context: While performing compliance testwork on 25 of 195 LEAs identified by OSDE as having potential carryover amounts (more than 15 percent of the funds allocated for a given year), we noted that four LEAs were not in compliance with the excess carryover requirements. No waiver was granted for any of the four LEA’s which would have allowed them to keep the carryover funds. In addition, OSDE failed to release (reduce) FY16 Title I Part A funds for all 4 LEAs and inappropriately included the amounts, which totaled \$89,151.03, in the LEA’s FY17 Title I Part A allocations.

In addition, OSDE did not maintain supporting documentation used for their initial Excess Carryover Worksheet calculations which would have enabled SAI to adequately verify whether all LEAs were included in the calculations appropriately.

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

Effect: Failure to 1) appropriately identify LEAs subject to excess carryover requirements; 2) ensure excess carryover amounts are calculated correctly and; 3) to release excess carryover funds timely could result in inappropriate use of Federal funds.

Schedule of Findings And Questioned Costs

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

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: December 2018

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

FINDING NO: 2018-015 (Repeat 2017-038)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010 and 84.367

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

FEDERAL AWARD NUMBER: S010A170036; S367A170035

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Level of Effort - Supplement not Supplant

QUESTIONED COSTS: \$0

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

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

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

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

“(B) *SUPPLEMENTAL FUNDS*- In accordance with the method of determination described in section 6321(b)(2) of this title, a school participating in a schoolwide program shall use funds available to carry out this section only to supplement the amount of funds that would, in the absence of funds under this part, be made available from non-Federal sources for the school, including funds needed to provide services that are required by law for children with disabilities and English learners”

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

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

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

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

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

Schedule of Findings And Questioned Costs

Non-schoolwide programs-

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

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

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

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

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

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: July 1, 2018

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

FINDING NO: 2018-016 (Repeat 2017-041)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010, 84.367

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

FEDERAL AWARD NUMBER: S010A170036; S367A170035

FEDERAL AWARD YEAR: 2018

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

QUESTIONED COSTS: \$0

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

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

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

Schedule of Findings And Questioned Costs

(b) Allocation of Funds.

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

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

....

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

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

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

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

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

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

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

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

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

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

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

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

Condition and Context: When documenting controls over newly opening and significantly expanding charter schools, we determined that the Federal programs department (Title I-Part A, Supporting Effective Instruction State

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Grant) did not implement policies and procedures to define the criteria used to determine if a school has significantly expanded (addition of grade level, addition of major curriculum area, etc.) during our audit period.

In addition, when performing testwork for all newly opening and significantly expanding charter schools, OSDE was unable to provide details on any of the new or expanding charter school LEA's/charter school's eligibility or enrollment data for the year in which the school opened or expanded for any of the eleven (11) charter schools which notified OSDE accreditation department that they [charter school] were newly opening or expanding by one or more grade levels effective for the start of the school year. Lastly, OSDE was unable to provide details on how the allocation adjustment for the prior year charter schools that were recognized as new or significantly expanding was handled since OSDE did not correct the prior year finding during our audit period.

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

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

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

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

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: March 2019

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

FINDING NO: 2018-017

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

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

FEDERAL AWARD NUMBER: S010A170036

FEDERAL AWARD YEAR: 2018

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

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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 documenting controls over earmarking and newly opening and significantly expanding charter schools, we determined that the Federal programs department did not implement procedures to ensure that the calculation of the hold-harmless base for the prior year reflects the new or significantly expanded enrollment of the charter school LEA’s.

Cause: It appears that staff turnover within the Federal programs department along with a failure to correctly apply all of the compliance requirements resulted in OSDE not incorporating appropriate policies and procedures that would ensure that the hold-harmless base for new or significantly expanding charter schools was applied correctly.

Effect: The department is not in compliance with ESEA § 4306(c). In addition, new or significantly expanding charter schools have a higher hold-harmless base than they should have.

Recommendation: We recommend that OSDE develop policies and procedures to calculate the correct hold-harmless amount for new or significantly expanding charter schools.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: March 2019

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

FINDING NO: 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 (LEAs)

FEDERAL AWARD NUMBER: S010A170036

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Special Tests and Provisions – Assessment System Security

QUESTIONED COSTS: \$0

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

20 U.S. Code § 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

Schedule of Findings And Questioned Costs

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 in part,

“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.”

Condition and Context: During our review of controls over the *Monitoring Progress Spreadsheet*, we determined that OSDE did not provide monitoring results to the district superintendent’s in a reasonable timeframe for any of the On-Site or Desk Monitoring that was performed in 2018. The documentation was required to be submitted by the school districts by May 25, 2018; however, almost none of the sites were reviewed by November 2018, when we received the initial monitoring log. The majority of the monitoring appears to have been completed in January and February of 2019, approximately 8 to 9 months after the school district’s documentation was provided. Lastly, no compliance letters had been sent to district superintendent’s as of February 9, 2019.

In addition, the *Monitoring Progress Spreadsheet* is not designed appropriately to ensure compliance. The spreadsheet does not include the date that the desk and on-site monitoring checklists are completed by OSDE, the date the desk and on-site monitoring checklists are reviewed, the date the compliance letter is sent to the District, and whether the compliance letter was sent to the district superintendent and the monitoring status. Also, the desk and on-site monitoring checklists do not include a signature and date for the OSDE employee completing the checklist or, the name and date of the employee who reviews the completed checklist.

Lastly, while testing 47 of 307 monitored sites, we noted the following issues:

- For three sites, the monitoring checklist did not contain DocuSign of Nondisclosure Agreement and District Level Security Forms; however, all three sites were marked as compliant.
- For two sites, the monitoring checklist did not contain the districts policies and procedures. However, both sites were still considered compliant;
- For one site, the district was missing District level Test Security; however, the district was still marked as being compliant.

Cause: The Department does not have adequate controls in place to ensure all desk and on-site monitoring are completed and properly supported. It also appears that OSDE did not have an adequate tracking mechanism to ensure monitoring was completed timely and reviewed appropriately.

Schedule of Findings And Questioned Costs

Effect: The failure to send compliance letters to district superintendents within a reasonable timeframe can result in schools having insufficient time to implement changes to ensure the school district staff are properly trained before the next testing cycle.

In addition, the failure to ensure that 1) an LEA has appropriate policies and procedures related to test security and, 2) a failure to ensure that the LEA implemented appropriate test security measures could result in testing violations.

Recommendation: We recommend that OSDE continue to work on strengthening controls over proper review and approval of desk and on-site monitoring checklists to ensure compliance with test security. We also recommend that OSDE revise the *Monitoring Progress Spreadsheet* and the desk and on-site monitoring checklists to ensure monitoring procedures are performed within a reasonable timeframe to ensure the district can make changes for the next testing cycle, and that reviews are adequately documented.

Views of Responsible Official(s)

Contact Person: Craig Walker

Anticipated Completion Date: September 30, 2019

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

FINDING NO: 2018-030 (Repeat 2017-035)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010 and 84.367

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

FEDERAL AWARD NUMBER: S010A170036; S367A170035

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Eligibility, Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.331 (d) - *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.”

Title I, Part A, Subpart 1 SEC.1114 (b)(3)- *SCHOOLWIDE PROGRAMS* states,

“(b) SCHOOLWIDE PROGRAM PLAN. —An eligible school operating a schoolwide program shall develop a comprehensive plan (or amend a plan for such a program that was in existence on the day before the date of the enactment of the Every Student Succeeds Act) that—

(3) remains in effect for the duration of the school’s participation under this part, except that the plan and its implementation shall be regularly monitored and revised as necessary based on student needs to ensure that all students are provided opportunities to meet the challenging State academic standards;

Title I, Part A, Subpart 1 - SEC. 1115. (c) (2) *TARGETED ASSISTANCE SCHOOLS* states,

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

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

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 20 of 191 LEAs monitored in SFY 2018, we noted the following issues:

- For two LEAs, the monitoring tool was not completed correctly which shows a lack of proper review;
- For one of the two LEA’s noted above, parts of the review were not completed yet the conclusion page showed Meets Requirements. Therefore, the monitoring of the subaward did not provide reasonable assurance that the subrecipient used the subaward for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

While testing controls over Monitoring, we noted the following:

- OSDE is not adequately verifying during monitoring that existing schoolwide plans are revised as necessary each year based on student needs to ensure that all students are provided opportunities to meet the challenging State academic standards.
- OSDE is not adequately verifying during monitoring that existing targeted assistance plans are 1) reviewed, on an ongoing basis by the LEA to assess the progress of participating children and 2) revised, if necessary, to provide additional assistance to enable such children to meet the State's challenging student academic achievement standards.
- Two LEAs had a non-compliant status in the prior year (2017) [Paoli (25-I005) and Optima (70-C009)] and were not included on the 2018 Monitoring Log or re-monitored as required resulting in their Consolidated Applications for SFY 2018 being inappropriately approved as well as their SFY 2018 paid claims being inappropriately approved. We also noted that neither Paoli or Optima were identified on the 2018 Risk Assessment Tool for consolidated monitoring as having failed consolidated monitoring in the prior year.

Cause: OSDE failed to ensure that the consolidated monitoring tool and the monitoring log for 2018 were completed appropriately and adequately reviewed.

In addition, it appears that the consolidated monitoring process includes a review of the Title I Site Plan (a sample of a schoolwide or targeted assistance plan from at least one school); however, the District decides which site plan to submit and no methodology is utilized by OSDE to ensure that the complete population of all existing schoolwide program plans and targeted assistance plans have the possibility of being selected for review.

Effect: Failure to adequately prepare, document and review the consolidated monitoring tool and the monitoring log for 2018 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.

Schools operating under schoolwide programs may not have included the required elements in the schoolwide program plan and, the schoolwide program plan may not have been revised as necessary each year based on student needs to ensure that all students are provided opportunities to meet the challenging State academic standards. In addition, Federal funds included in the schoolwide program may not be used to address specific educational needs

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that the school identified in the comprehensive needs assessment and that were articulated in the schoolwide program plan.

Schools operating under targeted assistance programs may not have appropriately identified which students would be served under the plan and, the progress of participating children may not have been appropriately assessed on an ongoing basis and the LEA may not have provided adequate, additional assistance to enable such children to meet the State's challenging student academic achievement standards. In addition, Federal funds included in the targeted assistance plan may not be used to provide additional assistance to enable such children to meet the State's challenging student academic achievement standards.

Recommendation: We recommend that OSDE develop policies and procedures to ensure the consolidated monitoring tool and the monitoring log for 2018 are adequately documented, correctly completed, and reviewed appropriately. We also recommend that OSDE develop policies and procedures to ensure that all schoolwide program sites and targeted assistance sites are included in the consolidated monitoring process. In addition, we recommend OSDE ensure that an appropriate monitoring methodology is utilized to ensure that schoolwide program plans and targeted assistance plans come from the complete population of all schoolwide program sites and targeted assistance sites and have the possibility of being selected for review.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: July 1, 2018

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

FINDING NO: 2018-033

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: 2018

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Subrecipient Monitoring, Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions – School Food Accounts; 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.”

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:

Schedule of Findings And Questioned Costs

(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 -*

(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 individual Administrative Reviews (ARs) and 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 supporting documentation was not maintained. In addition, we noted the following issues:

- One AR contained discrepancies between the AR On-site Assessment Tool and the School Food Authority (SFA) Data Summary Form;
- A sample of 10% of verified applications was not selected and re-verified as required on the AR On-site Assessment Tool;
- OSDE does not perform adequate procedures (calculations) to verify compliance with the following during the AR:
 - The SFA is actually charging students the required paid lunch price in accordance with the results of the PLE Tool calculations.
 - 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.

Based on the lack of design and implementation of controls for the Administrative Reviews (ARs) for the National School Lunch Program (NSLP), School Breakfast Program (SBP) and Special Milk Program (SMP), we determined that OSDE is not adequately documenting the procedures used to test and verify the School Food Authorities compliance, and OSDE is not maintaining adequate supporting documentation that would enable a reviewer to confirm how the consultant tested and verified the School Food Authority/ Institutions' compliance with Child Nutrition Program requirements, confirm that the consultant performed the AR appropriately and, to confirm that the consultant's conclusions were valid. In addition, because adequate supporting documentation is not retained by OSDE, SAI is unable to audit OSDE's compliance with the following requirements:

Schedule of Findings And Questioned Costs

- Activities Allowed/Allowable Costs
- Eligibility (Certification, Benefit Issuance, Provision 1 & 2 & CEP Eligibility, SFSP Site Eligibility)
- Monitoring of Sub-recipients
- Verification of Free & Reduced Meals
- School Food Service Accounts (Separate accounting and 3-month operating balance)
- Paid Lunch Equity (verification of actual amounts received for paid lunches)

In addition, based on lack of design and implementation of controls over the Summer Food Service Program (SFSP) Sponsor reviews, we determined that OSDE is not adequately documenting the procedures used to test and verify the SFSP Sponsors' compliance, 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, because adequate supporting documentation is not retained by OSDE, SAI is unable to audit OSDE's compliance with the following requirements:

- Activities Allowed/Allowable Costs
- Eligibility (Certification, Benefit Issuance, SFSP Site Eligibility)
- Monitoring of Sub-recipients

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

Effect: Consultants may not be conducting the AR or SFSP reviews appropriately to ensure sub-recipient noncompliance issues are accurately detected.

Recommendation: We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient documentation is obtained and maintained by OSDE for all Administrative and SFSP 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. Additionally, we recommend that OSDE develop policies and procedures/controls to ensure that all AR and SFSP reviews are adequately reviewed based on the documentation maintained.

Views of Responsible Official(s)

Contact Person: Debbie Hamilton

Anticipated Completion Date: October 1, 2020

Corrective Action Planned: The Department of Education does not concur with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: In accordance with 7 CFR 210.18(0) under *Recordkeeping*, we are unable to adequately test controls and compliance without records which document the details of the review and demonstrate the degree of compliance with the critical and general areas of review. This documentation includes but is not limited to: school meal counts for the claim month; household applications; direct certification reports, annual on-site review by SFA for year of AR, sample of 10% of verified applications, sample of second review of applications, 3 month operating balance calculation per CNP Manual, and calculations to determine that additional funds from appropriate, non-federal sources were collected and sufficient to meet Paid Lunch Equity requirements.

FINDING NO: 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: 2018

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Subrecipient Monitoring

Schedule of Findings And Questioned Costs

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,.

- 4) “(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...
- 5) (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 Administrative Reviews (ARs) that controls were not properly designed or implemented: policies and procedures backing up the reviews were not applied consistently and supporting documentation was not maintained. In addition, we noted the following issues:

- Federal funds for administrative expenses were paid to a Family Day Care Home (FDCH) Sponsor who did not have any Administrative funds approved in their CACFP application and therefore, were not eligible for any administrative payments.
- The amount of actual administrative expenses recorded during the site visit by the consultant on the Administrative Cost Worksheet did not agree with the amount reported by the Sponsor on the April 2018 claim as 'Actual Administrative Costs' and the consultant did not identify the discrepancy in the AR.
- One FDCH Provider claimed 23 meals in excess of the number of children in attendance as reported in the 5-day reconciliation on the AR Tool and the consultant did not identify the discrepancy on the AR Tool.
- The percentage of Providers not at home when the consultant conducted the site visits (50%) exceeded the serious deficiency threshold (25%), however, no serious deficiency was noted on the CACFP AR Tool.
- The Percentage Error Worksheet was calculated incorrectly causing the error rates used to identify serious deficiencies in meal components, quantities and counting and claiming to be substantially lower than it appears they should have been.

Schedule of Findings And Questioned Costs

- The number of children and hours of attendance reported on the 5-day reconciliation substantially exceeded the home's license capacity for one FDCH Provider and the consultant did not identify the discrepancy in the AR.
- The 5-day reconciliation procedures performed for FDCH Providers who claim shift meals was inadequate to determine if the provider was within the license capacity for all meals served.
- The *Estimate of Milk Needed* form was not completed correctly and did not agree with the corresponding claim for one Sponsor.
- The dates on the 5-day reconciliation were inconsistent with the dates on the meal components and quantities worksheet.

During our control testwork related to Administrative Review tracking of the frequency and number of required reviews, we noted the following issues:

- 121 Independent centers, sponsoring organizations of centers with 1 to 100 centers, and sponsoring organizations of day care homes with 1 to 100 homes were not reviewed at least once every three years.
- Two Sponsoring organizations with more than 100 homes were not reviewed at least once every two years.
- A review was not conducted for one newly participating sponsoring organization with five or more child care facilities within the first 90 days of program operations.

Based on the lack of design and implementation of controls over Administrative Reviews for the Child and Adult Care Food Program, we determined that OSDE is not adequately documenting the procedures used to test and verify the CACFP institutions compliance and, OSDE is not maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the AR appropriately and to confirm that the consultant's conclusions were valid. In addition, because adequate supporting documentation is not retained by OSDE, SAI is unable to audit OSDE's compliance with the following requirements:

- Activities Allowed/Allowable Costs
- Cash Management - Sponsoring organization must disburse advance and meal reimbursement payments to centers and day care homes under its sponsorship within five working days of receiving them from its State agency
- Eligibility (Individual participant eligibility, Categorical eligibility)
- Monitoring of Subrecipients

Cause: It appears that turnover of staff within the Child Nutrition Program department resulted in a failure to adequately review the CACFP Administrative Review Tracking Log which resulted in the sites not being reviewed timely.

In addition, we determined that high employee turnover and a lack of understanding of some of the compliance requirements contributed to the deficiencies noted.

Effect: OSDE is not in compliance with 7 CFR § 226.6(k)(7) and 7 CFR § 226.6(m)(6). In addition, consultants may not be conducting the AR reviews appropriately to ensure subrecipient noncompliance issues are accurately detected since appropriate documentation is not maintained.

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. Additionally, we recommend that OSDE develop policies and procedures/controls to ensure that Administrative Reviews cover the frequency and number of required institutions.

Views of Responsible Official(s)

Contact Person: Debbie Hamilton

Anticipated Completion Date: October 1, 2020

Schedule of Findings And Questioned Costs

Corrective Action Planned: The Department of Education does not concur with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: We are unable to adequately test controls and compliance without records which document the details of the review and demonstrate the degree of compliance with the critical and general areas of review. This documentation includes but is not limited to: for Providers - CACFP rosters for free and reduced price meals, approved family-size and income applications, provider enrollment records, daily attendance records, meal count records and purchasing records; For Sponsor – Pre-approval visit and on-site monitoring visit forms, payment voucher/ disbursement records, administrative expenditure records (invoices, agreements, payroll records, canceled checks, etc), and monthly meal counts.

FINDING NO: 2018-036

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: 2018

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

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

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

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

Condition and Context: The OSDE Child Nutrition Department has not implemented risk assessment procedures to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the Child Nutrition Program subawards for purposes of determining the appropriate subrecipient monitoring. In addition, OSDE does not have any procedures to 1) identify LEAs that have a demonstrated level of, or are at high risk for, administrative error and 2) perform the required Additional Administrative Reviews (AARs).

Cause: It appears that staff turnover within the OSDE Child Nutrition Department along with changes to the OMB compliance requirements resulted in a lag in implementing this new requirement.

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

Recommendation: We recommend that the Oklahoma State Department of Education immediately develop and implement the required risk assessment processes to ensure that each subrecipient's risk of noncompliance with

Schedule of Findings And Questioned Costs

Federal statutes, regulations, and the terms and conditions of the subaward is appropriately evaluated for monitoring purposes.

Views of Responsible Official(s)

Contact Person: Debbie Hamilton

Anticipated Completion Date: October 1, 2019

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

FINDING NO: 2018-037

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: 2018

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

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

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

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

Condition and Context: The OSDE Child Nutrition Department has not implemented risk assessment procedures to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the Child and Adult Care Food Program subawards for purposes of determining the appropriate subrecipient monitoring.

Cause: It appears that staff turnover within the OSDE Child Nutrition Department along with changes to the OMB compliance requirements resulted in a lag in implementing this new requirement.

Effect: Failure to properly evaluate risk for subrecipient monitoring may lead to an increased risk of noncompliance by the subgrantees with the terms and conditions of the Child and Adult Care Food Program subawards.

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

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Debbie Hamilton

Anticipated Completion Date: October 1, 2019

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

FINDING NO: 2018-038

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: 2018

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

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

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

2 CFR § 200.512(a)(1) *Report submission* states in part, “The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.”

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: Based on review of subrecipient monitoring controls, it appears more CACFP institutions exceeded the \$750,000 threshold in Federal funds expended than are included on the Department's Audit Log for audits due in calendar year 2018. We determined that OSDE's current control process of obtaining each agency's federal expenditures for their prior fiscal year at the time the CACFP application is submitted (September '17 for our audit) has resulted in 1) audits not being submitted on time based largely on subrecipient not finding out timely an audit is required, and 2) some required single audits are not being submitted at all.

While performing test work on 15 of 54 subrecipient audits with due dates in SFY 2018, we noted the following issues:

- For 5 audits tested, the audit was received after the due date, and no letter was sent stating the audit must be received within 15 days of receipt or the subrecipient will be considered seriously deficient;
- For 2 audits tested, the audit was received after the due date, but a letter was sent stating the audit must be received within 15 days of receipt or the subrecipient will be considered seriously deficient;
- For 1 audit tested, OSDE did not actually receive the audit and the omission was not identified.

Cause: It appears that the *Funds Received – CACFP/FDCH* Report in the CACFP application does not clearly state the fiscal year the subrecipient is providing expenditures for, which results in inaccurate and incomplete audit logs as OSDE cannot adequately verify what fiscal year's data they are receiving from the subrecipient. Also, depending on the subrecipients fiscal year end, OSDE may not identify subrecipients that require a single audit until close to or

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after the due date for the audit. Lastly, the Department does not list the type of entity and fiscal year end when evaluating all subrecipients over 750k.

Effect: Not all audits are being received and/or performed in accordance with 2 CFR § 200.501(b), 2 CFR § 200.331, and 2 CFR § 200.512(a)(1). In addition, we are unable to determine the exact number of additional audits that should have been received based on the current control structure for gathering subrecipient federal expenditures.

Recommendation: We recommend that OSDE develop and implement a system to track all subrecipient audits on a monthly basis to ensure that all audits are received and in a timely manner. In addition, we recommend OSDE develop and implement procedures on how subrecipient audits that are submitted late will be handled.

Views of Responsible Official(s)

Contact Person: Debbie Hamilton

Anticipated Completion Date: October 1, 2019

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

FINDING NO: 2018-044

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: S367A170035

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Eligibility

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.”

Condition and Context: Based on our sample of 60 Local Education Agencies (LEA’s) tested for Eligibility, we noted the following:

- 8 district reviews where accreditation status reported on the SFY 2017 Accreditation Compliance Visit audit documentation does not support the accreditation status of the LEA listed on the Accreditation Recommendation Master List;
- 1 district review where Accreditation Master List matched the accreditation documentation; however, the Accreditation Compliance Visit form was incomplete because the Regional Accreditation Officer did not answer two questions.
- 1 district review where the Accreditation List matched the accreditation documentation, however code 413 stated the following "If an adjunct teacher is employed, has the district a) obtained local board approval; b) processed a felony search report; c) notified SDE appropriately when required. This question was marked no; which should have resulted in accreditation with one deficiency but was not.

Cause: Based on discussion with the OSDE Accreditation Department, for the 8 districts with accreditation status discrepancies, the Department was not able to identify why the accreditation status reported on the Accreditation Compliance Visit forms did not agree with the Accreditation Recommendation Master List. In addition, the Department does not have adequate procedures in place to ensure the results from the Accreditation Compliance Visit reconciles to the Accreditation Recommendation Master List. Lastly, for the two districts for which the reviewer responses on the Accreditation Compliance Visit form matched the accreditation status reported on the Accreditation Master list, the results did not appear to be properly reviewed.

Schedule of Findings And Questioned Costs

Effect: We determined that there were no districts tested for which the discrepancies noted would have resulted in the district not being accredited. However, inadequate controls over the accreditation process could result in serious accreditation issues not being appropriately identified and addressed.

Recommendation: We recommend that OSDE develop appropriate policies and procedures to ensure 1) the Accreditation Compliance Visit forms are adequately reviewed by someone other than the preparer and, 2) the district's accreditation status is reported correctly.

Views of Responsible Official(s)

Contact Person: Jason Pittenger

Anticipated Completion Date: March 2019

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

FINDING NO: 2018-048

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: 2018

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0

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

7 CFR § 225.6 (b) - *Approval of sponsor applications* states in part, ...

“(1) The State agency must require that all applicant sponsors submit written applications for Program participation to the State agency by June 15. However, the State agency may establish an earlier deadline for the Program application submission. Sponsors applying for participation in the Program due to an unanticipated school closure during the period from October through April (or at any time of the year in an area with a continuous school calendar) shall be exempt from the application submission deadline.

...

(3) Within 30 days of receiving a complete and correct application, the State agency shall notify the applicant of its approval or disapproval. If an incomplete application is received, the State agency shall so notify the applicant within 15 days and shall provide technical assistance for the purpose of completing the application...”

OSDE internal policy requires that Summer Food Service Programs (SFSP) institutions have an approved application before claims can be submitted and paid.

Condition and Context: While testing 40 of 180 Summer Food Service Program (SFSP) institutions with claims paid during FY17, we noted the following issues:

- For 11 institutions, the FY17 SFSP Application was not submitted to the State agency by June 15, 2017.
- For 7 institutions, the FY17 SFSP Application was not submitted by the institution or approved by OSDE prior to payment of the first claim.
- For 2 institutions, the FY17 SFSP Application was submitted by the institution but not approved by OSDE prior to payment of the first claim.
- One institution did not have an approved FY17 SFSP Application, however, 4 claims totaling \$61,519.07 were paid to the institution.

Schedule of Findings And Questioned Costs

Cause: It appears that turnover of staff within the Child Nutrition Program department contributed to the lack of controls over SFSP application submission and approvals. In addition, it appears that inadequate system edits allowed the payment of FY17 claims when the institution did not have an approved FY17 SFSP application.

Effect: Failure to ensure SFSP applications are properly approved could result in ineligible subrecipients receiving Federal funds.

Recommendation: We recommend that OSDE develop appropriate policies and procedures to 1) ensure SFSP applications are submitted and approved timely, and 2) ensure claims are not paid prior to application submission and approval.

Views of Responsible Official(s)

Contact Person: Debbie Hamilton

Anticipated Completion Date: Summer 2018

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

FINDING NO: 2018-059 (Repeat 2017-044)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010 and 84.367

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

FEDERAL AWARD NUMBER: S010A170036; S367A170035

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0

Criteria: Title I, Part A, Subpart 1 SEC.1114 (b)(2)- *SCHOOLWIDE PROGRAMS* states,

“(b) *SCHOOLWIDE PROGRAM PLAN*.—An eligible school operating a schoolwide program shall develop a comprehensive plan (or amend a plan for such a program that was in existence on the day before the date of the enactment of the Every Student Succeeds Act) that—

(1) is developed during a 1-year period, unless—

(A) the local educational agency determines, in consultation with the school, that less time is needed to develop and implement the schoolwide program;” or

(B) the school is operating a schoolwide program on the day before the date of the enactment of the Every Student Succeeds Act, in which case such school may continue to operate such program, but shall develop amendments to its existing plan during the first year of assistance after that date to reflect the provisions of this section”

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

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

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

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

Schedule of Findings And Questioned Costs

OSDE Internal Policy stipulates that a 1% Homeless set-aside is required for LEAs with non-Title I sites in accordance with ESSA, Section 1113(c)(3)(A).

Condition and Context: While documenting controls over Eligibility, we noted that OSDE has not ensured that existing schoolwide plans were amended to reflect the provisions of Every Student Succeeds Act (ESSA).

In addition, for our sample of 40 of 540 LEA consolidated applications tested for Eligibility, we noted that for 8 LEAs the set-aside was less than 1% of the total current year allocations (plus transfers in) for homeless children.

Cause: OSDE did not have controls in place to ensure that schoolwide plans were amended for provisions of ESSA.

In addition, the Federal Programs department failed to adequately review the homeless set-aside amounts on the GMS consolidated applications.

Effect: Schools operating under schoolwide programs may not have included the components required under the provisions of Every Student Succeeds Act in the schoolwide program plans, and therefore may not be in compliance with eligibility re-determination compliance requirements.

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

Recommendation: We recommend that OSDE develop policies and procedures to ensure that existing schoolwide program plans are amended appropriately to reflect the provisions of Every Student Succeeds Act.

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

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: September 2018

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

FINDING NO: 2018-078 (Repeat 2017-039)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.010

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

FEDERAL AWARD NUMBER: S010A170036

FEDERAL AWARD YEAR: 2018

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

Schedule of Findings And Questioned Costs

(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.

(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.

Schedule of Findings And Questioned Costs

(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 policies or procedures 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 6 of the 13 LEA’s for equitable participation of private school children under Title I Part A, we noted the following issues:

- For one LEA they budgeted the private school expenditures under function 1000, code 600 instead of function 5500, code 600, indicating that the funds were to be spent from the public share of funds. However, we noticed that the LEA did not spend the amount budgeted under function 1000, code 600 for the private school either; therefore, no equitable services were provided, and the discrepancies were not identified in the review process;
- For two LEAs, the amount allocated for private school students on the Low- Income step #4 of the Consolidated Application did not agree with the budgeted amount for private school services and, it appears that the LEAs failed to set aside the required amount for private school children. In addition, the discrepancies were not identified in the review process;
- For five LEAs, it does not appear that all private school educational services that were planned were provided;
- For five LEAs, it does not appear that funds allocated for equitable services were 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.

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

- All participating private school children are included in the allocation process;
- Equitable services for private school students were actually provided, and
- 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.

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

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

Schedule of Findings And Questioned Costs

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

- All participating private school children are included in the allocation process;
- Equitable services for private school students are actually provided; and
- 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: June 2019

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

FINDING NO: 2018-080 (Repeat 2017-053)

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education (USDE)

CFDA NO: 84.367

FEDERAL PROGRAM NAME: Supporting Effective Instruction State Grant

FEDERAL AWARD NUMBER: S367A170035

FEDERAL AWARD YEAR: 2018

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 § 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

Schedule of Findings And Questioned Costs

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.”

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.

....

Schedule of Findings And Questioned Costs

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

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

Condition and Context: While documenting controls over Participation of Private School Children under Title II Part A, we noted that OSDE does not have policies or procedures to verify that 1) equitable services for private school students were actually provided, and 2) 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 12 of 27 LEA’s for equitable participation of private school children under Title II Part A, we noted the following issues

- For five LEAs, the amount budgeted for Title IIA private schools (account code 5500) does not agree with the amount calculated by the GMS on the Private /Nonpublic Schools share page of the Title IIA application (line 8) and the review did not identify the discrepancy.
- For five LEAs, the required amount was not set aside (budgeted) for private school children;
- For eleven LEAs, OSDE did not appropriately verify that the educational services that were planned were provided;
- For eleven LEAs, it does not appear that funds allocated for equitable services were 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 nine LEAs, expenditures are not equal on a per-pupil basis for public and private school students, teachers and other educational personnel, taking into consideration their numbers and needs as required by 34 CFR section 299.7.

Cause: It appears that OSDE does not have adequate policies and procedures to 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, 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.
- Amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year.

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

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

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

- Private/ Nonpublic School allocations are calculated correctly and, the appropriate amounts are set aside for private school children;
- Equitable services for private school students are actually provided, and

Schedule of Findings And Questioned Costs

- Amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year.

Views of Responsible Official(s)

Contact Person: Gloria Bayouth

Anticipated Completion Date: March 2019

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

OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT

FINDING NO: 2018-011 (Repeat 2017-028)

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-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324

FEDERAL AWARD YEAR: 2017/2018

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria:

Applicable to FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, & FEMA-4117:

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

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

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(4) Consider whether subgrantee audits necessitate adjustment of the grantee's own records; and (5) Require each subgrantee to permit independent auditors to have access to the records and financial statements.”

Applicable to FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324:

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

Condition and Context: The Department did not track subgrantees that expended over \$750,000 in total federal expenditures (from all agencies) for their most recent fiscal year.

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

Effect: The Department is unaware of whether subrecipients complied with the Single Audit requirement for their most recent fiscal year end. In addition, the Department is unaware of potential subgrantee Single Audits with noncompliance issues related to the Public Assistance program. Lastly, the Department has failed to ensure that subgrantees took appropriate corrective action on any relevant findings within the required timeframe.

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

Views of Responsible Official(s)

Contact Person: Daniel Piltz

Anticipated Completion Date: Completed on 10/16/18

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

FINDING NO: 2018-012

STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance

FEDERAL AWARD NUMBER: FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA 4315, FEMA 4324

FEDERAL AWARD YEAR: 2017/2018

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$19,632

Criteria: 31 CFR § 205.3 (a)(2)(3) states, Federal assistance programs are subject to subpart A if they meet the funding threshold for a major Federal assistance program and are included in a Treasury-State agreement.

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

SFY 2018 Treasury State Agreement section 6.2.1 Average Clearance, states, “The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II (6-days for CFDA #97.036). The amount of the request shall be for the exact amount of that disbursement.”

SFY 2018 Treasury State Agreement section 6.3.2 Programs, states:

Schedule of Findings And Questioned Costs

97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Recipient: Department of Emergency Management

% of Funds Agency Receives: 100.00

Component: Program

Technique: Average Clearance

Average Day of Clearance: 6 Days

31 CFR § 205.12 (b)(5) states, “Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes.”

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

Condition and Context: While testing a sample of 13 draws out of a total population of 40 draws, we noted the following:

- Eleven draws were made prior to payment to the subrecipient.
- One draw appears to be for State share payments in the amount of \$19,632.30.
- All three draws for advances do not appear to ensure that the time elapsing between the transfer of federal funds to the subrecipient and the disbursement of such funds for program purpose were minimized.

Cause: For the eleven draws the Department did not have adequate procedures/controls in place to ensure subrecipient payments were made at least 6 days prior to the draw. In addition, the state share was drawn down and the Department did not adequately review support prior to making the draw. Lastly, for the advance draws, the Department did not perform during the award monitoring to ensure the time elapsing between the transfer of funds and disbursement were minimized.

Effect: The Department is not complying with 31 CFR § 205, 2018 Treasury State Agreement, or 2 CFR § 200.305(b)(1). In addition, the Department was not tracking the extent of interest events applicable for the fiscal year.

Recommendation: We recommend the Department develop policies and procedures to ensure draws are made in accordance with the clearance pattern for the program. In addition, we recommend the Department develop policies and procedures to ensure that draws made for advances payments are monitored during the award.

Views of Responsible Official(s)

Contact Person: Sandy Henry

Anticipated Completion Date: 4/30/2019

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

FINDING NO: 2018-013 (Repeat 2017-015)

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-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324

FEDERAL AWARD YEAR: 2017/2018

Schedule of Findings And Questioned Costs

CONTROL CATEGORY: Cash Management, Period of Performance, Subrecipient Monitoring, and Special Tests and Provisions - Project Accounting

QUESTIONED COSTS: \$0

Criteria:

Applicable to FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117:

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

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

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

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

Applicable to FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324:

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

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

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

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

Condition and Context: We reviewed all *advances* and identified \$21,305,714.41 that was advanced during SFY 2018 to subgrantees without ensuring supported activities were in compliance with applicable Federal requirements prior to the closeout of the project. The advances represent 40% of the funds provided to subgrantees during the fiscal year. In addition, the Department did not ensure that the subgrantee had the willingness and the ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement. Also,

Schedule of Findings And Questioned Costs

the Department did not evaluate each subgrantee's risk of noncompliance to determine the appropriate subrecipient monitoring.

In addition, for our sample of 10 of the 29 advance payments made to subgrantees, we noted the following:

- All ten advances were not made in accordance with 44 CFR 13.21(c) as OEM failed to monitor the subrecipient to ensure the time was minimized between the transfer of funds and disbursement by the subrecipient;
- One *Request for Advance or Reimbursement Form (15-Alpha)/Payment Request Form* payment was approved as an advance; however, the payment appears to meet the definition of a reimbursement;
- Two State extensions for the associated Project Worksheets (PW) were not maintained; therefore, we were unable to determine if they were approved.

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

Lastly, the Department did not properly review the *Request for Advance or Reimbursement Form (15-Alpha)/Payment Request Form* to ensure that the payment met the definition of an advance and failed to maintain proper safeguard controls over State approved extensions.

Effect: The Department is not in compliance with the requirements of 44 CFR 13.40 (a), 44 CFR 13.21 (c), 2 CFR 200.331 (d), and 2 CFR 200.305 (b) (1) for advance payments. Also, it appears that the Department is not in compliance with the requirements of 2 CFR 200.331(b). As a result, failure to perform during the award monitoring of subgrantees for advance payments could lead to federal funds not being disbursed timely and/or in accordance with Federal regulations.

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

Views of Responsible Official(s)

Contact Person: Alden Graybill and Michael Teague

Anticipated Completion Date: 5/1/2019

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

FINDING NO: 2018-047 (Repeat 2017-048)

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-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324

FEDERAL AWARD YEAR: 2017/2018

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Schedule of Findings And Questioned Costs

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.”

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 6/30/17 SF-425 reports, we started with the 6/30/16 SF-425 reports and added subrecipient and management costs for the last two years to get to the 6/30/18 totals that should have been reported. We then compared the amounts reported at 6/30/18 on the SF-425 and SF-425a (in Column F) to what we calculated and noted the following variances for the disasters reported:

Schedule of Findings And Questioned Costs

	A	B	C	D	E	(A+B+C+D+E)	F	
DR	6/30/16 SF-425 Line 10b	SFY17 Payments	SFY17 Mgmt Draws	SFY18 Payments	SFY18 Mgmt Draws	Total	6/30/18 SF-425 Line 10b	Difference
1718	\$ 17,751,999.41	\$ (8,730.11)		\$ 743,701.55		\$ 18,486,970.85	\$ 17,304,864.88	\$ 1,182,105.97
1754	\$ 20,333,175.05		\$ 66,331.83			\$ 20,399,506.88	\$ 20,399,506.88	\$ -
1823	\$ 9,203,600.91					\$ 9,203,600.91		\$ 9,203,600.91
1876	\$ 18,063,583.71			\$ 22,367.96		\$ 18,085,951.67		\$ 18,085,951.67
1883	\$ 112,713,931.97	\$ 4,210,055.44		\$ 682,906.12		\$ 117,606,893.53	\$ 116,840,683.60	\$ 766,209.93
1917	\$ 5,997,664.40			\$ 417,310.46		\$ 6,414,974.86		\$ 6,414,974.86
1926	\$ 3,363,736.78					\$ 3,363,736.78	\$ 3,363,736.78	\$ -
1970	\$ 3,740,646.02	\$ 1,130,659.28				\$ 4,871,305.30		\$ 4,871,305.30
1988	\$ 3,860,283.53	\$ 78,901.19				\$ 3,939,184.72	\$ 3,860,283.53	\$ 78,901.19
1989	\$ 7,204,824.78	\$ 8,345.55	\$ 8,345.55			\$ 7,221,515.88		\$ 7,221,515.88
4064	\$ 2,723,747.68	\$ 8,429.72		\$ 53,611.00		\$ 2,785,788.40	\$ 2,783,830.62	\$ 1,957.78
4109	\$ 45,357,148.13	\$ 12,247,353.01		\$ 68,015.07		\$ 57,672,516.21	\$ 57,646,680.55	\$ 25,835.66
4117	\$ 41,862,497.70	\$ 1,482,661.03	\$ 63,115.78	\$ 4,347,748.96		\$ 47,756,023.47	\$ 47,387,339.13	\$ 368,684.34
4164	\$ 3,990,899.35					\$ 3,990,899.35	\$ 3,947,030.06	\$ 43,869.29
4222	\$ 35,823,098.84	\$ 9,842,084.24	\$ 1,892,657.00	\$ 7,660,129.09		\$ 55,217,969.17	\$ 55,246,695.43	\$ (28,726.26)
4247	\$ 12,432,786.90	\$ 9,359,850.88	\$ 20,326.27	\$ 5,583,725.03	\$ 615,889.73	\$ 28,012,578.81	\$ 28,004,743.86	\$ 7,834.95
4256		\$ 28,955,962.44	\$ 302,066.00	\$ 7,538,583.73	\$ 351,236.27	\$ 37,147,848.44	\$ 37,147,848.44	\$ -
4274		\$ 387,909.89	\$ 18,200.36	\$ 729,218.28	\$ 24,954.64	\$ 1,160,283.17	\$ 1,150,905.42	\$ 9,377.75
4299		\$ 241,209.56		\$ 18,202,809.58	\$ 142,025.00	\$ 18,586,044.14	\$ 18,589,559.77	\$ (3,515.63)
4315				\$ 5,005,959.22	\$ 78,600.00	\$ 5,084,559.22	\$ 11,061,406.74	\$ (5,976,847.52)
4324				\$ 1,857,172.09	\$ 41,037.00	\$ 1,898,209.09	\$ 1,898,209.09	\$ -
	\$ 344,423,625.16	\$ 67,944,692.12	\$ 2,371,042.79	\$ 52,913,258.14	\$ 1,253,742.64	\$ 468,906,360.85	\$ 426,633,324.78	\$ 42,273,036.07

	A	B	C	D	E	(A+B+C+D+E)	F	
DR	6/30/18 SF-425A Line 10b	SFY17 Payments	SFY17 Mgmt Draws	SFY18 Payments	SFY18 Mgmt Draws	Total	6/30/18 SF-425A Line 10b	Difference
1718	\$ 17,751,999.41	\$ (8,730.11)		\$ 743,701.55		\$ 18,486,970.85	\$ 17,304,864.88	\$ 1,182,105.97
1754	\$ 20,333,175.05		\$ 66,331.83			\$ 20,399,506.88		\$ 20,399,506.88
1823	\$ 9,203,600.91					\$ 9,203,600.91		\$ 9,203,600.91
1876	\$ 18,063,583.71			\$ 22,367.96		\$ 18,085,951.67		\$ 18,085,951.67
1883	\$ 112,713,931.97	\$ 4,210,055.44		\$ 682,906.12		\$ 117,606,893.53	\$ 116,949,567.71	\$ 657,325.82
1917	\$ 5,997,664.40			\$ 417,310.46		\$ 6,414,974.86		\$ 6,414,974.86
1926	\$ 3,363,736.78					\$ 3,363,736.78		\$ 3,363,736.78
1970	\$ 3,740,646.02	\$ 1,130,659.28				\$ 4,871,305.30		\$ 4,871,305.30
1988	\$ 3,860,283.53	\$ 78,901.19				\$ 3,939,184.72		\$ 3,939,184.72
1989	\$ 7,204,824.78	\$ 8,345.55	\$ 8,345.55			\$ 7,221,515.88		\$ 7,221,515.88
4064	\$ 2,723,747.68	\$ 8,429.72		\$ 53,611.00		\$ 2,785,788.40	\$ 2,783,830.62	\$ 1,957.78
4109	\$ 45,969,922.85	\$ 12,247,353.01		\$ 68,015.07		\$ 58,285,290.93	\$ 57,646,680.55	\$ 638,610.38
4117	\$ 41,862,497.70	\$ 1,482,661.03	\$ 63,115.78	\$ 4,347,748.96		\$ 47,756,023.47	\$ 47,387,339.13	\$ 368,684.34
4164	\$ 3,990,899.35					\$ 3,990,899.35	\$ 3,947,030.06	\$ 43,869.29
4222	\$ 35,823,098.84	\$ 9,842,084.24	\$ 1,892,657.00	\$ 7,660,129.09		\$ 55,217,969.17	\$ 55,246,695.43	\$ (28,726.26)
4247	\$ 12,432,786.90	\$ 9,359,850.88	\$ 20,326.27	\$ 5,583,725.03	\$ 615,889.73	\$ 28,012,578.81	\$ 28,004,743.86	\$ 7,834.95
4256	\$ -	\$ 28,955,962.44	\$ 302,066.00	\$ 7,538,583.73	\$ 351,236.27	\$ 37,147,848.44	\$ 37,147,848.44	\$ -
4274	\$ -	\$ 387,909.89	\$ 18,200.36	\$ 729,218.28	\$ 24,954.64	\$ 1,160,283.17	\$ 1,150,905.42	\$ 9,377.75
4299	\$ -	\$ 241,209.56		\$ 18,202,809.58	\$ 142,025.00	\$ 18,586,044.14	\$ 18,589,559.77	\$ (3,515.63)
4315	\$ -			\$ 5,005,959.22	\$ 78,600.00	\$ 5,084,559.22	\$ 11,061,406.74	\$ (5,976,847.52)
4324	\$ -			\$ 1,857,172.09	\$ 41,037.00	\$ 1,898,209.09	\$ 1,898,209.09	\$ -
	\$ 345,036,399.88	\$ 67,944,692.12	\$ 2,371,042.79	\$ 52,913,258.14	\$ 1,253,742.64	\$ 469,519,135.57	\$ 399,118,681.70	\$ 70,400,453.87

We noted that for 5 *open* disasters at 6/30/18 we were not provided with an SF-425 report, as indicated by the blank amount in column F; therefore, it appears an SF-425 report was not submitted.

We noted that for 8 *open* disasters at 6/30/18 were not included on the SF-425a report, as indicated by the blank amount in column F; 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.

Schedule of Findings And Questioned Costs

Effect: The Department understated the cumulative amount of the cash disbursements at 6/30/18 for all open Public Assistance disasters by approximately \$42,273,036 on the SF-425 and \$70,400,454 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-425a and SF-425 prior to submitting to FEMA.

Views of Responsible Official(s)

Contact Person: Sandy Henry

Anticipated Completion Date: 10/1/2019

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

FINDING NO: 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-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324

FEDERAL AWARD YEAR: 2017/2018

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.”

Condition and Context: The SFY 2018 *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	70,893,786	51,764,999	(19,128,787)
Revenue and Expenditure Accrual Adjustments			
(6) Prior Year Federal Accounts Receivable			
(7) Prior Year Federal Accounts Payable	(205,857)	(205,857)	-
(8) Current Year Federal Accounts Receivable			
(9) Current Year Federal Accounts Payable	467,504	6,504,464	6,036,960
(10) Total	<u>\$ 71,155,433</u>	<u>\$ 58,063,606</u>	<u>\$ (13,091,827)</u>

Cause: It appears the Department calculated the cash basis expenditure amount and current year Federal accounts payable based on the accounting date entered into the statewide accounting system rather than when the expense occurred, and the error was not detected during review. In addition, it appears the Department did not maintain support for the cash basis expenditures reported to the Office of Management and Enterprise Services (OMES) on 10/25/18 as part of the CAFR reporting.

Effect: The Department's total federal expenditures were overstated by \$13,091,827.

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

Anticipated Completion Date: 4/1/2019

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

FINDING NO: 2018-069

STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036, 97.042

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance, Emergency Management Performance Grants

FEDERAL AWARD NUMBER: FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324

FEDERAL AWARD YEAR: 2017/2018

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

QUESTIONED COSTS: \$45,777

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

Schedule of Findings And Questioned Costs

(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 OEM, we noted of the total \$61,323, \$45,777 was charged to the Federal grant Emergency Management Performance Grant (EMPG) – CFDA #97.042 during SFY 2018. Of the \$45,777 of unallowable costs charged to Federal grants for state fiscal year 2018, \$11,010 was charged from 2/21/18 to 6/30/18. Based on our discussion with the Department and review of the employees whose time was charged to the EMPG, it appears that a large portion of those Pathfinder unallowable costs applied to the Public Assistance grant.

The remaining \$15,546 was state charges to E-911 Grant for class-fund 22000 and appropriated costs from class fund 19801(non-Federal).

Cause: The Department was unaware that excess Pathfinder contributions were an unallowable charge until they were made aware by OMES.

In addition, it appears the Department did not have a proper way of allocating costs as the Federal share of all management costs were charged to EMPG regardless of what Federal grant they worked on.

Effect: Of the total \$45,777 in excess Pathfinder contributions overcharged to Federal programs, and required to be reimbursed to the Federal agency, the Department is responsible for the amount of \$11,010, and OMES is responsible for the amount of \$34,767.

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

Anticipated Completion Date: 6/30/2019

Corrective Action Planned: The Department concurs with this finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

Schedule of Findings And Questioned Costs

OKLAHOMA EMPLOYMENT SECURITY COMMISSION

FINDING NO: 2018-022 (Repeat 2017-055)
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: 2017 and 2018
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;”

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

Condition and Context: During SFY 2018, the Agency failed to assess and collect penalties in the amount of \$646,840 applicable to overpayments that were due to fraud. Additionally, the Agency did not take timely action under section 6402(f) of the Internal Revenue Code of 1986 to recover debt resulting from fraudulent overpayments determined to be uncollected after 1 year by participating in the Treasury Offset Program of the U.S. Department of Treasury during the full SFY 2018.

Cause: The Agency does not have adequate system in place to ensure compliance with 40 O.S. § 2-613 (1). Additionally, the Agency did not enter into an agreement to collect overpayments via the Treasury Offset Program until January 26, 2018 and the Agency’s procedures are not designed to maximize the collection of unemployment compensation debt that remained uncollected one year after the debt was determined to be due.

Schedule of Findings And Questioned Costs

Effect: The Agency is not in compliance with the criteria above. Additionally, overpayments are not properly recovered and the program may have lost funds by not participating in the Treasury Offset Program during the full SFY 2018.

Recommendation: We recommend the Agency design its system to ensure compliance with 40 O.S. § 2-613 (1) to include the assessment of a 25% penalty applicable to fraud overpayments with 3/5 of the penalty amount collected being deposited into the Unemployment Trust Fund.

Views of Responsible Official(s)

Contact Person: Shalonda Sanders

Anticipated Completion Date: 06/30/2019

Corrective Action Planned: The Oklahoma Employment Security Commission agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 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-31312-18-55-A-40

FEDERAL AWARD YEAR: 2017 and 2018

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

QUESTIONED COSTS: \$23,362

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)

Schedule of Findings And Questioned Costs

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 \$23,362 of unallowable costs were charged to the Unemployment Insurance Program – CFDA #17.225 during SFY 2018. Of the \$23,362 of unallowable costs charged to the Federal grant for state fiscal year 2018, \$8,534 was charged for the period 2/21/18 to 6/30/18.

Cause: The Commission was unaware it was an unallowable cost until notified by OMES. Also, the Commission did not ensure that charges made to the UI program for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total \$23,362 in excess Pathfinder contributions overcharged to the Federal program, and required to be reimbursed to the Federal agency, the Commission is responsible for the amount of \$8,534, and OMES is responsible for the amount of \$14,828.

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: Riley Shaull

Anticipated Completion Date: Unable to comply with auditor recommendations

Corrective Action Planned: The Oklahoma Employment Security Commission does not agree with the finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

OKLAHOMA HEALTH CARE AUTHORITY

FINDING NO: 2018-008 (Repeat 2017-002)

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: 1705OK5021; 1705OK0301; 1805OK5021; 1705OK5MAP; 1805OK5MAP

FEDERAL AWARD YEAR: 2017 and 2018

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 10.03 states, in part, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

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

Schedule of Findings And Questioned Costs

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

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

Condition and Context: The Independent Service Auditor's Report on the Service Organization's System (SOC-1) for the period of September 1, 2016 to August 31, 2017 indicated control issues related to the job scheduling and access to data and programs control objectives and related controls for the general computer controls. *This condition only applies to a portion of state fiscal year 2018, July through August of 2017.*

Cause: The service organization did not ensure users were restricted only to either development or production access in the job scheduling, nor did they ensure active users had appropriate access or terminated users were eliminated from the access to data and programs.

Effect: Access to both development and production, and inappropriate user access increases the risk of waste, loss, unauthorized use or misappropriation of state and federal funds.

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

Views of Responsible Official(s)

Contact Person: Josh Richards

Anticipated Completion Date: 9/1/2017

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

FINDING NO: 2018-023 (Repeat 2017-004)

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: 1705OK5MAP and 1805OK5MAP

FEDERAL AWARD YEAR: 2017 and 2018

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

QUESTIONED COSTS: \$36,471

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

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

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

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

Schedule of Findings And Questioned Costs

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

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

Condition and Context: The Authority delegates the Oklahoma Department of Human Services (DHS) to determine eligibility for non-MAGI (modified adjusted gross income) recipients.

- For four of the 72 (5.56%) non-MAGI recipients of Medical Assistance Program payments tested, a redetermination of Medicaid eligibility had not been performed within 12 months of the last eligibility determination or redetermination and benefits were not discontinued after the period of eligibility expired. However, only three of those recipients had claims paid during SFY 2018. The recipient was ineligible for a portion of state fiscal year 2018.
- For four of the 72 (5.56%) non-MAGI recipients of Medical Assistance Program payments tested, the recipient passed away during our audit period; however, the recipient had claims paid with date of service after their date of death. Of those four recipients that passed away during our audit period, three were identified by the Authority for recoupment during their annual death file audit. We will not question the costs of those three recipients.
- The universe included 181,023 non-MAGI recipients with medical expenditures totaling \$2,223,304,873. Medical payments for recipients sampled totaled \$1,169,275. Questioned costs include all payments for services provided to those four recipients within the time period for which they were ineligible during SFY 2018. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$61,790, of which \$36,471 (\$61,790 times the applicable Federal Medical Assistance Percentage (FMAP) rate (59.94% for the exception claims in the first quarter of SFY 18/ 58.57% for the claims in the second, third, and fourth quarters) for each exception claim) is the federal questioned costs.

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

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

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

Views of Responsible Official(s)

Contact Person: Josh Richards

Anticipated Completion Date: June 30, 2019

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

FINDING NO: 2018-025 (Repeat 2017-033)

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: 1705OK5MAP and 1805OK5MAP

FEDERAL AWARD YEAR: 2017 and 2018

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

QUESTIONED COSTS: \$28

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

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

Condition and Context: Medical payments are either direct medical payments that are initiated by the provider or are indirectly related to medical claims and are not initiated by the provider, such as the cost of non-emergency transportation to appointments or capitation payments to primary care providers based on the number of enrolled members.

- Based on a medical professional’s review of 57 direct medical claims initiated by the provider for Medical Assistance Program recipients, one (1.75%) claim had a payment error. The claim billed more units than shown on the supporting documents. For this claim, 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 22,966,923 direct medical payments totaling \$4,086,640,272. Payments for direct medical expenditures in our sample totaled \$37,191. Payments for direct medical expenditures with non-compliance noted in our sample totaled \$47, of which \$28 (\$47 times the applicable Federal Medical Assistance Percentage (FMAP) rate 59.94% for the exception claim in the first quarter) is the federal questioned costs.
- In addition, one (1) claim had documentation errors. The attending 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 this claim, 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: One (1) claim submitted by a provider was not appropriately supported by medical records, and one (1) claim had documentation submitted to the Authority which included documentation errors.

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

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

Views of Responsible Official(s)

Contact Person: Josh Richards

Anticipated Completion Date: June 30, 2019

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

FINDING NO: 2018-026 (Repeat 2017-034)

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: 1705OK5021, 1805OK5021 and 1705OK0301

FEDERAL AWARD YEAR: 2017 and 2018

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

QUESTIONED COSTS: \$1,670

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.”

Schedule of Findings And Questioned Costs

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 71 direct medical claims initiated by the provider for Children's Health Insurance Program recipients, three (4.23%) claims had payment errors. One (1) billed claim indicated the provider was unable to complete the procedure, 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 2,370,445 direct medical payments totaling \$316,265,268. Payments for direct medical expenditures in our sample totaled \$26,463. Payments for direct medical expenditures with non-compliance noted in the sample totaled \$1,777, of which \$1,670 (\$1777 x the applicable Federal Medical Assistance Percentage (FMAP) rate (94.00%) for each exception claim) is the federal questioned costs.
- In addition, three (3) claims had documentation errors. For two (2) of the claims, the attending 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: Three (3) claims submitted by a provider were not appropriately supported by medical records, and three (3) claims had documentation submitted to the Authority which included documentation errors.

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 and, if considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

Contact Person: Josh Richards

Anticipated Completion Date: June 30, 2019

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

FINDING NO: 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: 1705OK5021; 1705OK0301; 1805OK5021; 1705OK5MAP; 1805OK5MAP

FEDERAL AWARD YEAR: 2017 and 2018

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

Schedule of Findings And Questioned Costs

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."

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.

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: Brett May

Anticipated Completion Date: 1/31/2019

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

FINDING NO: 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: 1705OK5MAP; 1805OK5MAP; 1705OK5ADM; 1805OK5ADM

FEDERAL AWARD YEAR: 2017 and 2018

Schedule of Findings And Questioned Costs

CONTROL CATEGORY: Special Tests and Provisions: Utilization Control and Program Integrity and Medicaid Fraud Control Unit; Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility
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 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 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.”

2 CFR 200.508 (d) states, “The auditee must provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.”

74 Oklahoma Statute (O.S.) § 215 provides our office with the authority to examine any documents necessary in order to complete our audits.

Condition and Context: The Authority has no written policies to ensure violations of Medicaid laws and regulations by providers are identified and referred to an office with authority to prosecute cases of provider fraud. The Legal Division of the Authority stated that they follow 42 CFR §455.12 to §455.23, and routine internal meetings are 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 is to investigate or review further, regular internal meetings within Legal are utilized to further discuss and review the providers before an ultimate decision to refer the provider to the Medicaid Fraud Control Unit (MFCU) is made. However, the State Auditor and Inspector’s Office (SAI) was not allowed to access any documentation pertaining to the cases to determine the

Schedule of Findings And Questioned Costs

agency took appropriate steps to investigate and, if appropriate, make a referral. We did obtain a listing of the providers referred to the MFCU and verified with the MFCU that they received the cases.

Cause: The Authority's Legal Division took over the process in which the Authority's Program Integrity previously referred cases to the MFCU. At the time of the change, the procedures changed; however, the policy was not updated. The Authority's Legal Division believes client/attorney confidentiality precludes them from allowing SAI access to the identified suspected cases.

Effect: Without written policies and procedures, the Authority is at risk for inconsistently communicating policies and procedures to staff, including new hires, which could lead to instances of suspected fraud not being referred to the State MFCU. Without access to documentation of the Authority's suspected cases of fraud, SAI was not able to determine the agency took appropriate steps to investigate and appropriately refer cases to the MFCU.

Recommendation: We recommend the Authority develop 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 comply with the requirements of the state and federal laws and regulations to allow SAI access to identified suspected cases in order to perform the applicable audit procedures.

Views of Responsible Official(s)

Contact Person: Becki Burton

Anticipated Completion Date: Within one (1) month of the final determination from United States Department of Health and Human Services, Office of Inspector General (HHS/OIG).

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

Auditor Response: We were only given a listing of cases referred to the MFCU. No other documentation to support the steps taken between flagging a case of possible fraud and determining which cases should be referred to the MFCU was provided to enable us to determine whether or not they complied with the requirement. In our opinion, the Authority's refusal to provide the necessary documentation for the MFCU case referrals is in direct violation of laws and regulations stated in the criteria above, as well as the Supreme Court's Opinion in 1980 OK 28, which was also provided to the Authority by our Legal Counsel during the audit.

FINDING NO: 2018-073

STATE AGENCY: Oklahoma Health Care Authority (OHCA)

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.767; 93.778

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

FEDERAL AWARD NUMBER: 1705OK0301; 1805OK5021; 1705OK5MAP and 1805OK5MAP

FEDERAL AWARD YEAR: 2017 and 2018

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

QUESTIONED COSTS: \$128,048

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..."

45 CFR 75.403 (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."

45 CFR 75.431 (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."

Schedule of Findings And Questioned Costs

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 the Authority we noted \$128,048 in Pathfinder contributions charged to the referenced Federal grants during SFY 2018. Of the \$128,048 of unallowable costs charged to Federal grants for state fiscal year 2018, \$43,948 was charged from 2/20/18 to 6/30/18.

Cause: The Authority was unaware it was an unallowable charge until notified by OMES. Also, the Authority did not ensure that charges made to the Federal programs for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total \$128,048 in excess Pathfinder contributions overcharged to the Federal programs, and required to be reimbursed to the Federal agency, the Authority is responsible for the amount of \$43,948, and OMES is responsible for the amount of \$84,100.

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

Views of Responsible Official(s)

Contact Person: Susan Crooke

Anticipated Completion Date: October 31, 2019

Corrective Action Planned: The Authority agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

OKLAHOMA STATE DEPARTMENT OF HEALTH

FINDING NO: 2018-001 (Repeat 2017-059; Repeat 2017-058)

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: United States Department of Agriculture; Health Resources and Services Administration (HRSA)

CFDA NO: 10.557; 93.505 and 93.870; 93.917

FEDERAL PROGRAM NAME: Special Supplemental Nutrition Program for Women, Infants and Children (WIC); Maternal, Infant, and Early Childhood Home Visiting Cluster; HIV Care Formula Grant

FEDERAL AWARD NUMBER: 176OK525W5003, 186OK525W5003, 186OK505W1003, and 186OK505W1006; 1 X10MC31164-01-00, 6 D89MC28275-01-01, 6 UH4MC30745-01-01, 6 X02MC28241-01-01, and 1 X10MC29496-01-00; 6X07HA00048-27, 6X07HA00048-28 and 5X07HA00048-28;

FEDERAL AWARD YEAR: 2015, 2016, 2017, 2018

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: For Special Supplemental Nutrition Program for Women, Infants and Children (WIC) program:

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.”

Schedule of Findings And Questioned Costs

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 At a minimum, the schedule must: (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available....”

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

For Maternal, Infant, and Early Childhood Home Visiting Cluster and the HIV Care Formula Grant:

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 §75.510 (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 §75.502.”

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....”

Condition and Context: The original FY 2018 *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:

- understated the beginning federal cash balance for CFDA #10.557 by \$847,137;
- overstated the cash basis federal revenue for CFDA #93.505 by \$118,372;
- overstated the cash basis federal revenue for CFDA #93.870 by \$6,095,058;
- understated the cash basis federal expenditure for CFDA #93.870 by \$898,423;
- understated the cash basis federal expenditures for CFDA #93.917 by \$260,140;
- overstated the amount transferred to state agencies for CFDA #93.917 by \$260,140;
- understated the amount provided to non-state agency subrecipients for CFDA #93.917 by \$260,140;
- overstated the amount prior year Federal accounts payable by \$1,350,789;

Cause: The review process for the SEFA’s did not detect these errors.

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

Recommendation: We recommend OMES amend the SFY 2018 SEFA’s to reflect the correct amounts for CFDA #10.557, #93.505, #93.870 and #93.917. Further, we recommend the Oklahoma State Department of Health review the current procedures and implement the necessary procedures to ensure accurate reporting of program financial information on the SEFA’s (GAAP Package Z).

Views of Responsible Official(s):

Contact Person: Gloria Hudson

Anticipated Completion Date: 7/1/2018

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

FINDING NO: 2018-002

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

Schedule of Findings And Questioned Costs

CFDA NO: 93.917

FEDERAL PROGRAM NAME: HIV Care Formula Grant

FEDERAL AWARD NUMBER: 6X07HA00048-27

FEDERAL AWARD YEAR: 2017 and 2018

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 45 CFR §75.381 – *Closeout* (a) states, “The non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award...”

Instructions for the SF- 425 Federal Financial Report - Federal Cash Transaction Report require that final reports shall be submitted no later than 90 days after the project or grant period end date.

45 CFR 75.302 – *Financial management and standards for financial management systems* (b)(2) states, “Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 75.341 and 75.342. ...”

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

Condition and Context: We noted that the amounts reported on line 12 – *Remarks* – on the SF 425 for prior year rebate funds and rebate funds expended did not agree to supporting documentation. Furthermore, OSDH did not identify the correct Federal award on the submitted report.

Cause: It appears that OSDH does not have adequate processes in place to ensure that the FFR is being reviewed properly prior to submission. It also appears that OSDH did not follow the instructions for the SF-425 to ensure an accurate and timely completion of the report.

Effect: Failure to submit the required information accurately and in a timely manner may adversely affect the future funding of projects and impacts the reliability and usefulness of the federal financial reports.

Recommendation: We recommend the Department implement processes and procedures to ensure the SF- 425 report is prepared accurately, in accordance with the instructions, and submitted within the required timeframe.

Views of Responsible Official(s):

Contact Person: Gloria Hudson

Anticipated Completion Date: N/A

Corrective Action Planned: OSDH does not concur with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: We were unable to support the amounts reported in the comments sections of SF-425 with the additional support provided by the agency.

FINDING NO: 2018-003 (Repeat 2017-062)

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.917

FEDERAL PROGRAM NAME: HIV Care Formula Grant

FEDERAL AWARD NUMBER: 6X07HA00048-27, 6X07HA00048-28 and 5X07HA00048-28

FEDERAL AWARD YEAR: 2018

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

QUESTIONED COSTS: \$0

Schedule of Findings And Questioned Costs

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.”

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

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

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

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

Views of Responsible Official(s):

Contact Person: Gloria Hudson

Anticipated Completion Date: 7/1/2018

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

FINDING NO: 2018-020 (Repeat 2017-061)

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.505; 93.870

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

FEDERAL AWARD NUMBER: 1 X10MC31164-01-00, 6 D89MC28275-01-01, 6 UH4MC30745-01-01, 6 X02MC28241-01-01, and 1 X10MC29496-01-00;

FEDERAL AWARD YEAR: 2015, 2016, 2017

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

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...”

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

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

Schedule of Findings And Questioned Costs

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

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

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

Views of Responsible Official(s):

Contact Person: Gloria Hudson

Anticipated Completion Date: N/A

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

FINDING NO: 2018-028 (Repeat 2017-065)

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.505; 93.870

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

FEDERAL AWARD NUMBER: 1 X10MC31164-01-00, 6 D89MC28275-01-01, 6 UH4MC30745-01-01, 6 X02MC28241-01-01, and 1 X10MC29496-01-00;

FEDERAL AWARD YEAR: 2015, 2016, 2017

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 Part 75, Appendix XI (Compliance Supplement) Part 3.2 – Subrecipient Monitoring, A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 45 CFR section 75.352(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; 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).
- *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 (45 CFR sections 75.352(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 45 CFR section 75.521.

Condition and Context: For ten out of ten (100%) subrecipients tested, OSDH did not include the Federal Award Identifying Number (FAIN) in the initial subaward documents.

Schedule of Findings And Questioned Costs

For three of ten (30%) subrecipients tested, we were unable to determine that OSDH performed the required subrecipient monitoring due to lack of supporting documentation.

Cause: OSDH's control process does not ensure required information is included in the initial subaward documents. OSDH did not perform or did not maintain adequate documentation to ensure subrecipients were monitored as required.

Effect: Without monitoring and 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 achieve performance goals (45 CFR sections 75.352(d) through (f)).

Recommendation: We recommend OSDH modify its current processes to ensure required documentation is provided to subrecipients, subrecipients are monitored, and adequate documentation is maintained related to its identification of subawards and subrecipient monitoring activities.

Views of Responsible Official(s):

Contact Person: Gloria Hudson

Anticipated Completion Date: 3/29/2019

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

FINDING NO: 2018-066

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.505; 93.870

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

FEDERAL AWARD NUMBER: D89MC28275-01-01

FEDERAL AWARD YEAR: 2015, 2016, 2017

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 45 CFR 75.302 – *Financial management and standards for financial management systems* (b)(2) states, “Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 75.341 and 75.342. ...”

Instructions for the SF- 425 Federal Financial Report - Federal Cash Transaction Report require that cash receipts and cash disbursements be entered in boxes 10a and 10b on the report.

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

Condition and Context: OSDH did not include cash receipts and cash disbursements on the SF-425 report for grant award D89MC28275-01-01 for the period ending September 30, 2017

Cause: OSDH does not have adequate processes in place to ensure that the FFR is being reviewed properly prior to submission. Also, OSDH did not follow the instructions for the SF-425 to ensure accurate completion of the report.

Effect: Failure to submit the required information accurately and in a timely manner may adversely affect the future funding of projects and impacts the reliability and usefulness of the federal financial reports.

Recommendation: We recommend the Department implement processes and procedures to ensure the SF-425 report is prepared accurately and in accordance with the instructions.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s):

Contact Person: Gloria Hudson

Anticipated Completion Date: N/A

Corrective Action Planned: OSDH does not concur with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-071

STATE AGENCY: Oklahoma State Department of Health (OSDH)

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.557

FEDERAL PROGRAM NAME: Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

FEDERAL AWARD NUMBER: 176OK525W5003, 186OK525W5003, 186OK505W1003, and 186OK505W1006

FEDERAL AWARD YEAR: 2017 and 2018

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

QUESTIONED COSTS: \$75,365

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: . . . (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 OSDH we noted \$75,365 in Pathfinder contributions charged to the Federal grants during SFY 2018. Of the \$75,365 of unallowable costs charged to Federal grants for state fiscal year 2018, \$16,813 was charged from 2/21/18 to 6/30/18.

Cause: The Department was unaware it was an unallowable charge until notified by OMES. Also, the Department did not ensure that charges made to the Federal programs for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total \$75,365 in excess Pathfinder contributions overcharged to the Federal grants, and required to be reimbursed to the Federal Agency, the Department is responsible for the amount of \$16,813, and OMES is responsible for the amount of \$58,552.

Schedule of Findings And Questioned Costs

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

Views of Responsible Official(s):

Contact Person: Gloria Hudson

Anticipated Completion Date: N/A

Corrective Action Planned: OSDH partially concurs with this finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

Auditor Response: The amounts in question after the 2/20/18 notification from OMES were included in the amount reported on the OSDH SEFA; therefore, we determined that OSDH considered those costs an expenditure of the program.

OKLAHOMA DEPARTMENT OF HUMAN SERVICES

FINDING NO: 2018-052 (Repeat 2017-050)

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: 1701OKFOST and 1801OKFOST

FEDERAL AWARD YEAR: 2017 and 2018

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

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

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

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).
- *Evaluate Risk* – Evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:
 1. The subrecipient’s prior experience with the same or similar subawards;
 2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program;
 3. Whether the subrecipient has new personnel or new or substantially changed systems; and
 4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Schedule of Findings And Questioned Costs

- **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 four of nine Foster Care subrecipient contracts during the SFY 2017 audit, we noted OKDHS did not indicate the CFDA title and number, award name and number, award date, amount of the award, contact information for the pass-through entity, if the award is research and development, the name of the Federal Awarding Agency, terms and conditions concerning closeout of subaward, or applicable compliance requirements. Based on discussion with Foster Care Management, it appears a revision to the contract to address the condition noted in the SFY 2017 audit was not made until after SFY 2018.

Also, through discussion with Foster Care management during the SFY 2017 audit, we noted there is no review performed by OKDHS of Foster Care expenditures incurred by each of its subrecipients nor does OKDHS contact its subrecipients to ensure they are administering the award in accordance with the grant requirements. Further, based on review of OIG's database of subrecipients, it appears only two of the nine appear in the database. Therefore, OKDHS does not obtain and review all the single audits of the Foster Care subrecipients as required. Based on discussion with Foster Care Management, it appears corrective action to address the condition noted in the SFY 2017 audit was not made until after SFY 2018.

Cause: Management did not take corrective action to address subrecipient monitoring requirements conditions noted during the SFY 2017 audit until after SFY 2018.

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

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

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

Views of Responsible Official(s)

Contact Person: Kevin Haddock

Anticipated Completion Date: July 1, 2019

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

FINDING NO: 2018-061

STATE AGENCY: Department of Human Services

Schedule of Findings And Questioned Costs

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: 1701OKTANF

FEDERAL AWARD YEAR: 2017

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

QUESTIONED COSTS: \$10,000,000

Criteria: Title 45 §260.20 states, “The TANF program has the following four purposes: (a) Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives....”

Per Title 45 §260.31(a)(1), “The term “assistance” includes cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses).”

The TANF Program Policy Questions and Answers addressing the Use of TANF Funds found on the Administration for Children and Families website (<https://www.acf.hhs.gov/ofa/resource/q-a-use-of-funds>) state, “Q6: May a State use Federal TANF or State MOE funds for adoption assistance? A6: A State could use Federal TANF or State MOE funds to provide adoption benefits and services⁴ to needy parents of an adopted child who is not eligible for title IV-E adoption assistance.⁵ The adoption establishes a parental relationship even if no blood relationship exists.”

⁴ Benefits provided in this circumstance would trigger applicable TANF rules if they meet the definition of “assistance,” e.g., address basic needs, and are provided under the TANF program.

⁵ States may not use Federal or State MOE funds to take the place of any adoption assistance payments provided under the Federal Adoption Assistance Program; section 402 of the Act requires “eligible States” (i.e., States that receive Federal TANF funds) to certify that the State will operate a Foster Care and Adoption Assistance Program under Title IV-E of the Act. However, there may be circumstances under which adoption assistance (in the form of family services, benefits payments, or both) would be outside the normal purview of the IV-E program and reasonably calculated to accomplish TANF purpose one. Expenditures on adoption assistance in such circumstances could constitute an allowable use of Federal or State MOE funds.

Condition and Context: While performing analysis on the Statewide SEFA, we discovered that a portion of the federal TANF grant was being used to pay non-IV-E Adoption Assistance subsidies. Since the agency considers these Adoption Assistance subsidies to be TANF assistance, it appears they fall under TANF purpose one which allows for TANF funding to be utilized to provide assistance to needy families. Based on discussion with agency personnel, it appears all expenditures recorded to account code 34X-2110 were considered TANF compensable as ‘child only cases’; however, annual TANF eligibility determinations, including analysis of income, were not performed in order to ensure the benefits were paid to needy families.

Additionally, there is no detailed benefit data by case to determine exactly which cases these TANF funds were applied to because the Budget Unit makes the determination on the amount of TANF to be utilized annually for this purpose based on the agency’s fiscal need. Because of this, we question the allowability of the entire \$10,000,000 of TANF funds utilized for this purpose during SFY18.

Based on analysis of the FFY16 and FFY17 TANF ACF-196 reports, it appears that line 6b includes these types of Adoption Assistance subsidy payments. Approximately 21% of the total FFY16 TANF grant expenditures and 16.38% of the FFY17 (through 6/30/18 filings) TANF grant expenditures were attributed to this particular line. This compares to 4.08% of the total FFY15 TANF grant expenditures.

Cause: Per discussion with agency personnel, we noted that a decision was made in 2011 to utilize TANF funds to pay for non-IV-E Adoption Assistance subsidies under the assumption that these subsidies were TANF compensable due to them being ‘child only cases’. From 2011 forward, TANF funds were utilized for this purpose and were considered TANF assistance. At the beginning of each fiscal year, the Budget Unit decides the amount of TANF funds to use for non-IV-E Adoption Assistance subsidy payments. The amount that the Budget Unit determines is then divided by twelve and that calculated amount is drawn from the TANF grant each month of the fiscal year. There is no detailed assistance benefit data by case that supports the monthly draw amount; the amount is solely determined by the Budget Unit dependent on the fiscal need of the agency.

Schedule of Findings And Questioned Costs

During FFY16 and FFY17, the agency chose to allocate significantly more TANF funds to non-IV-E Adoption Assistance than had been allocated in previous years. This was because costs of adoption grew, and State funding sources decreased due to the downturn in the state's economy. There were overall state budget reductions across all of state government. During this time, DHS exhausted TANF carryover funding to compensate for reduced state funding. It appears that state funding previously used to fund non-IV-E Adoption Assistance subsidies was supplanted with federal TANF funding.

Effect: Since the agency has determined these non-IV-E Adoption Assistance subsidy payments are considered TANF assistance, it appears that TANF assistance is being provided to families that may not be needy since there are no need-based eligibility determinations performed on a routine basis for this group of TANF recipients.

Recommendation: We recommend that agency personnel implement procedures to perform TANF eligibility determinations when using TANF funds to pay non-IV-E Adoption Assistance benefits. These eligibility determinations should include an analysis of income to ensure the family meets the income requirement to be considered a family in need and qualify for TANF assistance.

Views of Responsible Official(s)

Contact Person: Patrick Klein

Anticipated Completion Date: July 1st, 2020 for establishment of parental means test

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: 2018-067

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.551

FEDERAL PROGRAM NAME: SNAP Cluster

FEDERAL AWARD NUMBER: 008015409S6008

FEDERAL AWARD YEAR: 2017 & 2018

CONTROL CATEGORY: Special Test - EBT 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.

According to OKDHS' Electronic Payments Handbook, "The cards are to be inventoried at the time of receipt and kept locked in the County Director's office, or another secure office location, where access is restricted to designated staff." ... "At the end of each day, the unused cards will be returned to inventory, signed in by the EBT Specialist, and initialed by the County Director or designee."

Best practice includes the security of 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, and the deactivation of an EBT card prior to destruction.

Condition and Context:

Based on procedures performed at eight of the 77 county office locations, we noted:

- Three (37.5%) offices did not keep keys to the (Electronic Benefit Transaction) EBT card inventory secured;

Schedule of Findings And Questioned Costs

- Seven (87.5%) offices did not maintain the EBT cards in a secure office location where access is restricted to designated staff;
- One (12.5%) office was unable to provide documentation supporting EBT cards ordered;
- Eight (100%) offices' inventory logs did not support that the inventory count was performed by two individuals at the end of each day;
- Six (75%) offices do not verify the card status to ensure card deactivation prior to destruction;
- Two (25%) county offices did not ensure the card destruction process was performed by two employees.

Based on review of EBT Card destruction logs from the remaining 69 county offices we noted 5 county offices (7.25%) did not have dual signatures indicating a witness of EBT card destructions performed in SFY 2018. Furthermore, based on walk-through performed at one judgmentally selected county office, we noted that the office staff did not verify EBT card status to ensure card deactivation prior to destruction.

Cause: OKDHS policies and procedures related to the inventory accounting and securing of EBT cards are not consistently followed.

Effect: EBT cards are at risk of unauthorized issuance and improper use due to lack of insufficient inventory procedures leading to potential misuse or misappropriation of Supplement Nutrition Assistance Program (SNAP) benefits.

Recommendation: We recommend DHS ensure policies and procedures related to proper inventory accounting and securing of EBT cards are consistently followed. Additionally, we recommend DHS 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: 08/30/19

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: 2018-075

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.563

FEDERAL PROGRAM NAME: Child Support Enforcement

FEDERAL AWARD NUMBER: 1-736017987-E1

FEDERAL AWARD YEAR: 2017 and 2018

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

QUESTIONED COSTS: \$81,476

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..."

45 CFR 75.403 (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."

45 CFR 75.431 (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."

Schedule of Findings And Questioned Costs

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 the Oklahoma Department of Human Services (DHS), we noted that a total of \$81,476 of unallowable costs were charged to the Child Support Enforcement Program (CSE) – CFDA # 93.563 during SFY 2018. Of the \$81,476 of unallowable costs charged to the Federal grant for state fiscal year 2018, \$30,544 was charged for the period 2/21/18 to 6/30/18.

Cause: The Department was unaware it was an unallowable charge until notified by OMES. Also, the Agency did not ensure that charges made to the CSE program for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total \$81,476 in excess Pathfinder contributions overcharged to the Federal program, and required to be reimbursed to the Federal agency, the Agency is responsible for the amount of \$30,544.54, and OMES is responsible for the amount of \$50,932.

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

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: 4/2019

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. Also, please see the OMES Pathfinder summary in Appendix I.

FINDING NO: 2018-076

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.551 and 10.561

FEDERAL PROGRAM NAME: SNAP Cluster

FEDERAL AWARD NUMBER: 2018S251446, 2017S251446

FEDERAL AWARD YEAR: 2017 and 2018

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

QUESTIONED COSTS: \$121,163

Criteria: 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.”

Schedule of Findings And Questioned Costs

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 the Oklahoma Department of Human Services (DHS), we noted that a total of \$121,163 of unallowable costs were charged to the State Administrative Matching Grant for the Supplemental Nutrition Assistance Program – CFDA # 10.561 during SFY 2018. Of the \$121,163 of unallowable costs charged to the Federal grant for state fiscal year 2018, \$44,487 was charged for the period 2/21/18 to 6/30/18.

Cause: The Department was unaware it was an unallowable charge until notified by OMES. Also, the Agency did not ensure that charges made to the State Administrative Matching Grant for the Supplemental Nutrition Assistance Program for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total \$121,163 in excess Pathfinder contributions overcharged to the Federal program, and required to be reimbursed to the Federal agency, the Agency is responsible for the amount of \$44,487, and OMES is responsible for the amount of \$76,676.

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

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: 4/2019

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. Also, please see the OMES Pathfinder summary in Appendix I.

FINDING NO: 2018-077

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: 1701OKFOST and 1801OKFOST

FEDERAL AWARD YEAR: 2017 and 2018

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

QUESTIONED COSTS: \$239,550

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...”

Schedule of Findings And Questioned Costs

45 CFR 75.403 (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.”

45 CFR 75.431 (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 the Oklahoma Department of Human Services (DHS), we noted that a total of \$239,550 of unallowable costs were charged to the Foster Care (FC) program – CFDA # 93.568 during SFY 2018. Of the \$239,550 of unallowable costs charged to the Federal grant for state fiscal year 2018, \$89,951 was charged for the period 2/21/18 to 6/30/18.

Cause: The Department was unaware it was an unallowable charge until notified by OMES. Also, the Agency did not ensure that charges made to the FC program for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total \$239,550 in excess Pathfinder contributions overcharged to the Federal program, and required to be reimbursed to the Federal agency, the Agency is responsible for the amount of \$89,951, and OMES is responsible for the amount of \$149,599.

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

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: 4/2019

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. Also, please see the OMES Pathfinder summary in Appendix I.

FINDING NO: 2018-079

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster

FEDERAL AWARD NUMBER: 1705OK5MAP and 1805OK5MAP

FEDERAL AWARD YEAR: 2017 and 2018

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

QUESTIONED COSTS: \$115,743

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...”

Schedule of Findings And Questioned Costs

45 CFR 75.403 (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.”

45 CFR 75.431 (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 the Oklahoma Department of Human Services (DHS), we noted that a total of \$115,743 of unallowable costs were charged to the Medical Assistance Program (Medicaid) – CFDA # 93.778 during SFY 2018. Of the \$115,743 of unallowable costs charged to the Federal grant for state fiscal year 2018, \$44,925 was charged for the period 2/21/18 to 6/30/18.

Cause: The Department was unaware it was an unallowable charge until notified by OMES. Also, the Agency did not ensure that charges made to the Medicaid program for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total \$115,743 in excess Pathfinder contributions overcharged to the Federal program, and required to be reimbursed to the Federal agency, the Agency is responsible for the amount of \$44,925, and OMES is responsible for the amount of \$70,818.

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

Views of Responsible Official(s)

Contact Person: Chris Smith

Anticipated Completion Date: 4/2019

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. Also, please see the OMES Pathfinder summary in Appendix I.

OKLAHOMA DEPARTMENT OF TRANSPORTATION

FINDING NO: 2018-009

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: Federal Highway Administration

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction Cluster

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Matching

QUESTIONED COSTS: \$0

Schedule of Findings And Questioned Costs

Criteria: 2 CFR §200.303 - *Internal controls* states in part, “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.”

2 CFR §200.62 - *Internal control over compliance requirements for Federal awards* states in part, “*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;”

OAC 730:10-5-2(3) states in part, “no federal-aid project shall be advertised for contract letting until all federal and state requirements have been satisfied.... The city must deposit its share of the local matching funds with the Department prior to advertising for bids on the project. (A) The project will be officially programmed by the Commission, subject to availability of federal funds, only when all of the conditions in this section have been met and the project is ready to be advertised for contract letting.”

OAC 730:10-1-7 (a) states, “all city or county funds which, by agreement with the Department are to be used to pay or participate in construction contract cost items shall be deposited with the Department prior to advertising the project for bids. If the city or county by agreement with the Department is to perform a portion or all of the construction work as their share of the project costs, they will not be required to deposit funds with the Department prior to advertising for bids. Where it is impossible to determine final cost of the project until construction is completed, the deposit shall be based on the engineer's quantity estimates.”

Condition and Context: We determined that 3 of 42 (7.14%) projects listed as having insufficient funds/no deposit in the monthly exception memos to the office engineer during the audit period were awarded prior to deposit of the local matching funds and did not appear to meet the exception noted in OAC 730:10-1-7 for work performed by the City or County. However, the Department did not issue a notice to proceed for the project until the funds were on deposit from the third party.

Cause: The Oklahoma Department of Transportation personnel in charge of preventing projects from being sent to bid without having funds on deposit was unaware of the OAC requirement.

Effect: Failure to ensure that the required funds are on deposit with the Department may cause a delay in the awarding of a project or delay a notice to proceed for the project to begin.

Recommendation: We recommend the Oklahoma Department of Transportation evaluate the review processes for third party funding and make the appropriate adjustments

Views of Responsible Official(s)

Contact Person: Anthony Delce, Office Engineer

Anticipated Completion Date: January 15, 2019

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

FINDING NO: 2018-065

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: Federal Highway Administration

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction Cluster

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Schedule of Findings And Questioned Costs

Criteria: 2 CFR §200.303 - *Internal controls* states in part, “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.”

2 CFR §200.331 - *Requirements for pass-through entities* states in part, “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.
 - xi. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- (b) 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 described in paragraphs (d) and (e) of this section....
- (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 decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.”

Condition and Context: While performing procedures to document the processes utilized for identifying the subaward, it was determined that no processes were in place to identify the CFDA number to subrecipients of Emergency Repair, Enhancement, and Safe Routes to Schools funding. We noted that 15 of 25 (60%) award documents tested from all subrecipient types did not contain a CFDA number.

While performing procedures to document the processes utilized to evaluate the risk of noncompliance, it was determined that no processes were in place to formally evaluate the risk of noncompliance for Municipal Planning Organizations and Regional Transportation Planning Organizations.

While performing procedures to document the processes utilized for monitoring the activities of the subrecipient, it was determined that no processes were in place to determine whether recipients of Emergency Repair, Enhancement, and Safe Routes to Schools funding have expended over \$750,000 and require a single audit. In addition, for 6 of 6 (100%) Municipal Planning Organization and Regional Transportation Planning Organization subrecipients expending more than \$750,000, the Oklahoma Department of Transportation received a copy of the required single audit; however, for 4 of 6 (66.7%) the 2017 audits were not reviewed for deficiencies and appropriate corrective actions.

Cause: The Oklahoma Department of Transportation has not designed and implemented internal controls to ensure that all subrecipient contracts or award documentation include a CFDA number, that all risk assessments were performed on Municipal Planning Organization and Regional Transportation Planning Organization subrecipients, and that all required Single Audits are received, reviewed, and timely follow-up on findings is performed.

Schedule of Findings And Questioned Costs

Effect: Without a process to ensure subrecipients are effectively monitored, subrecipients and the Oklahoma Department of Transportation are at risk of being out of compliance with Federal statutes, regulations, and the terms and conditions for the Federal award.

Recommendation: We recommend the Oklahoma Department of Transportation review the current subrecipient processes and implement the necessary processes to ensure all subrecipients are monitored in accordance with the Grants Management requirements. Recommendations include:

- Updating information in subrecipient contract templates to include CFDA number.
- Develop risk assessment procedures related to subrecipients to ensure adequate monitoring of the subrecipient is occurring.
- Develop procedures to review required Single Audits and follow-up on findings noted in the required audit.

Views of Responsible Official(s)

Anticipated Completion Date: May 1, 2019

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

**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	629,406	
Wildlife Services	10.028		Department of Wildlife Conservation	10,000	
Voluntary Public Access and Habitat Incentive	10.093		Department of Wildlife Conservation	884,754	◆
Inspection Grading and Standardization	10.162		Department of Agriculture	957,138	
Market Protection and Promotion	10.163		Department of Agriculture	25,400	
Specialty Crop Block Grant Program - Farm Bill	10.170		Department of Agriculture	489,000	
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		Department of Agriculture	912,298	
Supplemental Nutrition Assistance Program	10.551		Department of Human Services	844,957,875	⊕
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		Department of Human Services	34,635,896	⊕
			SNAP Cluster Total	879,593,771	⊕ ⊛ 5,713,721
School Breakfast Program	10.553		Department of Education	59,531,345	⊕ 59,452,811
National School Lunch Program	10.555		Department of Education	168,201,083	⊕ 168,035,310
	10.555		Department of Human Services	26,154,462	⊕ 2,057,292
			Program Total	194,355,545	⊕ 170,092,602
Special Milk Program for Children	10.556		Department of Education	5,989	⊕ 5,718
Summer Food Service Program for Children	10.559		Department of Education	4,847,074	⊕ 4,703,432
	⊗ 10.559		Department of Human Services	24,830	⊕
			Program Total	4,871,904	⊕ 4,703,432
			Child Nutrition Cluster Total	258,764,783	⊕ ⊛ 234,254,563
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		State Department of Health	70,547,232	⊛ 4,187,855
Child and Adult Care Food Program	10.558		Department of Education	64,366,758	64,127,425
	⊗ 10.558		Department of Human Services	195,784	
			Program Total	64,562,542	⊛ 64,127,425
State Administrative Expenses for Child Nutrition	10.560		Department of Education	5,190,362	553,381
	10.560		Department of Human Services	799,809	
			Program Total	5,990,171	553,381
Commodity Supplemental Food Program	10.565		Department of Human Services	967,723	⊕ 210,100
Emergency Food Assistance Program (Administrative Costs)	10.568		Department of Human Services	857,021	⊕ 806,223
Emergency Food Assistance Program (Food Commodities)	⊗ 10.569		Department of Human Services	6,432,685	⊕
			Food Distribution Cluster Total	8,257,429	⊕ 1,016,323
Senior Farmers Market Nutrition Program	10.576		Department of Human Services	61,932	
Child Nutrition Discretionary Grants Limited Availability	10.579		Department of Education	39,316	39,316
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580		Department of Human Services	431,030	
Fresh Fruit and Vegetable Program	10.582		Department of Education	2,250,639	2,250,639
Child Nutrition Direct Certification Performance Award	10.589		Department of Education	355,556	355,556
Forestry Research	10.652		Department of Agriculture	225,067	
Cooperative Forestry Assistance	10.664		Department of Agriculture	1,294,758	
Forest Health Protection	10.680		Department of Agriculture	14,625	
Forest Services - Partnership Agreements	10.699		Department of Wildlife Conservation	14,000	
Soil and Water Conservation	10.902		Department of Agriculture	3,180	
	10.902		Conservation Commission	838,611	
Watershed Protection Flood Prevention	10.904		Conservation Commission	213,713	
Environmental Quality Incentives Program	10.912		Department of Agriculture	2,464	
Watershed Rehabilitation Program	10.916		Conservation Commission	2,800,715	
Emergency Watershed Protection Program	10.923		Conservation Commission	627,051	

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Agricultural Conservation Easement Program	10.931		Department of Wildlife Conservation	28,000	
Cost Reimbursement Contract - McGee Creek Project	10 UNK		Department of Wildlife Conservation	163,116	
U.S. Department of Agriculture-Subtotal				<u>1,300,987,697</u>	<u>\$ 312,498,779</u>
U.S. Department of Commerce					
Direct and Pass Through Programs:					
Economic Adjustment Assistance	11.307		Department of Commerce	94,287	✖
Cost Reimbursement Contract: Economic Adjustment Assistance	11.307		Oklahoma Center for the Advancement of Science and Technology	637,356	✖
			Economic Development Cluster Total	<u>731,643</u>	<u>✖ -</u>
State and Local Implementation Grant Program	11.549		Office of Management and Enterprise Services	564,894	
U.S. Department of Commerce-Subtotal				<u>1,296,537</u>	<u>\$ -</u>
U.S. Department of Defense					
Direct and Pass Through Programs:					
Procurement Technical Assistance For Business Firms	12.002		Department of Career & Technology Education	613,672	205,024
Cost Reimbursement Contract - State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		Department of Environmental Quality	171,456	
Cost Reimbursement Contract - Military Construction, National Guard	12.400		Oklahoma Military Department	8,066,412	
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401		Oklahoma Military Department	33,531,533	
Cost Reimbursement Contract - National Guard ChalleNGe Program	12.404		Oklahoma Military Department	4,934,626	
Troops to Teachers	12.620		Department of Education	282,162	
U.S. Department of Defense-Subtotal				<u>47,599,861</u>	<u>\$ 205,024</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	14.228		Department of Commerce	11,065,277	◆ 10,582,205
Emergency Solutions Grant Program	14.231		Department of Commerce	1,653,709	1,592,251
Shelter Plus Care	14.238		Mental Health and Substance Abuse Services	263,830	247,247
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269		Department of Commerce	20,007,584	✖ 19,650,133
			CDBG-Disaster Recovery Grants - Pub. L. No. 113-2 Cluster Total	<u>20,007,584</u>	<u>✖ ◆ 19,650,133</u>
U.S. Department of Housing and Urban Development-Subtotal				<u>32,990,400</u>	<u>\$ 32,071,836</u>
U.S. Department of the Interior					
Direct and Pass Through Programs:					
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250		Department of Mines	1,006,933	
Abandoned Mine Land Reclamation (AMLR)	15.252		Conservation Commission	3,875,115	
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		State Auditor and Inspector	394,541	
Title XVI Water Reclamation and Reuse	15.504		Water Resources Board	32,205	
Recreation Resources Management	15.524		Department of Agriculture	5,389	
Fish and Wildlife Management Assistance	15.608		Department of Wildlife Conservation	57,707	
Sport Fish Restoration Program	15.605		Department of Wildlife Conservation	7,249,001	✖ 225,893
Wildlife Restoration and Basic Hunter Education	15.611		Department of Wildlife Conservation	10,485,414	✖ 641,320
			Fish and Wildlife Cluster Total	<u>17,734,415</u>	<u>✖ ◆ 867,213</u>
Cooperative Endangered Species Conservation Fund	15.615		Department of Wildlife Conservation	106,990	67,170
Clean Vessel Act	15.616		Department of Environmental Quality	20,575	
Enhanced Hunter and Safety Education	15.626		Department of Wildlife Conservation	146,365	

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Partners for Fish and Wildlife	15.631		Conservation Commission	100,000	
	15.631		Department of Wildlife Conservation	287,443	
			Program Total	387,443	-
State Wildlife Grants	15.634		Department of Wildlife Conservation	727,041	526,558
Historic Preservation Fund Grants-In-Aid	15.904		Historical Society	792,205	
Outdoor Recreation - Acquisition, Development and Planning	15.916		Department of Tourism and Recreation	723,463	589,777
National Ground-Water Monitoring Network	15.980		Water Resources Board	31,249	
Water Use and Data Research	15.981		Water Resources Board	21,930	
U.S. Department of the Interior-Subtotal				26,063,566	\$ 2,050,718
U.S. Department of Justice					
Direct and Pass Through Programs:					
Sexual Assault Services Formula Program	16.017		District Attorneys Council	360,100	307,412
Juvenile Accountability Block Grants	16.523		Office of Juvenile Affairs	4,458	
Juvenile Justice and Delinquency Prevention	16.540		Office of Juvenile Affairs	587,055	
Missing Children's Assistance	16.543		State Bureau of Investigation	373,962	
State Justice Statistics Program for Statistical Analysis Centers	16.550		State Bureau of Investigation	32,601	
National Criminal History Improvement Program (NCHIP)	16.554		District Attorneys Council	24,371	24,371
	16.554		State Bureau of Investigation	263,045	
			Program Total	287,416	24,371
Crime Victim Assistance	16.575		District Attorneys Council	24,525,959	20,988,409
	16.575		Medicolegal Investigation Board	38,800	
	16.575		Attorney General	144,475	
	16.575		State Bureau of Investigation	95,859	
			Program Total	24,805,093	20,988,409
Crime Victim Compensation	16.576		District Attorneys Council	2,246,053	2,140,480
Crime Victim Assistance/Discretionary Grants	16.582		District Attorneys Council	89,048	6,705
	16.582		Mental Health and Substance Abuse Services	8,172	
			Program Total	97,220	6,705
Drug Court Discretionary Grant Program	16.585		Mental Health and Substance Abuse Services	467,712	167,836
Violence Against Women Formula Grants	16.588		District Attorneys Council	1,887,734	868,072
	16.588		Attorney General	97,742	
	16.588		Department of Corrections	34,067	
			Program Total	2,019,543	868,072
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		District Attorneys Council	210,163	4,307
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		District Attorneys Council	222,364	95,913
Residential Substance Abuse Treatment for State Prisoners	16.593		District Attorneys Council	7,296	1,409
	16.593		Department of Corrections	173,148	
	16.593		Office of Juvenile Affairs	6,734	
			Program Total	187,178	1,409
Special Data Collections and Statistical Studies	16.734		State Bureau of Investigation	12,467	
PREA Program: Strategic Support for PREA Implementation	16.735		Office of Juvenile Affairs	24,157	
Edward Byrne Memorial Justice Assistance Grant Program	16.738		District Attorneys Council	2,269,754	265,829
	16.738		Department of Corrections	57,159	
			Program Total	2,326,913	265,829

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
DNA Backlog Reduction Program	16.741		State Bureau of Investigation	405,789	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		District Attorneys Council	24,759	14,331
	16.742		State Bureau of Investigation	68,878	
	16.742		Medicolegal Investigation Board	7,207	
			Program Total	100,844	14,331
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		Mental Health and Substance Abuse Services	106,818	
Support for Adam Walsh Act Implementation Grant Program	16.750		Department of Corrections	51,392	
Harold Rogers Prescription Drug Monitoring Program	16.754		Bureau of Narcotics & Dangerous Drugs Control	113,047	
Second Chance Act Reentry Initiative	16.812		Department of Corrections	1,504	
	16.812		Mental Health and Substance Abuse Services	192,437	
			Program Total	193,941	-
NICS Act Record Improvement Program	16.813		State Bureau of Investigation	370,955	
John R. Justice Prosecutors and Defenders Incentive Act	16.816		District Attorneys Council	36,850	33,184
Emergency Planning for Juvenile Justice Facilities	16.823		Office of Juvenile Affairs	8,107	
Justice Reinvestment Initiative	16.827		Mental Health and Substance Abuse Services	120,452	114,016
	16.827		Department of Corrections	240,383	
			Program Total	360,835	114,016
Swift, Certain, and Fair (SCF) Sanctions program: Replicating the Concepts behind Project HOPE	16.828		Department of Corrections	134,034	
U.S. Department of Justice-Subtotal				36,147,067	\$ 25,032,274
U.S. Department of Labor					
Direct and Pass Through Programs:					
Labor Force Statistics	17.002		Employment Security Commission	890,778	
Compensation and Working Conditions	17.005		Department of Labor	31,128	
Employment Service/Wagner-Peyser Funded Activities	17.207		Employment Security Commission	9,994,691	☹
Disabled Veterans' Outreach Program (DVOP)	17.801		Employment Security Commission	1,494,555	☹
Local Veterans' Employment Representative Program	17.804		Employment Security Commission	490,996	☹
			Employment Service Cluster Total	11,980,242	☹ -
Unemployment Insurance	17.225		Employment Security Commission	263,118,835	☹
Senior Community Service Employment Program	17.235		Department of Human Services	1,206,368	1,122,851
Trade Adjustment Assistance	17.245		Employment Security Commission	2,477,680	
Work Opportunity Tax Credit Program (WOTC)	17.271		Employment Security Commission	234,999	
Temporary Labor Certification for Foreign Workers	17.273		Employment Security Commission	69,661	
Consultation Agreements	17.504		Department of Labor	1,178,940	
Mine Health and Safety Grants	17.600		Department of Mines	159,310	
U.S. Department of Labor-Subtotal				281,347,941	\$ 1,122,851
U.S. Department of Transportation					
Direct and Pass Through Programs:					
Airport Improvement Program	20.106		Oklahoma Aeronautics Commission	740,882	
Highway Research and Development Program	20.200		Department of Transportation	565,951	
Highway Planning and Construction	20.205		Department of Transportation	645,530,993	☹ 5,350,444
	20.205		Oklahoma Historical Society	19,936	☹
	20.205	902006	Pass-Through from Cherokee Nation to Department of Transportation	30,600	☹
	20.205	9000000492	Pass-Through from Chickasaw Nation to Department of Transportation	1,375	☹
	20.205	902135 902665 900000413	Pass-Through from Texas Department of Transportation to Department of Transportation	2,668,221	☹
			Program Total	648,251,125	☹ 5,350,444
Recreational Trails Program	20.219		Department of Tourism and Recreation	2,156,306	☹ 1,743,216
			Highway Planning and Construction Cluster Total	650,407,431	☹ ☹ 7,093,660

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Highway Training and Education	20.215		Department of Transportation	439,751	1,740
Motor Carrier Safety Assistance	20.218		Department of Public Safety	4,908,427	
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237		Department of Transportation	610,946	
Federal Transit Capital Investment Grants	20.500		Department of Transportation	(189,979) ✖	(189,979)
Bus and Bus Facilities	20.526		Department of Transportation	4,266,521 ✖	4,100,210
			Federal Transit Cluster Total	4,076,542 ✖	3,910,231
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		Department of Transportation	736,199	718,127
Formula Grants for Rural Areas	20.509		Department of Transportation	13,732,247	12,942,243
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Department of Human Services	1,508,717 ✖	
			Transit Services Programs Cluster Total	1,508,717 ✖	-
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528		Department of Transportation	74,720	
Cost Reimbursement Contract - National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		Department of Public Safety	64,640	
State and Community Highway Safety	20.600		Department of Transportation	49,664 ✖	
	20.600		Mental Health and Substance Abuse Services	68,891 ✖	
	20.600		Department of Public Safety	4,377,445 ✖	4,318,228
			Program Total	4,496,000 ✖	4,318,228
National Priority Safety Programs	20.616		Department of Public Safety	3,716,236 ✖	3,203,651
	20.616		State Bureau of Investigation	168,107 ✖	
	20.616		Mental Health and Substance Abuse Services	35,562 ✖	
	20.616		District Attorneys Council	142,808 ✖	
			Program Total	4,062,713 ✖	3,203,651
			Highway Safety Cluster Total	8,558,713 ✖	7,521,879
Cost Reimbursement Contract - Pipeline Safety Program State Based Grant	20.700		Corporation Commission	1,667,548	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		Department of Emergency Management	256,512	256,512
U.S. Department of Transportation- Subtotal				688,349,226	\$ 32,444,392
General Services Administration					
Direct and Pass Through Programs:					
Donation of Federal Surplus Personal Property	✖ 39.003		Office of Management and Enterprise Services-DCAM	1,441,493	
General Services Administration-Subtotal				1,441,493	\$ -
National Foundation on the Arts and the Humanities					
Direct and Pass Through Programs:					
Promotion of the Arts - Partnership Agreements	45.025		State Arts Council	730,000	
Grants to States	45.310		Department of Libraries	2,112,351	422,859
National Foundation on the Arts and the Humanities-Subtotal				2,842,351	\$ 422,859
National Science Foundation					
Direct and Pass Through Programs:					
Education and Human Resources	47.076	14-2-1203355-94814	Pass-Through-from University of Tulsa to Dept. of Career & Tech Ed.	20,047	
Office of International Science and Engineering	47.079	EPSCoR-2013-14	Pass-Through-from OK State University to Dept. of Career & Tech Ed.	3,996	
National Science Foundation-Subtotal				24,043	\$ -

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
U.S. Small Business Administration					
Direct and Pass Through Programs:					
State Trade Expansion	59.061		Department of Commerce	22,450	-
U.S. Small Business Administration-Subtotal				<u>22,450</u>	<u>\$ -</u>
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	1,151,427	
Veterans State Nursing Home Care	64.015		Department of Veterans Affairs	91,790,517	
All-Volunteer Force Educational Assistance	64.124		Department of Veterans Affairs	519,975	
U.S. Department of Veterans Affairs-Subtotal				<u>93,461,919</u>	<u>\$ -</u>
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	407,361	
State Clean Diesel Grant Program	66.040		Department of Environmental Quality	16,083	
Multipurpose Grants to States and Tribes	66.204	OK292PT2928133717	Pass-Through from Sec. of Energy & Enviro. to Dept of Enviro. Quality	38,032	
Water Pollution Control State, Interstate and Tribal Program Support	66.419	OK292PT2928126216/218	Pass-Through from Sec. of Energy & Enviro. to Dept of Enviro. Quality	1,974,828	
	66.419	OK292PT8358131617/717	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	572,846	
			Program Total	<u>2,547,674</u>	<u>-</u>
State Underground Water Source Protection	66.433		Corporation Commission	168,979	
Water Quality Management Planning	66.454	OK292PT8358133417	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	83,405	
Capitalization Grants for Clean Water State Revolving Funds	66.458		Water Resources Board	5,959,067	-
			Clean Water State Revolving Fund Cluster Total	5,959,067	-
Nonpoint Source Implementation Grant	66.460	OK292PT6458130016/1317	Pass-Through from Secretary of Environment (DEQ) to Conservation Commission	3,204,226	
Regional Wetland Program Development Grant	66.461	OK292PT6458129516/616	Pass-Through from Sec. of Energy & Environment (DEQ) to Conservation Commissic	45,052	
	66.461	OK292PT8358133817	Pass-Through from Sec. of Energy & Environment to Water Resources Board	53,019	
			Program Total	<u>98,071</u>	<u>-</u>
Capitalizatin Grants for Drinking Water State Revolving Fund	66.468		Department of Environmental Quality	15,130,820	-
			Drinking Water State Revolving Fund Cluster Total	15,130,820	-
Performance Partnership Grants	66.605		Department of Environmental Quality	3,814,811	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		Water Resources Board	43,954	
Consolidated Pesticide Enforcement Cooperative Agreements	66.700		Department of Agriculture	423,445	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		Department of Labor	183,486	
Pollution Prevention Grants Program	66.708		Department of Environmental Quality	49,652	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		Department of Environmental Quality	4,579,724	
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		Corporation Commission	459,000	
Leaking Underground Storage Tank Trust Fund					
Corrective Action Program	66.805		Corporation Commission	808,000	
Brownfield Pilots Cooperative Agreements	66.811		Department of Commerce	161,968	

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
State and Tribal Response Program Grants	66.817		Corporation Commission	195,525	
	66.817		Department of Environmental Quality	391,432	
			Program Total	586,957	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		Department of Environmental Quality	315,581	
U.S. Environmental Protection Agency-Subtotal				39,080,296	\$ -
U.S. Department of Energy					
Direct and Pass Through Programs:					
State Energy Program	81.041		Department of Commerce	347,857	128,265
Weatherization Assistance for Low-Income Persons	81.042		Department of Commerce	2,426,165	2,247,310
U.S. Department of Energy-Subtotal				2,774,022	\$ 2,375,575
U.S. Department of Education					
Direct and Pass Through Programs:					
Adult Education - Basic Grants to States	84.002		Department of Corrections	271,824	
	84.002		Department of Career & Technology Education	7,034,275	6,141,087
			Program Total	7,306,099	6,141,087
Title I Grants to Local Educational Agencies	84.010		Department of Education	166,544,488	164,862,511
	84.010		Office of Juvenile Affairs	181,748	
			Program Total	166,726,236	164,862,511
Migrant Education State Grant Program	84.011		Department of Education	1,252,496	1,074,427
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		Department of Education	(269,287)	
	84.013		Department of Corrections	(649)	
	84.013		Office of Juvenile Affairs	133,497	
			Program Total	(136,439)	-
Special Education Grants to States	84.027		Department of Education	145,333,852	131,314,608
	84.027		Office of Juvenile Affairs	33,850	
	84.027		Department of Corrections	2,253	
			Program Total	145,369,955	131,314,608
Special Education Preschool Grants	84.173		Department of Education	3,222,585	3,136,169
			Special Education Cluster (IDEA) Total	148,592,540	134,450,777
Career and Technical Education - Basic Grants to States	84.048		Department of Career & Technology Education	14,789,007	12,995,443
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		Department of Rehabilitation Services	38,763,785	
Migrant Education Coordination Program	84.144		Department of Education	101,164	
Rehabilitation Services Client Assistance Program	84.161		Office of Disability Concerns	118,675	-
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		Department of Rehabilitation Services	342,268	
Special Education Grants for Infants and Families	84.181		Department of Education	273,356	
	84.181		State Department of Health	917,926	
			Program Total	1,191,282	
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	761,404	756,926
Javits Gifted and Talented Students Education	84.206		Department of Education	48,837	
Twenty-First Century Community Learning Centers	84.287		Department of Education	11,617,402	11,005,486
Special Education - State Personnel Development Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.323		Department of Education	691,358	
	84.330		Department of Education	21,409	

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Rural Education	84.358		Department of Education	3,929,886	3,772,517
English Language Acquisition State Grants	84.365		Department of Education	4,874,363	4,738,258
Mathematics and Science Partnerships	84.366		Department of Education	1,424,634	1,405,004
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		Department of Education	17,154,790	16,720,349
Grants for State Assessments and Related Activities	84.369		Department of Education	5,401,652	
Comprehensive Literacy Development	84.371		Department of Education	1,308,056	1,173,783
School Improvement Grants	84.377		Department of Education	4,771,223	4,525,422
Performance Partnership Pilots for Disconnected Youth	84.420		Department of Human Services	200,850	94,287
Student Support and Academic Enrichment Program	84.424		Department of Education	52,306	
U.S. Department of Education-Subtotal				<u>431,605,283</u>	<u>\$ 363,716,277</u>
National Archives and Records Administration					
Direct and Pass Through Programs:					
National Historical Publications and Records Grants	89.003		Department of Libraries	<u>63,248</u>	<u>20,056</u>
National Archives and Records Administration - Subtotal				<u>63,248</u>	<u>\$ 20,056</u>
U.S. Election Assistance Commission					
Direct and Pass Through Programs:					
Help America Vote Act Requirements Payments	90.401		State Election Board	1,272,653	
U.S. Election Assistance Commission - Subtotal				<u>1,272,653</u>	<u>\$ -</u>
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	55,658	55,091
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042		Department of Human Services	192,295	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043		Department of Human Services	176,040	165,142
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		Department of Human Services	4,661,351	4,466,742
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		Department of Human Services	8,202,836	7,893,644
Nutrition Services Incentive Program	93.053		Department of Human Services	2,002,869	1,965,323
			Aging Cluster Total	<u>14,867,056</u>	<u>14,325,709</u>
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048		Department of Human Services	31,229	
	93.048		Oklahoma Insurance Department	278,110	
			Program Total	<u>309,339</u>	<u>-</u>
National Family Caregiver Support, Title III, Part E	93.052		Department of Human Services	1,620,766	1,536,888
Public Health Emergency Preparedness	93.069		State Department of Health	178,693	
Medicare Enrollment Assistance Program	93.071		Oklahoma Insurance Department	161,982	
	93.071		Department of Human Services	180,221	
			Program Total	<u>342,203</u>	<u>-</u>
Lifespan Respite Care Program	93.072		Department of Human Services	89,483	
Birth Defects and Developmental Disabilities	93.073		State Department of Health	296,878	
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreement	93.074		State Department of Health	8,829,356	2,421,268
	93.074		Mental Health and Substance Abuse Services	626	
			Program Total	<u>8,829,982</u>	<u>2,421,268</u>

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		State Department of Health	57,759	
Enhance Safety of Children Affected by Substance Abuse	93.087		Mental Health and Substance Abuse Services	478,741	368,247
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		State Department of Health	600,252	455,131
Food and Drug Administration - Research	93.103		Department of Agriculture	379,490	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		Mental Health and Substance Abuse Services	3,056,044	2,444,815
Maternal and Child Health Federal Consolidated Programs	93.110		State Department of Health	92,097	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		State Department of Health	528,947	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		State Department of Health	176,406	
Injury Prevention and Control Research and State and Community Based Programs	93.136		State Department of Health	1,713,404	170,561
	93.136		Narcotics & Dangerous Drugs Control	505,623	
			Program Total	2,219,027	170,561
Projects for Assistance in Transition from Homelessness (PATH)	93.150		Mental Health and Substance Abuse Services	519,115	257,459
Family Planning - Services	93.217		State Department of Health	3,724,926	1,160,816
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	87,851	
Traumatic Brain Injury State Demonstration Grant Program	93.234		State Department of Health	(98)	
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235		State Department of Health	939,797	474,871
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		State Department of Health	636,378	49,177
	93.243		Mental Health and Substance Abuse Services	10,134,351	7,385,112
	93.243		Department of Human Services	2,579	
			Program Total	10,773,308	7,434,289
Universal Newborn Hearing Screening	93.251		State Department of Health	180,140	
Immunization Cooperative Agreements	93.268	❖	State Department of Health	61,538,087	317,024
Viral Hepatitis Prevention and Control	93.270		State Department of Health	324,005	
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		State Department of Health	(46,126)	
National State Based Tobacco Control Programs	93.305		State Department of Health	966,734	400,705
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314		State Department of Health	152,917	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		State Department of Health	1,430,479	
State Health Insurance Assistance Program	93.324		Oklahoma Insurance Department	554,599	
Behavioral Risk Factor Surveillance System	93.336		State Department of Health	50,531	
ACL Independent Living State Grants	93.369		Department of Rehabilitation Services	276,444	
Pregnancy Assistance Fund Program	93.500		State Department of Health	325,448	56,037
Affordable Care Act (ACA) - Maternal, Infant and Early Childhood Home Visiting Program	93.505		State Department of Health	1,039,327	❖
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870		State Department of Health	4,564,175	❖
			Maternal, Infant, and Early Childhood Home Visiting Cluster Total	5,603,502	❖ ❖
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	666,696	
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	(121,623)	

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Promoting Safe and Stable Families	93.556		Department of Human Services	4,249,553	718,788
	93.556		Office of Juvenile Affairs	244,950	
	93.556		Mental Health and Substance Abuse Services	84,057	
			Program Total	4,578,560	718,788
Temporary Assistance for Needy Families	93.558		Department of Human Services	37,459,392	2,702,772
	93.558		Department of Career & Technology Education	2,578,410	
	93.558		Department of Libraries	518,395	
	93.558		Mental Health and Substance Abuse Services	3,986,455	
			TANF Cluster Total	44,542,652	2,702,772
Child Support Enforcement	93.563		Department of Human Services	27,680,372	902,379
	93.563		District Attorneys Council	2,946,856	
			Program Total	30,627,228	902,379
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		Department of Human Services	672,349	455,881
Low-Income Home Energy Assistance	93.568		Department of Human Services	31,099,827	
	93.568		Department of Commerce	2,318,961	2,248,441
			Program Total	33,418,788	2,248,441
Community Services Block Grant	93.569		Department of Commerce	8,261,601	7,871,097
Child Care and Development Block Grant	93.575		Department of Human Services	65,573,287	1,341,917
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		Department of Human Services	54,384,035	
			CCDF Cluster Total	119,957,322	1,341,917
State Court Improvement Program	93.586		Supreme Court	507,978	
Community-Based Child Abuse Prevention Grants	93.590		State Department of Health	644,436	309,381
Grants to States for Access and Visitation Programs	93.597		Department of Human Services	118,014	
Chafee Education and Training Vouchers Program (ETV)	93.599		Department of Human Services	1,015,325	
Head Start	93.600		Department of Commerce	221,110	221,110
Adoption and Legal Guardianship Incentive Payments	93.603		Department of Human Services	3,875,107	
Developmental Disabilities Basic Support and Advocacy Grants	93.630		Department of Human Services	1,024,023	
Children's Justice Grants to States	93.643		Department of Human Services	170,233	
Stephanie Tubbs Jones Child Welfare Services Program	93.645		Department of Human Services	697,283	
Child Welfare Research Training or Demonstration	93.648		Department of Human Services	316,929	
Adoption Opportunities	93.652		Department of Human Services	755,952	174,027
Foster Care Title IV-E	93.658		Department of Human Services	69,019,955	3,360,895
	93.658		Office of Juvenile Affairs	111,076	
	93.658		Oklahoma Commission on Children and Youth	424,461	
			Program Total	69,555,492	3,360,895
Adoption Assistance	93.659		Department of Human Services	67,692,683	
Social Services Block Grant	93.667		Department of Human Services	33,643,212	
Child Abuse and Neglect State Grants	93.669		Department of Human Services	1,115,300	
			Pass-Through from Administration for Children and Families to Mental Health and Substance Abuse Services	4,720	
Child Abuse and Neglect Discretionary Activities	93.670	90CA1854			
Family Violence Prevention and Services/Domestic Violence					
Shelter and Supportive Services	93.671		Attorney General	1,380,776	1,341,797
Chafee Foster Care Independence Program	93.674		Department of Human Services	3,619,088	1,857,111
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	93.735		State Department of Health	212,965	
PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		State Department of Health	181,436	

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753		State Department of Health	288,910	
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757		State Department of Health	1,717,004	
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		State Department of Health	1,145,905	76,977
	93.758		Narcotics & Dangerous Drugs Control	66,231	
			Program Total	1,212,136	76,977
PPHF- Cooperative Agreements to Implement the National Strategy for Suicide Prevention (Short Title: National Strategy Grants)	93.764		Mental Health and Substance Abuse Services	297,296	80,930
Children's Health Insurance Program	93.767		Health Care Authority	219,884,315	
	93.767		Mental Health and Substance Abuse Services	77,255	
			Program Total	219,961,570	
Medicare Hospital Insurance	93.773		State Department of Health	572,470	
State Medicaid Fraud Control Units	93.775		Attorney General	1,711,214	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		State Department of Health	5,853,457	
Medical Assistance Program	93.778		Office of Juvenile Affairs	146,898	
	93.778		Health Care Authority	2,784,417,959	
	93.778		State Department of Health	5,476,005	
	93.778		Department of Human Services	55,314,770	
	93.778		Mental Health and Substance Abuse Services	715,701	
			Program Total	2,846,071,333	-
			Medicaid Cluster Total	2,853,636,004	-
Oploid STR	93.788		Mental Health and Substance Abuse Services	5,880,619	2,515,829
Money Follows the Person Rebalancing Demonstration	93.791		Health Care Authority	1,319,691	
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796		Health Care Authority	4,930,602	
	93.796		State Department of Health	5,126,188	
			Program Total	10,056,790	-
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815		State Department of Health	119,187	
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		State Department of Health	76,046	
Section 223 Demonstration Programs to Improve					
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		State Department of Health	1,564,804	
HIV Care Formula Grants	93.917		State Department of Health	2,643,898	363,898
Grants to Provide Outpatient Early Intervention Services to	93.918		State Department of Health	41,660	
HIV Prevention Activities Health Department Based Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.940		State Department of Health	1,930,691	112,271
Assistance Programs for Chronic Disease Prevention and Control	93.944		State Department of Health	181,968	
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.945		State Department of Health	418,265	
Block Grants for Community Mental Health Services	93.946		State Department of Health	157,020	
	93.958		Mental Health and Substance Abuse Services	5,867,764	1,183,998
Block Grants for Prevention and Treatment of Substance Abuse	93.959		Mental Health and Substance Abuse Services	15,578,696	3,658,417
	93.959		State Department of Health	6,238	
			Program Total	15,584,934	3,658,417

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		State Department of Health	1,084,583	
Maternal and Child Health Services Block Grant to the States	93.994		State Department of Health	1,854,740	1,253,055
	93.994		J.D. McCarty Center	41,438	
	93.994		Department of Human Services	2,067,853	
			Program Total	3,964,031	1,253,055
Assisted Outpatient Treatment	93.997		Mental Health and Substance Abuse Services	980,935	598,654
Cost Reimbursement Contracts:					
Implementation Alcohol/Drug Data Collection	93.UNK		Mental Health and Substance Abuse Services	33,800	
Client Level Projects	93.UNK		Mental Health and Substance Abuse Services	77,327	
U.S. Department of Health and Human Services-Subtotal				3,680,973,853	\$ 67,564,182
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	132,376	
Corporation for National and Community Service-Subtotal				132,376	\$ -
Executive Office of the President					
Cost Reimbursement Contract: High Intensity Drug Trafficking Areas Program					
Executive Office of the President-Subtotal	95.001		Narcotics & Dangerous Drugs Control	58,973	
				58,973	\$ -
Social Security Administration					
Direct and Pass Through Programs:					
Social Security - Disability Insurance	96.001		Department of Rehabilitation Services	43,966,865	
			Disability Insurance/SSI Cluster Total	43,966,865	-
Social Security Administration-Subtotal				43,966,865	\$ -
U.S. Department of Homeland Security					
Direct and Pass Through Programs:					
Boating Safety Financial Assistance	97.012		Department of Public Safety	1,506,656	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		Department of Emergency Management	109,583	
	97.023		Water Resources Board	319,083	
			Program Total	428,666	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		Department of Emergency Management	58,063,606	50,180,424
	97.036		Department of Transportation	352,651	
	97.036		Department of Tourism and Recreation	417,310	-
			Program Total	58,833,567	50,180,424
Hazard Mitigation Grant	97.039		Department of Emergency Management	8,213,040	8,213,040
National Dam Safety	97.041		Water Resources Board	356,335	
Emergency Management Performance Grants	97.042		Department of Emergency Management	7,314,116	2,166,913
Cooperating Technical Partners	97.045		Water Resources Board	455,949	
Fire Management Assistance Grant	97.046		Department of Emergency Management	40,269	40,269
Pre-Disaster Mitigation	97.047		Department of Emergency Management	3,779,688	3,779,688
State Homeland Security Program (SHSP)	97.073		Department of Transportation	681	
	97.073		Department of Public Safety	2,551,492	2,490,688
	97.073		State Bureau of Investigation	306,030	
	97.073		Conservation Commission	32,422	
			Program Total	2,889,944	2,490,688
Disaster Assistance Project	97.088		Department of Emergency Management	987,352	
U.S. Department of Homeland Security-Subtotal				84,806,263	\$ 66,871,022

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
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	<u>118,972</u>	
U.S. Drug Enforcement Administration-Subtotal				<u>118,972</u>	<u>\$ -</u>
Total Federal Assistance				<u>6,797,427,355</u>	<u>\$ 906,395,845</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, 2018

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, 2018. 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, 2018. The schedule reports total federal award expenditures and expenses for each federal program as identified in the Catalog of Federal Domestic Assistance (CFDA). Federal awards without identified CFDA numbers have been identified as "Unknown" (UNK).

Federal financial awards include federal financial assistance and federal cost-reimbursement contracts. Federal financial assistance may be defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, food commodities, interest subsidies, insurance or direct appropriations, but does not include direct federal cash assistance to individuals. Non-monetary federal assistance including surplus property, food stamps and food commodities is reported in the schedule. Solicited contracts between the state and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Food and commodity distributions on the accompanying schedule are valued using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The food stamp issuance amount included in the accompanying schedule is stated at the value of food stamps redeemed. Donated federal surplus property is included in the schedule at a percentage of the federal government acquisition cost.

The scope of the schedule includes expenditures made by state primary recipients. The determination of when a federal award is expended is based on when the activity related to the federal award occurs. Generally, the activity pertains to events that require the state agency to comply with federal statutes, regulations, and the terms and conditions of federal awards. With reference to the primary government, the primary recipient expenditures are not adjusted for sub-recipient expenditures.

Notes to the Schedule of Expenditures of Federal Awards

Certain federal expenditure transactions may appear in the records of more than one state agency. To avoid duplication and overstatement of the aggregate level of federal expenditures by the State of Oklahoma, the following policies have been adopted:

- When monies are received by one state agency and distributed to another state agency, the federal expenditures are attributed to the state agency that actually expends the funds.
- When purchases of provider services between two state agencies occurs, the federal funds are normally recorded as expenditures on the purchasing state agency's records and provider service revenues on the records of the state agency rendering the services. Therefore, the receipt of federal funds related to provider services will be attributed to the purchasing agency which is the primary receiving/expending state agency.

Major programs are defined by levels of expenditures and expenses and risk assessments established in the Uniform Guidance.

C. Basis of Accounting

The accompanying schedule, in general, reports expenditures of the primary government in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that governmental funds report revenue and expenditures using the modified accrual basis of accounting as described in the Comprehensive Annual Financial Report. The modified accrual basis of accounting recognizes expenditures and expenses when liquidated with current resources. The Oklahoma Department of Wildlife Conservation uses the accrual basis of accounting that recognizes expenditures when incurred.

Note 2. State Unemployment Insurance Fund

Expenditures for unemployment insurance (CFDA#17.225) include state unemployment insurance (UI) funds as well as federal UI funds. The state portion of UI funds amounted to \$224,889,702. The federal portion of UI funds amounted to \$37,965,215.

Note 3. Cost Recovery of Federal Program Expenditures

During fiscal year 2018, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$19,856,883 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 246.16(a) 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 \$233,000 were in suspense at June 30, 2018, and once the modified contracts are approved by the U.S. Department of Transportation an estimated 100% will be considered available.

Note 4. Indirect Cost Rate

Per Uniform Guidance 2 CFR § 200.510(b)(6), agencies are required to disclose whether or not they elect to use the 10 percent de minimis cost rate that 2 CFR § 200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate. Below is a table indicating whether the agency has elected to use the 10 percent de minimis cost rate or not:

Notes to the Schedule of Expenditures of Federal Awards

<u>Yes</u>	<u>No</u>
Office of Management and Enterprise Services	Military Department
Oklahoma State Bureau of Investigation	Attorney General
	Oklahoma Arts Council
	Oklahoma Aeronautics Commission
	Department of Mines
	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
	Office of Disability Concerns
	Medicolegal Investigation Board
	Transportation Department
	Oklahoma Space Industry Dev Authority
	Oklahoma Historical Society
	Office of Juvenile Affairs
	Department of Libraries
	Narcotics/Dangerous Drugs Control
	Ctr for Advancement of Science/Technology
	J.D. McCarty Center
	Supreme Court
	Oklahoma Tax Commission
	Oklahoma Health Care Authority
	Department of Human Services
	Veterans Affairs Department

Note 5. Audits Provided by Auditors Other Than Principal Auditor

Audits provided by auditors other than the principal auditor include:

Oklahoma Department of Commerce
Oklahoma Department of Wildlife Conservation

Several programs were identified as major and audited as such in the separate single audits of these entities. The schedule separately identifies programs that were audited as major programs by independent auditors of entities.

Note 6. Department of Transportation Federal Soft Match Provision

Beginning in the year 1992, the Oklahoma Department of Transportation began using the "soft match" provision of the Inter-modal Surface Transportation Efficiency Act, which allows the maintenance and construction cost of toll facilities that serve interstate commerce to be used in lieu of state matching funds. Annually, dollars spent for major maintenance (reconstruction) of turnpikes or new construction may be added to the amount of soft match credit available for use as state match. The state's share of expenditures is deducted from the available soft match amount. Federal money would then fund 100 percent of the project from the amount that had previously been apportioned for Oklahoma's highway projects.

Notes to the Schedule of Expenditures of Federal Awards

The Department utilized \$50,246,512 of the soft match provision for projects billed during fiscal year 2018. 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 (FHWA) for each project is an estimate during the course of the project. The actual amount of soft match utilized for a particular project is not determinable until the project is final and the final reconciliation and billing has been submitted to FHWA.

Note 7. Department of Health HIV Care Rebates

Although federal expenditures for CFDA #93.917 - HIV Care Formula Grants are minimal, this program also receives drug rebates to help administer the program. These rebates are not considered federal expenditures however they must be restricted and spent in accordance with applicable federal grant requirements. After considering these drug rebates, the Oklahoma State Department of Health expended \$20,318,535 during 2018 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 2018**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
18-090-008	CAFR – Governmental Activities & General Fund	<p>State law and accounting policies require agency (component unit) financial statements be reported to OMES by October 31 each year. The purpose is to allow OMES 60 days to issue the state's Comprehensive Accounting Financial Report (CAFR). OMES streamlines the preparation of the CAFR by presenting the State Auditor and Inspector information as soon as the entries are made realizing that formal compilation and review is ongoing.</p> <p>If preliminary data is not submitted until after the CAFR is complete, the timeframe for the completion, review and audit of the CAFR would be compressed significantly. OMES management concurs that this process is not ideal but has historically found it necessary to meet the deadlines of presenting the CAFR. The short time frame for preparation of the CAFR is compounded by agencies that routinely miss the October deadline for reporting their information.</p> <p>OMES management will expand interim reviews providing more accuracy of preliminary information. OMES management will add a financial preparer so the manager can focus on review activities. OMES management recommends the state allow OMES to impose a penalty to agencies that do not submit their information timely causing for untimely reviews and delays in the CAFR preparation.</p>	06/30/2019	Matt Clarkson

JOY HOFMEISTER
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

**OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-010	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>For the majority of student graduation records (approximately 80% in SY 2018), documentation for students exiting a cohort due to transferring to another diploma-issuing institution already exists via the receiving Oklahoma public school reporting the enrollment directly to OSDE. Thus, a process for verifying documentation of students exiting from a school's cohort currently exists for the overwhelming majority of students.</p> <p>OSDE is committed to ever-improving data quality and accuracy. For this reason, the Office of Accountability has developed a yearly report for the Regional Accreditation Officers (RAOs) that identifies all students who are exited from a cohort and do not have documentation via an enrollment record from OSDE's data system, beginning with the 2018 cohort. When the RAOs conduct their spring audit in April/May, the RAOs will verify the documentation for a sample of the students, not to be below 10% of the number of students identified.</p> <p>If OSDE determines that a school is not maintaining appropriate documentation for a student prior to exiting a student from the cohort, OSDE will insert the students lacking documentation back into the cohort prior to the reporting of the graduation rate.</p>	June 1, 2019	Maria Harris

JOY HOFMEISTER
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

**OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-014	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>These processes have been implemented in the 2018-2019 school year.</p> <p>To ensure all LEA's funds subject to the 15% carryover requirements of Title I, Part A are adequately reviewed, tracked, and released, the Office of Federal Programs (OFP) has done the following:</p> <ol style="list-style-type: none"> 1. Created 2 reports in the Grants Management System (GMS) to indicate the LEAs which are subject to the carryover limitation: <ol style="list-style-type: none"> a) One report includes all LEAs and displays their current year allocation. b) One report includes only LEAs whose current year allocation is greater than \$50,000 and are subject to the 15% carryover limitation. 2. Assigned a second OFP reviewer to verify that LEAs subject to the carryover limitation were adequately identified, and to verify excess carryover calculations. 3. Established an internal date range (January-March), to ensure OFP releases in a timely manner excess carryover funds from LEAs who did not liquidate the excess funds within the period of performance. 4. Established procedures which ensure that excess funds were released in the appropriate amount from the LEAs who did not liquidate the excess funds within the period of performance. 	December 2018	Gloria Bayouth

JOY HOFMEISTER
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

**OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-015	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); 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 FY18 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 FY18 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 FY18 Consolidated Monitoring Tool the processes to correct budgets and expenditure reports due to supplanting violations.• required the LEAs to upload in the FY19 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).	July 1, 2018	Gloria Bayouth

JOY HOFMEISTER
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

**OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-016	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	OSDE has developed agency policy and procedures to: <ul style="list-style-type: none">• Define the criteria used to determine if a school has significantly expanded (addition of grade level, addition of major curriculum area, etc.).• Track the date the OSDE Accreditation department first receives notice that a charter school is newly opening or significantly expanding to ensure that allocations are adjusted in a timely manner.• After receiving student counts from Child Nutrition division, OFP will follow-up on any allocations which are required to be adjusted on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year.• OFP created an internal control spreadsheet to ensure proper supporting documentation is maintained for any determinations or allocations of new or significantly expanding charter schools.	March 2019	Gloria Bayouth

JOY HOFMEISTER
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

**OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-017	84.010 Title I Grants to Local Educational Agencies (LEAs)	OSDE has developed procedures and created a control spreadsheet in alignment with the Fiscal, Non-Regulatory Guidance from USDE to properly calculate the correct hold harmless amount for new or significantly expanding charter schools.	March 2019	Gloria Bayouth

JOY HOFMEISTER
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

**OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-019	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>OSDE recognizes the importance of implementing adequate controls to track the review of Academic Assessment Monitoring Program (AAMP) documentation and have revised both the Monitoring Progress (or 2019 Monitoring Status) Spreadsheet and the Desk Monitoring and On-site Monitoring Checklists as follows:</p> <ol style="list-style-type: none">1. 2019 Monitoring Status Spreadsheet: inclusion of the date that the desk and on-site monitoring checklists are completed by OSDE staff, the date the desk and on-site monitoring checklists are reviewed, the date the compliance letter is sent to the district, recipients of the AAMP Status Determination Letter, and the monitoring status outcome .2. Desk Monitoring and On-site Monitoring Checklists: addition of the electronic signature and date the OSDE employee completed the checklist documentation review, the status of compliance, and the name and date of the OSDE staff member who reviews the completed checklist.	September 30, 2019	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
2018-030	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	<p>OSDE has written procedures in place that are required to be followed by all reviewers, to ensure the consolidated monitoring tool and the monitoring logs for FY19 are adequately documented, correctly completed, and reviewed appropriately.</p> <p>Starting with FY19, OSDE required all LEAs to submit the Schoolwide and Targeted Assistance Plans for all Title I schools via the Grants Management System (GMS). The plans are monitored by OSDE reviewers throughout the year, and are not collected through the Consolidated Monitoring process.</p>	July 1, 2018	Gloria Bayouth

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-033	10.553; 10.555; 10.556 & 10.559 Child Nutrition Cluster	<p>USDA maintains an Administrative Review (AR) process that is in tremendous detail and very intense. AR instructions for completion are included in documents that the monitors all maintain on-site during the week long process. Myriads of documents obtained at the SFA are examined including the required percentage of Family Size and Income applications (four pages, printed front-to-back) (which could be as many as 599 applications) as stated in the guidance for completing the instrument. The following steps are taken as part of the AR process to ensure that there are adequate controls and supervision in place during review at the site.</p> <ul style="list-style-type: none"> • All new monitoring staff do not go out on ARs unless accompanied by senior staff. New staff are not released to complete ANY ARs unaccompanied until approved to do so by the supervisor of all field staff. This may take plus or minus two years. • Various times during the year, the supervisor of field staff accompanies those staff members to validate that the AR is being conducted as required per USDA guidelines. When the supervisor accompanies the field staff, she is also actively monitoring and even assisting during the entire review process. This allows the supervisor to evaluate and verify the tests performed by the reviewer and determine if they are accurate and if the conclusions are valid. • Should any field staff member encounter issues with unusual scenarios, they call or email the supervisor to discuss the procedures at that very time it arises. Issues are dealt with on a case-by-case basis. • Mandatory training for the Administrative Review process and any updates is conducted each May during the annual Spring Staff Meeting to prepare all 16 field staff for that process for the coming year. • All ARs, whether for School Food Authorities, Summer Food Service Program participants or Child Care and Family Day Care Home sponsors, go 	October 1, 2020	Debbie Hamilton

		<p>through a complete desk audit upon the arrival of the completed review into the State Agency for finalizing and sending closure or follow-up letters to the entities.</p> <p>Third bullet under “Conditions and Contest” above: These are all done as they are part of the Resource Management portion of the Administrative Review. Instructions say if the SFA is not charging the amount that the PLE reflects, non-federal funds must cover the difference. This validation is completed during the review.</p> <p>To address the issue of “<i>maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the Admin Review or the SFSP review ...and confirm the consultant's conclusions were valid,</i>” see attached documents including:</p> <ol style="list-style-type: none"> 1. Pages 294 and 295 of the 2 CFR PART 200, APPENDIX XI, COMPLIANCE SUPPLEMENT, APRIL 2017, under Suggested Audit Procedures: specifically for Family Size and Income Guidelines published by FNS. The guidance requires that the sampling be verified to see the process was performed correctly and that changes were made to the eligibility status as needed according to documents received from families. 2. Email dated 12/14/18, clarifying discussion concerning documentation required for the Administrative Review process. As stated in the highlighted verbiage: FNS does not require State agencies to include documentation to prove validation of questions where further explanations comments and/or attachments are not required per the AR tools and when the SFA is in compliance. <p>The 3-month operating balance testwork as part of the School Food Account was not being monitored annually per email from Southwest Regional USDA office because it was monitored during the AR. After further clarification from the SWRO this annual monitoring will resume effective immediately. SFAs with an excess 3-month operating balance will receive letters requesting documentation on how excess balances were spent. These letters will be mailed 3/25/2019.</p> <p>The Benefit Issuance under Eligibility for SFSP Sponsor reviews applies only for Camps and Closed Sites.</p> <p>As a means to help ensure the other items noted in this audit are in place, more in-depth training on the actual process of the review will be implemented. Training for the SFSP monitors will be more intense to ensure compliance as well. Additionally, for future audits, Child Nutrition staff will work with the auditors and the SFAs to obtain documentation from the SFAs that are critical to conduct test work to the extent it is reasonable, cost effective, can be safeguarded and meets all the data security requirements.</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
2018-034	10.558 Child and Adult Care Food Program	<p>USDA maintains an Administrative Review process that is in tremendous detail and very intense. AR instructions for completion are included in documents the monitors all maintain on-site during the process. Documents are obtained and examined at the center or sponsor locations including the required percentage of Family Size and Income applications (four pages, printed front-to-back) as stated in the guidance for completing the monitoring instrument.</p> <p>Training for the Administrative Review process is conducted each May during the annual Spring Staff Meeting to prepare for that process. Staff turnover <u>could</u> be attributed to a very small part of the issues noted above, but very little. All Administrative Reviews, whether for School Food Authorities, Summer Food Service Program participants or Child Care and Family Day Care Home sponsors, go through a complete desk audit upon the arrival of the completed review into the State Agency for finalizing and sending closure or follow-up letters to the entities.</p> <p>To address the issue of “<i>maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the Admin Review or the SFSP review ...and confirm the consultant's conclusions were valid,</i>” see attached documents including:</p> <ol style="list-style-type: none"> 1. Pages 294 and 295 of the 2 CFR PART 200, APPENDIX XI, COMPLIANCE SUPPLEMENT, APRIL 2017, under Suggested Audit Procedures: specifically for Family Size and Income Guidelines published by FNS. The guidance requires that the sampling be verified to see the process was performed correctly and that changes were made to the eligibility status as needed according to documents received from families. 2. Email dated 12/14/18, clarifying discussion concerning documentation required for the 	October 1, 2020	Debbie Hamilton

		<p>Administrative Review process. As stated in the highlighted verbiage: FNS does not require State agencies to include documentation to prove validation of questions where further explanations comments and/or attachments are not required per the AR tools and when the SFA is in compliance.</p> <p>As a means to help ensure the other items noted in this audit are in place, more in-depth training on the actual process of the review will be implemented.</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
2018-036	10.553; 10.555; 10.556 & 10.559 Child Nutrition Cluster	<p>Staff turnover in Child Nutrition beginning 6/1/15, included a complete new staff either completely new to the agency or new to the responsibilities of the program now assigned to within Child Nutrition. Nationwide changes to OMB compliance requirements were also put in place in this timeframe. Risk assessment process is currently being developed by Child Nutrition staff with a target date of 10/1/2019.</p> <p>Assessment factors will possibly include:</p> <ol style="list-style-type: none">1. Using overclaims as a percentage of meal errors compared to the number of meals claimed. This flag would then require follow-up review for at least the one area of deficiency.2. Repeat violations of any over claim issues.3. Any SFA that has implemented a Loan Agreement for their Child Nutrition. <p>Others are being developed for implementation as seen necessary by the Child Nutrition staff as a whole.</p>	October 1, 2019	Debbie Hamilton

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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
2018-037	10.558 Child and Adult Care Food Program	Staff turnover in Child Nutrition beginning 6/1/15, included a complete new staff either completely new to the agency or new to the responsibilities of the program now assigned to within Child Nutrition. Nationwide changes to OMB compliance requirements were also put in place in this timeframe. Assessing risk was not at the top of the list of responsibilities. An item in place for the past 4 years is any institution deemed Seriously Deficient (SD) in one Fiscal year automatically receives a review the next fiscal year. Risk assessment process is currently being developed by Child Nutrition staff with a target date to have the process and procedures in place for by 10/1/2019. Additional risk factors are being developed and will be implemented by 10/1/2019.	October 1, 2019	Debbie Hamilton

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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
2018-038	10.558 Child and Adult Care Food Program	<p>USDA Regulations (2CFR 200 subpart (f)) require sub-recipients to send audits no later than 9 months after the close of <u>their</u> FY year.</p> <p>Because of staff turnover, the audit log had not been kept current. As of 1/31/19, notifications have been sent to all sub-recipients to send their audits ASAP.</p> <p>The audit log will be updated to include the date of the end of the subrecipient's fiscal year. A letter will be 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 will also serve as the audit notification letter. 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.</p>	October 1, 2019	Debbie Hamilton

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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
2018-044	84.367 Supporting Effective Instruction State Grant	The office of Accreditation has taken steps to address the issues identified by updating its procedures for reconciliation and verification of reports. The compliance reports are now reviewed by 3 other individuals in addition to the compliance report preparer. In addition, Regional Accreditation Officers (RAOs) have been asked to compile a list of districts that should be receiving deficiencies in a spreadsheet for further double checking. The Alternative Ed compliance report has been updated to make the deficiency allocation crystal clear from the forms. It has been implemented in the current year and will be fully completed in the next school year. SDE continues to work with OMES IT staff to resolve any discrepancies in the reports generated by the Accreditation Application and to ensure that the reports are accurate.	March 2019	Jason Pittenger

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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
2018-048	10.559 Child Nutrition Cluster	<p>USDA Memo SFSP 06-2018 dated May 24, 2018, (see attached) actually rescinded the regulatory policy 7 CFR.9(d) <u>allowing</u> reimbursements not be paid for meals prior to the approval of the sponsor's application. Therefore up until May 24, 2018, state agencies were allowed to reimburse for meals prior to the approval of an application with Regional Office approval.</p> <p>A change in SFSP Coordinator staff member for the 2018 summer program, brought notice of several approval date issues and payment of claims prior to approval for the 2017 season. More training for the SFSP staff is an ongoing process to ensure the approvals being completed by USDA's final deadline of June 15. The Oklahoma deadline for <u>submission</u> is April 30, with USDA Regional approval of that date. In 2018 there were several requests received asking to submit an application after that date. Only 2 were allowed and those were for SFAs wanting to conduct the program during a short summer school session. These were allowed to submit their completed applications after that date as schools are knowledgeable of conducting USDA food programs from the start of a SFSP session. Therefore, from the summer session 2018 forward, these errors have not occurred.</p>	Summer 2018	Debbie Hamilton

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2018-059	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	<p>In FY18, all the Schoolwide Plans in GMS had the ESSA required components. This was an opportunity for all LEAs to complete the Schoolwide Plans via GMS, but it was not a mandate because Schoolwide Plans were monitored via Consolidated Monitoring.</p> <p>In FY19, OSDE required all LEAs to complete the Schoolwide Plans via GMS, therefore ESSA required components are met.</p> <p>In FY18 OSDE had the following homeless set-aside procedures in place:</p> <ol style="list-style-type: none"> 1. LEAs 1% homeless set-aside must remain in the function code 2199 until the end of FY18. OFP reviewers have been trained to manually verify that the proper amount was set-aside for services for homeless students; 2. OSDE assured with the vendor (MTW Solutions) that GMS (Grants Management System) is performing the edit check correctly for the required 1% homeless set-aside for LEAs with non-Title I sites, to include: the current year allocation, any transfers-in, before any transfers-out, and without including carryover funds; 3. OSDE developed a review check list within GMS to be used by OFP reviewers to verify the 1% set-aside, in addition to the GMS edit check; 4. OSDE established periodic trainings with OFP reviewers, to help strengthen knowledge about ESSA statutory requirements for the application review process 	September 2018	Gloria Bayouth

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-078	84.010 Title I Grants to Local Educational Agencies (LEAs);	<p>OFP has developed written procedures to be followed by the Oklahoma State Ombudsman and another assigned staff member who will verify all Equitable Services Packets, the number of students submitted, and the participation of each Private School in the chosen programs. Then, the spreadsheet with numbers of private school children is submitted to the Director of Finance who ensures that all participating private school children are included in the allocation process for each current fiscal year.</p> <p>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.</p> <p>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.</p> <p>In April-May, the Ombudsman sends out the "Equitable Services Survey" to LEAs and nonpublic schools to monitor the services provided to nonpublic students.</p> <p>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.</p>	June 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
2018-080	84.367 Supporting Effective Instruction State Grant	<p>The FY18 Nonpublic Equitable Share amount (current year and carryover) was manually checked by OSDE program reviewers for accurate correlation with the budgeted amount on the Budget page. In addition, 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.</p> <p>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.</p> <p>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>	March 2019	Gloria Bayouth



STATE OF OKLAHOMA
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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
2018-011	97.036 Disaster Grants – Public Assistance	The Oklahoma Department of Emergency Management (OEM) will provide notification to 100% of all subgrantees for Single Audit compliance. OEM Policy Single Audit-001 outlines exactly how OEM is corresponding with subgrantees regarding Single Audit. On October 16, 2018, OEM sent out the Single Audit Notification Form (Policy Single Audit-001) to all 185 Public Assistance non-electric cooperatives sub-grantees for FY18 as well as all 19 electrical cooperatives for FY17 and all 15 electrical cooperatives for FY18. The subgrantees were determined based on data from EMMIE for all open federally declared disasters in Oklahoma. The subgrantee responses are being tracked and stored locally as well as in OK EMGrants. OEM initiated the Single Audit tracking module on EM Grants Pro beginning May 7th, 2018. Additionally, in a FEMA letter dated December 18th, 2018, FEMA considers this finding from FY17 (Finding 2017-028) closed.	10/16/18	Daniel Piltz
2018-012	97.036 Disaster Grants – Public Assistance	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.	4/30/2019	Sandy Henry
2018-013	97.036 Disaster Grants – Public Assistance	OEM will formalize Public Assistance program internal policy to require the tracking and monitoring of subrecipients. A formalized agency subrecipient tracking and Risk Assessment processes to track and monitor subrecipients has been developed and approved per OEM internal policy Risk-001. Risk Assessments and an Annual Monitoring Plan will be formalized based on feedback from FEMA Program staff after a 3/21/2019 subrecipient monitoring visit. Additionally, the payment that appears to be a reimbursement was an advance. As per OEM's FEMA approved Public Assistance Admin Plan, as well as 2 CFR 200.3, OEM can advance funds prior to the request for closeout letter being sent to FEMA.	5/1/2019	Alden Graybill and Michael Teague

		Finally, OEM will obtain a retroactive extension for the projects in question. As a corrective action, OEM has developed State Extension Policy 2018-016B. This policy outlines a process to utilize OEM's grant management system, OK EMGrants. The process includes reporting, notification, and tracking subgrantees needing an extension.		
2018-047	97.036 Disaster Grants – Public Assistance	<p>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 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.</p> <p>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.</p>	10/1/2019	Sandy Henry
2018-057	97.036 Disaster Grants – Public Assistance	OEM will review the current procedures and implement the necessary controls to ensure accurate reporting of total federal expenditures for all SEFA reporting. Additionally, OEM has contracted with Agency Business Services (ABS) for all GAAP reporting.	4/1/2019	Sandy Henry
2018-069	97.036 Disaster Grants – Public Assistance	OEM will develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants. In addition, OEM will develop and implement procedures to ensure management costs for Federal grants are charged according to actual time worked on the grant.	6/30/2019	Sandy Henry

Oklahoma Employment Security Commission



Richard McPherson, Executive Director

Kevin Stitt, Governor

Representing Employers

David Adams, Commissioner
Karen Hudson, Commissioner

Representing the Public

Rachel Hutchings, Chair

Representing Employees

Jim Quillen, Commissioner
Duchess Bartmess, Commissioner

**OKLAHOMA EMPLOYMENT SECURITY COMMISSION
STATE OF OKLAHOMA – SINGLE AUDIT**

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-022	17.225 Unemployment Insurance	OESC has designed a system to ensure compliance with this section of law in order to collect the 25% penalty for all fraudulent overpayments. During a recent test to the new system, the 25% penalty is working properly and will be available with the launch of the new system which is scheduled to launch by the end of June 2019 barring any technical issues with the system.	6/30/2019	Shalonda Sanders
2018-060	17.225 Unemployment Insurance	OESC is a 100% federally funded so payment with State funds is not possible. OESC is working with it's cognizant agency USDOL to seek guidance on this finding.	TBD	Riley Shaul



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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
2018-008	93.767 Children's Health Insurance Program 93.778 Medicaid Cluster	The Oklahoma Health Care Authority had direct communications with our service provider about these deficiencies and their corrective actions during regularly scheduled status meetings. These findings and corrective actions are monitored monthly by the agency Security Governance Committee to ensure actions are taken timely and are appropriate. In addition, the most recent SOC-1 report has been issued with no control issues, indicating these issues have been corrected.	9/1/2017	Josh Richards
2018-023	93.778 Medicaid Cluster	OHCA will continue to monitor member eligibility and implement appropriate system changes and internal controls to ensure appropriate eligibility determinations and closures occur to avoid inappropriate payments. The cases related to death match issues are closed and no further payments will occur. OHCA will continue to audit death matches. OHCA will recoup where appropriate, and will reimburse the Federal share for claims paid during periods of ineligibility.	6/30/2019	Josh Richards
2018-025	93.778 Medicaid Cluster	OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. Regarding these specific findings, the federal share will be returned to CMS.	6/30/2019	Josh Richards
2018-026	93.767 Children's Health Insurance Program	OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. Regarding these specific findings, the federal share will be returned to CMS.	6/30/2019	Josh Richards
2018-027	93.767 Children's Health Insurance Program	Business Enterprise is the system support staff for the business users at OHCA. Within the Business Enterprise Department is the Performance and Electronic Process Unit, which is made up of system analysts. System analysts are referred to as "certain OHCA employees" in the Condition portion of the finding. One of the responsibilities of the system analysts is to make updates in the MMIS at the request of OHCA business users. Currently, business	1/31/2019	Brett May



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	93.778 Medicaid Cluster	<p>users will request changes to existing edits to the system analysts. The system analyst will make the update and document who requested the change and why the change was requested. While this does not seem to be a lack of segregation of duties, the system analysts particularly assigned to make these changes do agree there is an opportunity to enhance the current process. This is going to be done by:</p> <ol style="list-style-type: none"> 1) CO 21575 is being implemented to force a notation in the MMIS when any update is made to an edit. Currently, notes are made but the notes are not required in the system and can be forgotten. This removes the possibility of missing documentation. 2) System Analysts will redirect OHCA business users to the reference file change request system overseen by the System Integrity Unit in the Program Integrity Unit. This will be a central location for requests and approval. Once the system analyst has made the change in production the requester will be informed and instructed to review claims entering the system to properly monitor the change. This process will be for changing existing edits and audits and creating new audits. Any new edits would be a result of a Change Order and therefore would not be subject to this process. 		
2018-054	93.778 Medicaid Cluster	<p>The Oklahoma Health Care Authority (OHCA) concurs in part and does not concur in part with the finding stated above in the “Condition and Context” section. The OHCA concurs that it does not currently have a written policy or procedure regarding the requirements of 42 C.F.R. §§ 455.12 – 455.23. However, OHCA disagrees that these CFR provisions require the State Medicaid Agency (SMA) to have a <i>written</i> policy or procedure to implement the CFR requirements. Furthermore, OHCA believes that our internal fraud review methods and criteria comply with the CFR requirements to identify, preliminarily investigate, review, and refer suspected cases of fraud. As partially outlined in the finding above, OHCA’s internal methods and criteria are communicated with and known by the Program Integrity (PI) Division, and OHCA has routinely set internal meetings between Legal and PI to discuss questionable providers based on PI’s preliminary findings. If the result of the discussion of these meetings is to investigate or review further, then regularly scheduled internal meetings within OHCA Legal are utilized to further discuss and review the providers before an ultimate decision to refer the provider to the Oklahoma Attorney General’s Medicaid Fraud Control Unit (MFCU) is made.</p> <p>The finding states that the SAI could not determine that the agency took appropriate steps to investigate and, if appropriate, make a referral, although it admitted that it was able to verify a listing of cases referred by OHCA with a listing of cases received by MFCU. The OHCA believes that the verification of cases referred</p>	TBD	Becki Burton



STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

		<p>demonstrates that OHCA has taken appropriate steps to identify, preliminarily investigate, review, and refer suspected cases of fraud to MFCU as required by the applicable CFR provisions. Furthermore, contrary to the statement above in the “Effect” Section, OHCA does not believe that access to its investigatory case files themselves will help to determine if appropriate steps were taken to investigate and appropriately refer suspected cases of fraud to MFCU. The OHCA believes it has provided enough information and documentation to demonstrate that it has a verifiable process for referral and that it does, in fact, comply with that process.</p> <p>Additionally, OHCA believes that both the attorney-client privilege, including attorney work product and attorney-client communication, and 56 O.S. §1004(D) govern the internal investigatory case files of OHCA. Specifically, 56 O.S. §1004(D), which is part of the Oklahoma Medicaid Program Integrity Act, states, “Records obtained or created by the Authority or the Attorney General pursuant to the Oklahoma Medicaid Program Integrity Act <i>shall be classified as confidential information and shall not be subject</i> to the Oklahoma Open Records Act or <i>to outside review or release by any individual except</i>, if authorized by the Attorney General, in relation to legal, administrative, or judicial proceeding.” (Emphasis added.) The OHCA believes it would be in violation of this specific statute, as well as a breach of the attorney-client privilege doctrine, if it were to allow SAI to review any internal investigatory case file that was created pursuant to this statute.</p> <p>Lastly, OHCA believes that it is important to note that there is not a finding stating that it does not comply with the CFR requirements to identify, preliminarily investigate, review, or refer suspected cases of fraud. In fact, the finding specifically states that SAI has verified that cases have been referred by OHCA to MFCU. Rather, the finding is that OHCA does not have a <i>written</i> policy or procedure to implement the CFR requirements.</p> <p>Should HHS/OIG ultimately determine that a written policy or procedure is mandatory, OHCA can have a written policy in place within one (1) month of the final determination. However, OHCA would request a telephone conference among appropriate representatives of the SAI, HHS/OIG, and OHCA so that all agencies can fully discuss what would constitute a reasonable written policy that would address the concerns of all the agencies involved.</p>		
2018-073	93.767 Children’s Health Insurance Program	New procedures were implemented beginning SFY19 to ensure Pathfinder excess contributions are no longer charged to our Federal grants. Once OMES receives a demand letter from Cost Allocation Services; and the manner in which the repayment is to	10/31/2019	Susan Crooke



STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

	93.778 Medicaid Cluster	occur is determined, OHCA will report the appropriate prior period adjustments on the CMS-64 and CMS-21.		
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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 2018**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	<p>10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)</p> <p>93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster</p> <p>93.917 HIV Care Formula Grant</p>	<p>OSDH management concurs with finding. On July 1, 2018, OSDH financial staff implemented changes to accurately reflect and post grants separately in the statewide accounting system along with their corresponding CFDA numbers. The changes included creating sub-accounts and operating unit field options to be used in the Statewide Accounting System, to mirror revenue source, federal fiscal year, service chief, and locations utilized in FISCAL(OSDH's current internal system). This will allow clear reconciliation and reporting of expenditures between systems in SFY 19.</p> <p>In addition, OSDH has developed an internal policy that the SEFA-GAAP Package Z will be completed for review one week prior to submission date. This will allow adequate time for supervisory review.</p>	July 1, 2018	Gloria Hudson

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2018-002	93.917 HIV Care Formula Grant	OSDH management does not concur with audit finding. Additional documentation has been submitted which supports the rebate amounts reported on the SF-425.	N/A	Gloria Hudson
2018-003	93.917 HIV Care Formula Grant	OSDH Management concurs with finding. As of July 1, 2018, two separate funds have been established and utilized by OSDH to track the revenues and expenditures associated with the Ryan White HIV/AIDS Program (RWHAP) Part B in the Oklahoma Management and Enterprise Services statewide accounting 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). Policies and procedures addressing the proper use and recording of Ryan White HIV/AIDS program funds have been developed to clearly define these processes for both funds. In these policies, OSDH has also addressed proper procedures for drawing federal funds for the grant.	July 1, 2018	Gloria Hudson
2018-020	93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster	OSDH management concurs with finding as to report maintenance and has established procedures to retain supporting documents. However, OSDH does not concur with the finding as it pertains to review processes. Prior to the submission, OSDH has a review process which follows our federal requirement to submit these reports via EHB for review and technical assistance from our federal project officer and TA Specialist. We still follow this process, in addition to requesting an approval from the Program Director and the MIECHV Grant Coordinator.	N/A	Gloria Hudson
2018-028	93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster	OSDH Management concurs with finding. The OSDH procurement staff currently maintains a log of subrecipient 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 subrecipient award documentation. The Internal audit unit of OSDH performs an invoice validation within their limited scope audit. The audit includes validating the invoice as well as other aspects related to the compliance of the Sub-Recipients Operations as guided by 2 - CFR-200. These audits (Invoice Validations) will be performed for each sub-recipient not required to receive a single audit, preferably in the first two years of the project period, with the higher risk entities being the priority. Required single audits will be reviewed on an annual basis.	March 29, 2019	Gloria Hudson
2018-066	93.505 93.870 Maternal, Infant, and Early	OSDH management does not concur with finding. Lines 10a and 10b (Cash Receipts and disbursements lines) are not available for entry on the HRSA website. (These fields are blocked from entry) Therefore, the SF-425 does not	N/A	Gloria Hudson



Oklahoma State Department of Health
Creating a State of Health

	Childhood Home Visiting Cluster	reflect amounts in those fields. Additional support information has been submitted for review.		
2018-071	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	OSDH management does not concur with the audit finding as it pertains to OSDH unallowable cost. OSDH removed the 1330 object code from the Time and Effort validation computation prior to the final closeout for the payroll period 201818 (2/18/2018 to 3/3/2018). The salary and fringe amounts applied to the grants are only the T&E program validation amounts for each period reportable to the grant dates. No Federal grants have been charged with Pathfinder (1330) unallowable amounts through the application of Time and Effort salaries and fringes to the FFR final reports. OSDH management does concur to those findings related to dates prior to 2/18/18.	N/A	Gloria Hudson



**OKLAHOMA DEPARTMENT OF HUMAN SERVICES
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-052	93.658 Foster Care – Title IV-E	<ol style="list-style-type: none"> 1. New contracts will be written and executed for the appropriate sub-recipient agencies. These contracts will have standard language covering all required information. 2. Procedures to evaluate risk will be established with the help of OIG. Each sub-recipient will undergo a risk assessment annually or/as required. Results of this assessment will be formally documented. 3. Further federal guidance will be sought to fully understand and implement the requirements of on-site reviews and the extent of the on-site reviews. 4. Establish policies and procedures to ensure DHS receives and reviews a single audit or program audit from subrecipients in compliance with 2 CFR 200.501. 	July 1, 2019	Kevin Haddock
2018-061	93.558 TANF Cluster	<p>Concur. Adoption Assistance subsidies are a legal and appropriate use of TANF. Many states, like Oklahoma, use TANF funds to cover certain foster care and adoption related expenditures to assist with the care and stability of children as permanent homes are being established. This is done with the intent of fulfilling the first purpose of TANF: “Provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives”.</p> <p>In Oklahoma, children in state custody were historically certified for Child Only TANF prior to the adoption taking place. With children being eligible for TANF at the time of the certification, the agency believed the Adoption Assistance for the children qualified without the parental means test.</p> <p>This audit finding has led DHS leadership to understand that the TANF expenditures for adoption assistance specifically for non-IVE eligible children must have a means test for the adoptive family. Beginning with state fiscal year 2019 expenditures, the agency has stopped charging any non-IVE Adoption Assistance subsidies to TANF. In the future, the agency will only charge non-IVE Adoption Assistance subsidies to TANF with an approved parental means test established within Child Welfare Services.</p>	July 1, 2020	Patrick Klein

2018-067	10.551 SNAP Cluster	<p>Bullet One: Concur. The 3 offices have been notified to keep the key to their card inventory in a secure location, with access restricted to designated staff. Additionally, all field offices have been instructed that keys to card inventory are to be kept in a secure location as instructed in the EBT Specialist Handbook. Bullet Two: Concur. The seven offices were notified and the cards have been moved to a more secure location inside each county director's office, with access restricted to designated staff. Bullet Three: Concur. This office is a satellite office maintained by another county office, staffed by the sister office and housed in another entity's building. Due to low card activity by the satellite office, EPS State Office allows the sister office to provide card stock to the satellite office with instructions that each office must document their transactions. Both offices have been notified again that all transfers of card stock must be properly documented and be maintained for 3 years. Bullet Four: Concur on 7 of the 8 offices noted above. Those offices have been notified that all offices with two or more staff members must have two signatures verifying the count daily per the EBT Handbook. The daily count is maintained at each office. Each office submits the bulk inventory report to EPS state office monthly. We do not concur on 1 of the 8 offices noted above. That office is a satellite office and is staffed with only one individual, making it impossible to have 2 different signatures. The EPS state office has authorized this office to have their daily log reviewed once a week by a supervisor or someone else designated by the county director. Bullet Five: Do not concur on cards returned by the client, replaced by the county office using the centralized printing of SNAP. Those returned cards are automatically deactivated when a new EBT card is printed. Concur on cards returned to any DHS office by a third party (police, retailers, non-cardholder, etc). The EBT Specialist Handbook instructs individuals to check for card status and if active, deactivate. Instructions have also been sent to all EBT Specialists in the field and the county directors outlining instances where manual deactivation is required. Bullet Six: Concur on one of the offices noted above. Do not concur on the second office cited above. That office is a satellite office with only one employee. Since returned cards cannot be held over 24 hours this office must log the card on the destruction log, check the card status, deactivate if needed and sign off. There is no other person to witness or sign off. All other offices have been instructed on the proper card destruction process as outlined in the EBT Handbook.</p> <p>Final Note: The EPS State Office along with AFS leadership are working together to ensure all existing EBT Specialists review the EBT Handbook. 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 put some requirements in more than one place. The AFS division performs audits annually on all county offices and along with EPS, will start performing audits on all county offices twice a year. Additionally, the</p>	September 30, 2019	Thomas Pennington
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		audit checklist will be expanded to ensure required areas are being reviewed and verified.		
2018-075	93.563 Child Support Enforcement	<p>In a OMES/OPERS Pathfinder forum on May 31, 2018 it was mentioned, beginning in March 2018, that state agencies should cease billing federal programs for excess contributions redirected to the state's defined benefit plan. However, comments made by OMES/OPERS in this forum indicated there was a possibility OMES may have enough appropriated funds left over from refunding contributions through February 2018, to cover the remaining months of state fiscal year 2018.</p> <p>On August 29, 2018 DHS contacted OMES' State Comptroller, inquiring about the final settlement of unallowable charges for SFY 2018. We were told OMES is waiting on official correspondence from DHHS Cost Allocation Services. They will not know how far funds will stretch until more negotiating happens. They did indicate the original directive to cease billing in March 2018 has not changed.</p> <p>It was DHS' intent to make the necessary cost allocation adjustment for the February 21, 2018 through June 30, 2018 period, once a final response was received from OMES. An adjustment by DHS, and later payment from OMES, would have resulted in a duplicate reimbursement to the federal government, and possibly yet another adjustment to the cost allocation reports. Since no further word has been received from OMES DHS will make the cost allocation adjustment for the quarter ending March 31, 2019. DHS' share of the \$81,476 in questioned costs listed above is \$30,554.54. The rest belongs to OMES. A copy of the adjustment will be provided to the state auditors.</p> <p>Starting with the July 1, 2018 quarter (FY19) DHS has made quarterly cost allocation adjustments reversing all Pathfinder contributions redirected to the state's defined pension plan. Adjustments will continue to be made quarterly, until further notice.</p>	April 2019	Chris Smith
2018-076	10.551 and 10.561 SNAP Cluster	<p>In a OMES/OPERS Pathfinder forum on May 31, 2018 it was mentioned, beginning in March 2018, that state agencies should cease billing federal programs for excess contributions redirected to the state's defined benefit plan. However, comments made by OMES/OPERS in this forum indicated there was a possibility OMES may have enough appropriated funds left over from refunding contributions through February 2018, to cover the remaining months of state fiscal year 2018.</p> <p>On August 29, 2018 DHS contacted OMES' State Comptroller, inquiring about the final settlement of unallowable charges for SFY 2018. We were told OMES is waiting on official correspondence from DHHS Cost Allocation Services. They will not know how far funds will stretch until more negotiating happens. They did indicate the original directive to cease billing in March 2018 has not changed.</p> <p>It was DHS' intent to make the necessary cost allocation adjustment for the February 21, 2018 through June 30, 2018 period, once a final response was received from OMES. An adjustment by DHS, and later payment from OMES, would have resulted in a duplicate reimbursement to the federal government, and possibly yet another adjustment to the cost allocation reports. Since no further word has been received</p>	April 2019	Chris Smith

		<p>from OMES DHS will make the cost allocation adjustment for the quarter ending March 31, 2019. DHS' share of the \$121,163 in questioned costs listed above is \$44,487.26. The rest belongs to OMES. A copy of the adjustment will be provided to the state auditors.</p> <p>Starting with the July 1, 2018 quarter (FY19) DHS has made quarterly cost allocation adjustments reversing all Pathfinder contributions redirected to the state's defined pension plan. Adjustments will continue to be made quarterly, until further notice.</p>		
2018-077	93.658 Foster Care – Title IV-E	<p>In a OMES/OPERS Pathfinder forum on May 31, 2018 it was mentioned, beginning in March 2018, that state agencies should cease billing federal programs for excess contributions redirected to the state's defined benefit plan. However, comments made by OMES/OPERS in this forum indicated there was a possibility OMES may have enough appropriated funds left over from refunding contributions through February 2018, to cover the remaining months of state fiscal year 2018.</p> <p>On August 29, 2018 DHS contacted OMES' State Comptroller, inquiring about the final settlement of unallowable charges for SFY 2018. We were told OMES is waiting on official correspondence from DHHS Cost Allocation Services. They will not know how far funds will stretch until more negotiating happens. They did indicate the original directive to cease billing in March 2018 has not changed.</p> <p>It was DHS' intent to make the necessary cost allocation adjustment for the February 21, 2018 through June 30, 2018 period, once a final response was received from OMES. An adjustment by DHS, and later payment from OMES, would have resulted in a duplicate reimbursement to the federal government, and possibly yet another adjustment to the cost allocation reports. Since no further word has been received from OMES DHS will make the cost allocation adjustment for the quarter ending March 31, 2019. DHS' share of the \$239,550 in questioned costs listed above is \$89,950.94. The rest belongs to OMES. A copy of the adjustment will be provided to the state auditors.</p> <p>Starting with the July 1, 2018 quarter (FY19) DHS has made quarterly cost allocation adjustments reversing all Pathfinder contributions redirected to the state's defined pension plan. Adjustments will continue to be made quarterly, until further notice.</p>	April 2019	Chris Smith
2018-079	93.778 Medicaid Cluster	<p>In a OMES/OPERS Pathfinder forum on May 31, 2018 it was mentioned, beginning in March 2018, that state agencies should cease billing federal programs for excess contributions redirected to the state's defined benefit plan. However, comments made by OMES/OPERS in this forum indicated there was a possibility OMES may have enough appropriated funds left over from refunding contributions through February 2018, to cover the remaining months of state fiscal year 2018.</p> <p>On August 29, 2018 DHS contacted OMES' State Comptroller, inquiring about the final settlement of unallowable charges for SFY 2018. We were told OMES is waiting on official correspondence from DHHS Cost Allocation Services. They will not know how far funds will stretch until more negotiating happens. They did indicate the original directive to cease billing in March 2018 has not</p>	April 2019	Chris Smith

		<p>changed.</p> <p>It was DHS' intent to make the necessary cost allocation adjustment for the February 21, 2018 through June 30, 2018 period, once a final response was received from OMES. An adjustment by DHS, and later payment from OMES, would have resulted in a duplicate reimbursement to the federal government, and possibly yet another adjustment to the cost allocation reports. Since no further word has been received from OMES DHS will make the cost allocation adjustment for the quarter ending March 31, 2019. DHS' share of the \$115,743 in questioned costs listed above is \$44,925.38. The rest belongs to OMES. A copy of the adjustment will be provided to the state auditors.</p> <p>Starting with the July 1, 2018 quarter (FY19) DHS has made quarterly cost allocation adjustments reversing all Pathfinder contributions redirected to the state's defined pension plan. Adjustments will continue to be made quarterly, until further notice.</p>		
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OKLAHOMA TAX COMMISSION

**OKLAHOMA TAX COMMISSION
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
18-695-006	CAFR – Accounts Receivable/ Taxes Receivable	OTC will provide figures for Taxes Receivable and Accounts Receivable in compliance with the accrual basis of accounting by using the audited fiscal year's delinquent payments received, along with the payments received in July and August following the fiscal year end. This combined group of payments will reflect the most appropriate estimate of the total Taxes and Accounts Receivable as of the end of the fiscal year.	06/30/19	Carol McCullar



OKLAHOMA DEPARTMENT OF TRANSPORTATION
STATE OF OKLAHOMA - SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-009	20.205 Highway Planning and Construction Cluster	Effective January 15, 2019, an internal control and process was implemented to remove projects on the bid opening that do not have the governing authority's funding in place prior to advertising. At the Pre-Advertising meeting, the Office Engineer Division compares each months' bid opening list with the respective Interoffice Memorandum issued by the ODOT Comptroller Division. This memo identifies which projects lack adequate funding. Matters of insufficient local funds are resolved at the meeting. This meeting occurs approximately 1 ½ weeks prior to official advertising.	January 15, 2019	Anthony Delce, Office Engineer
2018-065	20.205 Highway Planning and Construction Cluster	The 15 entities identified are being sent the appropriate CFDA information along with their compliance requirements. Standard language and CFDA information is being incorporated into all agreements as recommended going forward. A more documented risk assessment, confirmation of federal expenditures from subrecipients and Single Audit review follow-up process is also being implemented, as recommended, to strengthen controls in this area.	May 1, 2019	Dawn Sullivan, Director of Capital Programs

Summary Schedule of Prior Audit Findings



Reference Number: 17-090-006
Fund Type: General Fund
Other Information: Cash/Revenue/Fund Balance
Status: Corrected

TRENT H. BAGGETT
Executive Coordinator

KATHRYN B. BREWER
Assistant Executive Coordinator



STATE OF OKLAHOMA

DISTRICT ATTORNEYS COUNCIL

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Finding No: 2017-006

CFDA No: 16.575

Program Name: Crime Victims Assistance

Status: Partially Corrected. The DAC was not notified of the finding until April, 2018.

The Finance Director took immediate steps by confirming he would personally compare the SEFA reporting to the PeopleSoft Accounting expenditures prior to submission. In addition, the Finance Director will initial the supporting documentation and scan into the DAC Network for access during future audits. This finding was fully corrected in SFY 19 with the implementation of the attached *Policy and Procedures for Ensuring the Schedule of Expenditures of Federal Awards (SEFA) are Accurate*.

Finding No: 2017-022

CFDA No: 16.575

Program Name: Crime Victims Assistance

Status: Partially Corrected. The DAC was not notified of the finding until April, 2018.

During the month of April, 2018, DAC staff went back through all 2015, 2016 and 2017 grants and identified those requiring single audits that we had not received. The single audit reports were requested from subrecipients and were uploaded into the online grant management system (OKGrants) upon receipt. Documentation of receipt of the single audit reports is maintained in the Monitoring Determination Spreadsheet. In addition, the new position of Compliance Officer was hired in SFY 18. Part of the duties of the Compliance Officer is to monitor subrecipient compliance with the single audit requirements. The training of subrecipients on audit requirements took place in September, 2018. This finding was fully corrected in SFY 19 with the implementation of the attached *Policy and Procedures for Monitoring VOCA Subrecipients Timely Submission of Single Audit Reports*.

Finding No: 2017-024

CFDA No: 16.575

Program Name: Crime Victims Assistance

Status: Not Corrected. The DAC was not notified of the finding until April, 2018. The

DAC immediately implemented procedures to avoid future typographical errors when inputting data into the OVCPMT online system. A pdf form was developed with calculations throughout and one employee was assigned the task of entering and comparing the data submitted to the data entered. The attached *Policy and Procedures*

for Entering VOCA Subrecipient Subaward and Performance Measurement Data was signed and fully implemented 9/24/2018.

Finding No: 2017-027

CFDA No: 16.575

Program Name: Crime Victims Assistance

Status: Not Corrected. The DAC was not notified of the finding until April, 2018.

Procedures were changed to require the initials of all persons involved in the drawing of federal funds and billing of invoices in order to show an adequate segregation of duties.

Policies and procedures were developed, signed and shared with the DOJ Audit Division 9/24/18. The DOJ Audit Division required more detailed information; therefore, the attached *Modified Policy and Procedures for Ensuring Cash Management Functions are Adequately Segregated* was signed and fully implemented 2/14/2019.



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

CFDA No: 84.010

Finding No: 2017-011

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: Partially Corrected. The Office of Federal Programs vendor (MTW) created in the Grants Management System (GMS) two reports: Title I Projected Excess Carryover-All LEAs and Title I Projected Excess Carryover-LEAs allocations' > \$50,000. Discrepancies in the form of duplicate LEAs on the report and one LEA whose Title I allocation did not match the Title I allocation spreadsheet from the Director of Finance were discovered by the current state auditor. This issue is being resolved by our vendor and should be completely resolved within the next few days.

CFDA No: 84.027, 84.173

Finding No: 2017-018

Program Name: Special Education Cluster (IDEA)

Status: Corrected.

CFDA No: 84.010

Finding No: 2017-019

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: The finding doesn't warrant further action, because the requirement was removed from the 2018 compliance supplement.

CFDA No: 84.010

Finding No: 2017-026

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: Partially Corrected. The Office of Accountability has developed a yearly report for the Regional Accreditation Officers (RAOs) that identifies all students who are exited from a cohort and do not have documentation via an enrollment record from OSDE's data system, beginning with the 2018 cohort. The RAOs will verify the documentation maintained by LEAs during their spring audit in April/May 2019.

CFDA No: 84.010, 84.367

Finding No: 2017-031

Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

Status: Corrected

CFDA No: 84.010

Finding No: 2017-035

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: Partially Corrected. All targeted assistance sites were required to upload their targeted assistance plans in the online Grants Management System (GMS) for FY 2019.



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

CFDA No: 84.010, 84.367

Finding No: 2017-037

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

Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

Status: Partially Corrected. All LEAs were required to submit a Title I, Part A methodology plan for all sites for FY 2019 in the online Grants Management System.

CFDA No: 84.010

Finding No: 2017-039

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: Partially Corrected. The Office of Federal Programs (OFP) created procedures for FY18 Equitable Services Packet verification that were implemented and partially completed in FY18, and fully completed in FY19. Supporting documentation will be available in FY20.

CFDA No: 84.010, 84.367

Finding No: 2017-040

Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

Status: The finding doesn't warrant further action, because the requirement was removed from the 2018 compliance supplement.

CFDA No: 84.010, 84.367

Finding No: 2017-041

Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

Status: Partially Corrected. The Director of Finance in the Office of Federal Programs is in the process of recalculating new or significant expanding charter schools' allocations based on OSDE's developed policies and procedures. Allocations will be adjusted as appropriate.

CFDA No: 84.010

Finding No: 2017-042

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: The finding doesn't warrant further action, because the requirement was removed from the 2018 compliance supplement.

CFDA No: 84.027, 84.173

Finding No: 2017-043

Program Name: Special Education Cluster (IDEA)



OKLAHOMA STATE
DEPARTMENT of EDUCATION

Status: Partially Corrected. OSDE submitted its updated Maintenance of Effort Policies, which include guidance to LEAs related to IDEA MOE eligibility and compliance standards. OSDE's policies require that LEAs provide budget information, and submit data matching the LEA's OCAS submission, through OSDE's grant application process. Further, in monitoring the compliance standard, OSDE's policies indicate that CDF Specialists will verify LEA expenditure data using information from OCAS reporting and require the LEA to submit an amendment to their application in instances where the LEA's data is inconsistent with OCAS data.

CFDA No: 84.010

Finding No: 2017-044

Program Name: Title I Grants to Local Educational Agencies (LEAs)

Status: Partially Corrected. The Office of Federal Programs (OFP) took steps regarding the homeless set-aside in the FY18 Consolidated Application that were implemented and partially completed in FY18 (LEAs were required to keep the homeless set-aside in the Title I application until the end of the fiscal year). This requirement was fully completed in FY19. Supporting documentation will be available in FY20.

CFDA No: 84.367

Finding No: 2017-053

Program Name: Supporting Effective Instruction State Grant

Status: Partially Corrected. The Office of Federal Programs (OFP) created allocation calculation procedures for FY18 that were implemented and partially completed in FY18, and fully completed in FY19. Supportive documentation will be available in FY20.

CFDA No: 84.027, 84.173

Finding No: 2017-054

Program Name: Special Education Cluster (IDEA)

Status: Partially Corrected. OSDE submitted documentation supporting the actions that it has taken to address the required actions. OSDE provided its Charter Schools New or Significant Expansion of Enrollment Policies and Procedures, which defines new and significant expansion, references Federal requirements, and includes sections devoted to charter school and OSDE responsibilities. OSDE's procedures also describe allocations requiring adjustments, indicating that OSDE's Accreditation Division will receive and review notifications from LEAs regarding new or expanding grades. OSDE further provided updated notification forms that new and significantly expanded charter school LEAs will use to inform OSDE during the Federal fiscal year (FFY) 2019 IDEA Part B subgranting process. Finally, OSDE submitted documentation supporting the adjustments made for FFY 2017 and 2018 for IDEA section 611 and 619 programs.

MARK GOWER
STATE DIRECTOR



J. KEVIN STITT
GOVERNOR

STATE OF OKLAHOMA
DEPARTMENT OF EMERGENCY MANAGEMENT

CFDA No: 97.036
Finding No: 2015-020, 2016-001, 2017-014
Program Name: Disaster Grants – Public Assistance
Status: Corrected

CFDA No: 97.036
Finding No: 2015-012, 2016-002, 2017-015
Program Name: Disaster Grants – Public Assistance
Status: Not Corrected

OEM did not have proper monitoring in place to ensure funds were collected and returned in a timely manner. OEM acknowledges all of the advances were made without proper monitoring. OEM continues to work on a comprehensive monitoring plan to include advances.

CFDA No: 97.036
Finding No: 2015-040, 2016-045, 2017-016
Program Name: Disaster Grants – Public Assistance
Status: Corrected

CFDA No: 97.036
Finding No: 2015-024, 2016-003, 2017-028
Program Name: Disaster Grants – Public Assistance
Status: Partially Corrected

OEM will provide notification to 100% of all subgrantees for Single Audit compliance. OEM Policy 2018-028 outlines exactly how OEM is corresponding with subgrantees regarding Single Audit. On October 16, 2018, OEM sent out the Single Audit Notification Form (Policy 2018-028) to all 185 Public Assistance non-electric cooperatives sub-grantees for FY18 as well as all 19 electrical cooperatives for FY17. The subgrantees were determined based on data from EMMIE for all open federally declared disasters in Oklahoma. The subgrantee responses are being tracked and stored locally as well as in OK EMGrants. OEM initiated the Single Audit tracking module on EM Grants Pro beginning May 7th, 2018.

CFDA No: 97.036
Finding No: 2015-042, 2016-044, 2017-046
Program Name: Disaster Grants – Public Assistance
Status: Corrected

CFDA No: 97.036
Finding No: 2015-026, 2016-012, 2017-048
Program Name: Disaster Grants – Public Assistance
Status: Not 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 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.

Oklahoma Employment Security Commission



Richard McPherson, Executive Director

Kevin Stitt, Governor

Representing Employers

David Adams, Commissioner
Karen Hudson, Commissioner

Representing the Public

Rachel Hutchings, Chair

Representing Employees

Jim Quillen, Commissioner
Duchess Bartmess, Commissioner

March 25, 2019

CFDA No: 17.225

Finding No: 2017-032

Program Name: Unemployment Insurance

Status: Corrected

CFDA No: 17.225

Finding No: 2017-055

Program Name: Unemployment Insurance

Status: Not Corrected. Over the last years, OESC has been working on a technology project to enhance outcomes for recovery of overpayments. This system will allow many methods of recovery as well as enable OESC to be in compliance with the 25% penalty for fraudulent unemployment insurance claims. Although we have made great strides, there were varying issues that caused the project to be delayed. Some of these issues include change of project management, vendor and part of the scope. These issues have since been resolved. This finding is reoccurring because the length of time assigned to this project and available IT resources from OESC. The OESC plans to correct this action with the launch of this new system. During a recent test to the new system, the 25% penalty function is working properly and will be available with the launch of the new system. The system is scheduled to go live by the end of June 2019 barring any technical issues with the system.

CFDA No: 17.225

Finding No: 2017-056

Program Name: Unemployment Insurance

Status: Corrected



STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

Reference Number: 16-807-018; 17-807-004
Fund Type: General Fund
Other Information: Accounts Payable/Expenditures
Status: Corrected

CFDA No: 93.767; 93.778

Finding No: 2016-004, 2017-002

Federal Program Name: Children's Health Insurance Program; Medicaid Cluster

Status: Partially Corrected, the Oklahoma Health Care Authority had direct communications with our service provider about these deficiencies and their corrective actions during regularly scheduled status meetings. These findings and corrective actions are monitored monthly by the agency Security Governance Committee to ensure actions are taken timely and are appropriate. In addition, the most recent SOC-1 report has been issued with no control issues, indicating these issues have been corrected.

CFDA No: 93.778

Finding No: 12-807-008, 2013-043, 2014-026, 2015-035, 2016-006, 2017-033

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. Regarding these specific findings, the federal share will be returned to CMS.

CFDA No: 93.767

Finding No: 12-807-006, 2013-044, 2014-025, 2015-036, 2016-007, 2017-034

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. Regarding these specific findings, the federal share will be returned to CMS.

CFDA No: 93.778

Finding No: 2016-008, 2017-004

Federal Program Name: Medicaid Cluster

Status: Partially Corrected, OHCA will continue to monitor member eligibility and implement appropriate system changes and internal controls to ensure appropriate eligibility determinations and closures occur to avoid inappropriate payments. The cases related to death match issues are closed and no further payments will occur. OHCA will continue to audit death matches. OHCA will recoup where appropriate, and will reimburse the Federal share for claims paid during periods of ineligibility.

CFDA No: 93.778

Finding No: 2017-005

Federal Program Name: Children's Health Insurance Program; Medicaid Cluster

Status: Corrected



Oklahoma State Department of Health
Creating a State of Health

Reference Number: 17-340-008
Fund Type: General Fund
Other Information: Payroll Expenditures
Status: Corrected

Reference Number: 17-340-012
Fund Type: General Fund
Status: Corrected

CFDA No: 93.268
Finding No: 2016-046
Program Name: Immunization Cooperative Agreements
Status: Not Corrected; OSDH management does not concur with finding. The federal immunization program only encompasses the cost of the vaccine. The shot administration is a separate component and this rate does not include the actual vaccine cost. OSDH is prohibited from charging for the actual vaccines received through the grant.

CFDA No: 93.505, 93.870, 93.917
Finding No: 2017-057
Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster; HIV Care Formula Grants
Status: Corrected

CFDA No: 93.917
Finding No: 2017-058
Program Name: HIV Care Formula Grants
Status: Not Corrected; Policies and procedures addressing the proper use and recording of Ryan White HIV/AIDS program funds have been developed to clearly define these processes for both the federal award fund and the rebate fund. In these policies, OSDH has also addressed the proper procedures for drawing federal funds for the grant.

CFDA No: 93.505, 93.870
Finding No: 2017-059
Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster
Status: Not Corrected; During the period of review, OSDH's internal financial system did not reflect changes to CFDA numbers during the state fiscal year. On July 1/2018, OSDH financial staff implemented changes to accurately reflect and post grants separately in the statewide accounting system along with their corresponding CFDA numbers. The changes included creating sub-accounts and operating unit field options to be used in the Statewide Accounting System, to mirror revenue source, federal fiscal year, service chief, and locations utilized in FISCAL(OSDH's current internal system). This will allow clear reconciliation and reporting of expenditures between systems.

CFDA No: 93.505, 93.870
Finding No: 2017-061
Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster
Status: Not Corrected; OSDH MIECHV staff have implemented internal procedures to review the DGIS-HV reporting processes to ensure accurate reporting is achieved. Documentation used to support the submitted report is maintained by the program.

CFDA No: 93.917
Finding No: 2017-062
Program Name: HIV Care Formula Grants
Status: Not Corrected; As of July 1, 2018, two separate funds have been established and utilized by OSDH to track the revenues and expenditures associated with the Ryan White HIV/AIDS Program (RWHAP) Part B in the Oklahoma Management and Enterprise Services statewide accounting system. These funds clearly delineate the revenues



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Creating a State of Health

received and expense incurred for the AIDS Drug Assistance Program (ADAP) rebate fund (Fund 411) and the RWHAP federal award (Fund 410).

Policies and procedures addressing the proper use and recording of Ryan White HIV/AIDS program funds have been developed to clearly define these processes for both funds. In these policies, OSDH has also addressed the proper procedures for drawing federal funds for the grant.

CFDA No: 93.505, 93.870

Finding No: 2017-063

Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster

Status: Corrected

CFDA No: 93.505, 93.870

Finding No: 2017-065

Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster

Status: Not Corrected; The OSDH procurement staff maintains a log of subrecipient 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 Internal audit unit of OSDH performs invoice validation within their limited scope audit. The audit includes validating the invoice as well as other aspects related to the compliance of the Sub-Recipients Operations as guided by 2 - CFR-200. These audits (Invoice Validations) will be performed for each sub-recipient preferably in the first two years of the project period, with the higher risk entities being the priority and the entities required to have a single audit performed being at the lower priority. Required single audits will be reviewed on an annual basis.

CFDA No: 93.505, 93.870

Finding No: 2017-066

Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster

Status: Corrected



Department of Human Services FY18 Audit - SAI Prior Year Finding Follow-Up



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: TANF Cluster

Status: Partially Corrected. A written plan to address how AFS responds to G1DX discrepancies was not completed until 08/02/2018, which was after the FY18 audit period.

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: Partially Corrected. DHS has conducted additional training for OU personnel who work on LIHEAP emphasizing the importance of case documentation. However, not all of the training occurred during the SFY18 audit period.

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: Partially Corrected. OMES-ISD has reviewed the systems edits to ensure they are working, but the review occurred in SFY19. DHS has also provided additional training to OU personnel working on LIHEAP to better detect duplicate addresses and prevent duplicate payments.

CFDA No: 93.568

Finding No: 2017-009

Program Name: Low Income Home Energy Assistance Program

Status: Not Corrected. AFS LIHEAP staff and OMES-ISD are working on strengthening the report logic to meet the reporting guidelines given to us from OCS's response to the State Auditor and Inspector office on 03/04/2019. We estimate this work will be completed by September 30, 2019. AFS LIHEAP unit will use the reporting guidelines to prepare DHS LIHEAP Household reports.

CFDA No: 93.658

Finding No: 2017-050

Program Name: Foster Care – Title IV-E

Status: Not Corrected.

1. New contracts will be written and executed for the appropriate sub-recipient agencies. These contracts will have standard language covering all required information.
2. Procedures to evaluate risk will be established with the help of OIG. Each sub-recipient will undergo a risk assessment annually or/as required. Results of this assessment will be formally documented.
3. Further federal guidance will be sought to fully understand and implement the requirements of on-site reviews and the extent of the on-site reviews.
4. Establish policies and procedures to ensure DHS receives and reviews a single audit or program audit from subrecipients in compliance with 2 CFR 200.501.

The anticipated completion date for this finding is on 07/01/2019.

CFDA No: 93.659

Finding No: 2017-051

Program Name: Adoption Assistance Program

Status: Not Corrected. DHS has developed a comprehensive Adoption Assistance funding document which will evidence: 1) annual pre and post adoption assistance expenditures; 2) baseline funding sources (state and federal), identified by amount and source; 3) amounts supported by DHS's accounting records; 4) expenditures of state adoption savings used to supplement, and not supplant existing federal and state funding; and 5) ensuring at least 30 percent of adoption savings are spent on post-adoption and post-guardianship services. However, the division reported that corrective action was not in place until after the FY18 audit period.

Appendix I

March 15, 2019

Pension Contributions for Employees on Defined Benefit Plan

The State of Oklahoma ("State") has a retirement plan which consists of both a defined benefit plan component and a defined contribution plan component (the plan is known as "Pathfinder"). The Pathfinder plan was implemented during the year ended June 30, 2016. Under Pathfinder, participating employees contribute a minimum of 4.5% of their compensation. Participating employers match employee contributions up to 7%. In addition to the matching contributions, participating employers are required to remit to the Oklahoma Public Employees Retirement System ("OPERS") the difference between the matching contributions for Pathfinder members and the amount the participating employer would have contributed for a legacy defined benefit plan member. For each employee in the Pathfinder plan, the employer contributed either 9.5% or 10.5% of salary to the defined benefit plan.

The State maintains that the entire contribution is a required expense for the employee participating in the Pathfinder plan.

As required by the FY19 SWCAP agreement, the State has provided details on the amount of contributions that were remitted to OPERS on behalf of employees participating in the Pathfinder plan. The State also has completed an analysis of the federal funding percentage ("FFP") for those contributions. The time period included in the analysis begins at the inception of employee participation in Pathfinder (on November 1, 2015) and ends on February 20, 2018, the date upon which the State notified its agencies that they may not charge federal programs for the amount remitted to the defined benefit plan.

Certain agencies have already dealt with this issue and are handling any repayment directly with their cognizant agency. FFP was calculated by soliciting information from each agency for each individual participating in Pathfinder. The State's agencies provided the federal reimbursement rate for individuals who participate in federal programs.

The total amount of contributions to the defined benefit component on behalf of employees participating in Pathfinder is \$19,195,712. Of this amount, the federal portion is \$2,826,484 and the calculated FFP is 14.7%.



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