

Introduction

The State of Oklahoma Single Audit Report for the fiscal year ended June 30, 2020 contains the independent auditor's reports on compliance for each major federal program, on internal control over compliance, and on the Schedule of Expenditures of Federal Awards (SEFA) required by Uniform Guidance. Additionally, the Statewide SEFA is included and reflects \$10,130,470,891 in federal expenditures during the year. The total federal expenditures increased by approximately \$3 billion from SFY2019 due to the receipt of additional federal funding because of COVID-19. Read the full audit report at <https://www.sai.ok.gov>.

The Single Audit, as performed by the State Auditor's Office, meets the requirements of the Single Audit Act as amended in 1996 and Title 2 of U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Findings and Questioned Costs

After auditing Oklahoma's basic financial statements, SEFA, and the major federal programs, we noted certain deficiencies concerning internal control and compliance with federal grant requirements. These deficiencies are presented in the Schedule of Findings and Questioned Costs.

A total of 67 findings were reported within this year's Single Audit Report. Of these, 62 were federal program related while 5 related to the financial statements only. This total of 67 includes 31 (46%) findings that were repeat findings from a prior audit. Additionally, each individual finding covered either compliance issues, internal control issues, or a combination of the two.

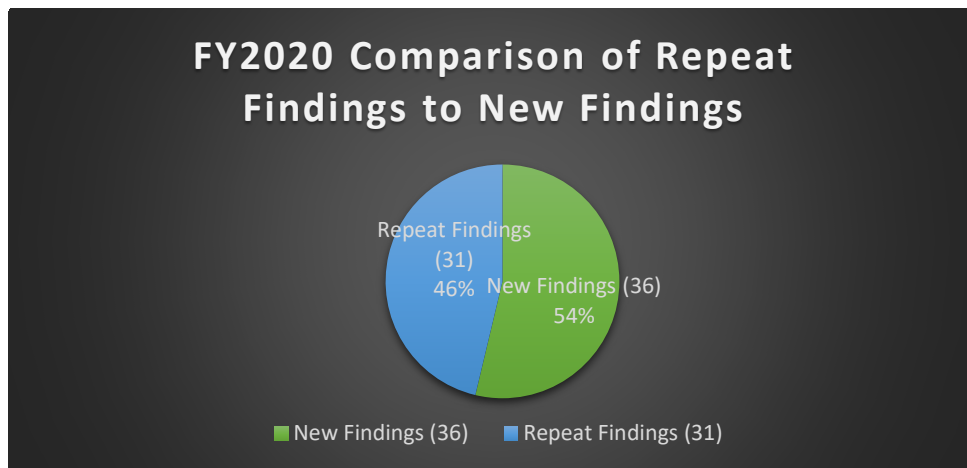
The 2020 Single Audit Report disclosed federal questioned costs of \$34,145,474 and state questioned costs of \$7,391,874 that are detailed within the findings presented in the Schedules of Findings and Questioned Costs section of the report. The resolution of these questioned costs will be determined by the respective federal grantors.

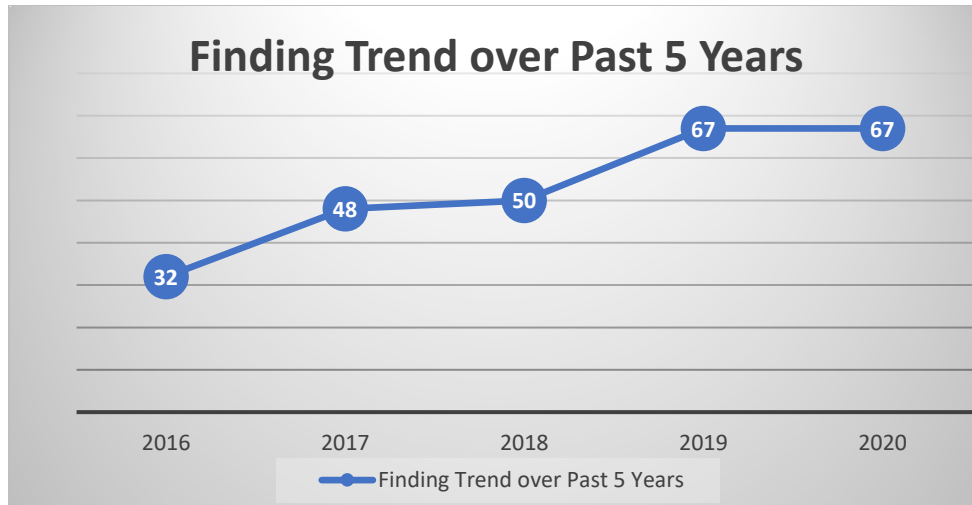


The following page contains graphical descriptions of the number of findings and related federal questioned costs by state agency, the number of repeat findings as compared to new findings for this fiscal year, and the trend of total findings over the past five years.

State Agencies with Audit Findings	Number of Findings (Number of Repeats)	Federal Questioned Costs
CARES Forward	3(0)	\$6,164,332
Dept. of Education	19 (11)	\$114,462
Office of Emergency Management	4 (2)	\$86,241
Employment Security Commission	7 (1)	\$102,775
Oklahoma Health Care Authority	4 (2)	\$2,756*
Dept. of Health	2(0)	\$0
Dept. of Human Services	24 (11)	\$27,674,908 (federal); \$7,391,874 (state MOE/match)
Human Services/Health Care Authority (dual finding)	2 (2)	\$0
Dept. of Rehabilitation Services	2 (2)	\$0
Total	67 (31)	\$34,145,474 (federal); \$7,391,874 (state MOE/match)

**Due to scope limitation, unable to identify all questioned costs*





Opinions on Compliance with Requirements Applicable to Major Federal Programs

As the auditor, our responsibility is to express an opinion on compliance for each major program based on the audit of compliance requirements detailed in the Uniform Guidance Compliance Supplement. As a result, we issued unmodified opinions on all the major programs except for the following, for which we disclaimed opinions or issued qualified opinions.

Disclaimers of Opinion

- **Medicaid Cluster (Health Care Authority) – Finding #2020-021, 2020-034, 2020-045 (pages 58-63)**

Requirement: Eligibility

Total Costs Questioned: Due to a scope limitation, we were unable to identify all questioned costs.

Summary: Weaknesses in the internal control structure were noted. These weaknesses included:

- Wage documentation received through data exchange was not compared against the household income each time quarterly wage data was received to determine if the recipient remained eligible throughout the year.
- The wage matches are limited to one source of electronic data.
- There is no evidence self-reported income was verified.
- Applicants and/or their spouses lacked SSNs or other personal identifiers to compare self-reported income to a data exchange. In addition, no further evidence was obtained for verifying the income.
- Data exchange jobs for the eligibility verification system were not run in accordance with the required frequencies.
- Discrepancies noted when verifying recipient’s information through data exchanges were not cleared within the federally required 45-day time frame.

Due to lack of evidence in the case files (self-reported income that was not verified by the Authority), we were unable to determine eligibility for 7.5% of all recipients tested.

- ***Children’s Health Insurance Program (Health Care Authority) – Finding #2020-045, 2020-084 (pages 61 & 65)***

Requirement: Eligibility

Total Costs Questioned: Due to a scope limitation, we were unable to identify all questioned costs.

Summary: Weaknesses in the internal control structure were noted. These weaknesses included:

- Wage documentation received through data exchange was not compared against the household income each time quarterly wage data was received to determine if the recipient remained eligible throughout the year.
- The wage matches are limited to one source of electronic data.
- There is no evidence self-reported income was verified.
- Applicants and/or their spouses lacked SSNs or other personal identifiers to compare self-reported income to a data exchange. In addition, no further evidence was obtained for verifying the income.
- A claim was manually forced through, resulting in a payment error.

Due to lack of evidence in the case files (self-reported income that was not verified by the Authority), we were unable to determine eligibility for 7.5% of all recipients tested.

Qualified Opinions

- ***Coronavirus Relief Fund (CARES Forward) – Findings #2020-080, 2020-081 (pages 15-18)***

Requirement: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Period of Performance

Total Costs Questioned: \$6,164,332

Summary: Documentation was not obtained to ensure goods were received prior to reimbursing from CRF.

- ***Medicaid Cluster (Health Care Authority) – Finding #2020-051 (page 63)***

Requirement: Special Tests relating to required system edits

Summary: Required NCCI edits have not been implemented.

- ***SNAP Cluster (Department of Human Services) – Finding #2020-058 (page 87)***

Requirement: Special tests requirement covering EBT card security

Summary: Policies and procedures over EBT card security were not being followed consistently which puts the EBT cards at risk for unauthorized issuance or improper use.

- ***Adoption Assistance (Department of Human Services) – Findings #2020-055, 2020-056 (pages 84-86)***
Requirement: Reporting and Maintenance of Effort
Total Costs Questioned: \$5,712,176
Summary: The agency did not have adequate processes in place to ensure adoption savings and related expenditures reported were supported by documentation and independently reviewed for accuracy and completeness.
- ***TANF (Department of Human Services) – Findings #2020-023, 2020-033 (pages 70-73)***
Requirement: Maintenance of Effort
Total Costs Questioned: \$7,243,025 (State Funds-MOE)
Summary: Expenditures were utilized as MOE costs however they were not adequately supported to ensure they were made to, or on behalf of, TANF eligible families.
- ***Social Services Block Grant (Department of Human Services) – Finding #2020-086 (page 95-96)***
Requirement: Activities Allowed/Unallowed; Allowable Costs/Cost Principles
Total Costs Questioned: \$14,479,300
Summary: Transfers to SSBG from TANF must be used only for programs or services to children or their families whose income is less than 200% of the poverty level. DHS did not have a process in place to ensure TANF transfers to SSBG were used specifically for this subset of individuals. The agency began working on a process, however the method used to substantiate the costs is inappropriate.
- ***IV-E Foster Care (Department of Human Services) – Finding #2020-053 (page 82-83)***
Requirement: Subrecipient Monitoring
Summary: DHS lacked adequate monitoring of subrecipients for SFY20.
- ***Child and Adult Care Food Program (Oklahoma State Department of Education) - Findings 2020-002, 2020-007, 2020-047, 2020-072, 2020-073, 2020-074 (pages 20-22; pages 38-39; pages 42-45)***
Requirements: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Eligibility; Procurement; and Subrecipient Monitoring
Total Costs Questioned: \$114,462
Summary: OSDE failed to maintain supporting documentation for the Child and Adult Daycare Center (CADCC) Administrative Reviews and Family Day Care Home (FDCH) Administrative Reviews to show compliance. Monitoring of subrecipients was not adequate. Edit failures within the eClaims system were also noted.
- ***Unemployment Insurance (Oklahoma Employment Security Commission) – Finding #2020-017, 2020-064, 2020-065 (pages 53-58)***

Requirement: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Eligibility; Reporting; Special Tests requirement covering Reemployment Services
Summary: OESC internal controls over UI benefit payments were insufficient to detect fraudulent UI payments. Accounts Payables on the SEFA were understated by \$184.5 million. Additionally, the agency did not comply with federally mandated RESEA requirements related to the ETA-9128 performance report.

- ***Disaster Grants – Public Assistance (Oklahoma Emergency Management) – Findings #2020-052, 2020-066, 2020-069 (pages 47-51)***

Requirement: Subrecipient Monitoring and Special Tests relating to Project Accounting

Summary: OEM lacked adequate monitoring of subrecipients, failed to comply with advance payment guidance, and failed to properly review subrecipients at closeout.

Material Weaknesses in Internal Control

A material weakness in internal control is a deficiency such that there is a reasonable possibility that material noncompliance with a federal program requirement may not be prevented, or detected and corrected, on a timely basis.

The following 23 findings were considered material weaknesses in internal control over compliance with federal program requirements and are reported in detail in the Schedule of Findings and Questioned Costs.

- ***CARES Forward***
2020-080, 2020-081 – relate to qualifications noted above.
- ***State Dept. of Education***
2020-002, 2020-007, 2020-074 – relate to qualifications noted above.
- ***Employment Security Commission***
2020-017, 2020-064, 2020-065 – relate to qualifications noted above.
- ***Office of Emergency Management***
2020-052 – relates to qualifications noted above.
- ***Health Care Authority***
2020-021, 2020-051 – relate to disclaimers and qualifications noted above.
- ***Department of Human Services***
2020-021, 2020-023, 2020-053, 2020-055, 2020-058, 2020-086 - relate to qualifications noted above

2020-019 CCDF Cluster (Page 66) – DHS did not meet minimum earmarking requirements.

2020-035 TANF (Page 75) – Eligibility determinations and redeterminations were not properly documented.

2020-038 CCDF Cluster (Page 78) - Eligibility determinations and redeterminations were not properly documented.

2020-041 TANF (Page 81) – Controls in place over contacting participants to determine good cause with child under six requirements were not adequate.

2020-057 TANF (Page 86) – Controls in place over extending benefits beyond sixty months were inadequate.

2020-061 CCDF Cluster (page 89) – Monitoring checklists utilized to document health and safety reviews are not sufficiently designed to allow a reviewer to see what was observed.

2020-063 CCDF Cluster (page 91) –The SEFA varied from accounting records by \$8.1 million.

Other Federal Award Findings

In addition to the findings noted above, we also reported 37 findings involving other noncompliance with federal grant requirements. This noncompliance was not deemed to be material noncompliance; however, it warranted the attention of those charged with governance and was reportable in the Statewide Single Audit. Additionally, 39 significant deficiencies in internal control were reported. A significant deficiency in internal control is a deficiency that is less severe than a material weakness yet important enough to merit the attention of those charged with governance.

Financial Statement Findings

We are required to include in the Statewide Single Audit any financial statement findings. As such, we reported 5 financial statement internal control findings that were also reported in our State of Oklahoma Report on Internal Controls over Financial Reporting that was issued in January 2021. These five findings related to controls over wire transactions at State Department of Health, discrepancies between the Statewide Accounting System and the Department of Health's internal system, lack of internal controls over UI benefit payments at OESC, incorrect reporting of Accounts Payables at OESC, and incorrect reporting of SEFA accounts payables at OESC.