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Introduction

The State of Oklahoma Single Audit Report for the fiscal year ended June 30, 2019 can be found at <https://www.sai.ok.gov> and 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. Those reports are supported by the Schedule of Findings and Questioned Costs included in the report. Additionally, the Statewide SEFA is included and reflects \$7,179,758,341 in federal expenditures during the year.

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.

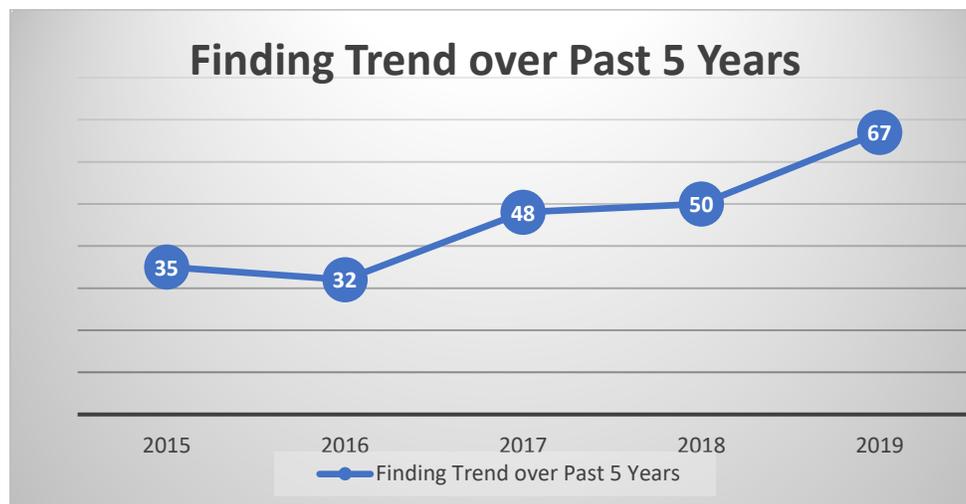
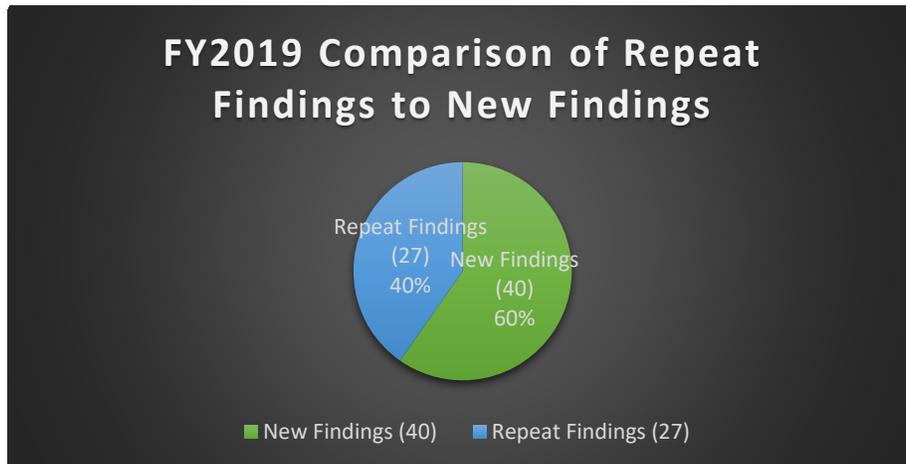
A total of 67 findings were reported within this year's Single Audit Report. Of these, 63 were federal program related while 4 related to the financial statements only. This total of 67 includes 27 (40%) findings that were repeat findings from a prior audit. Additionally, each individual finding covered either compliance issues, internal control issues, or a combination of the two.

The 2019 Single Audit Report disclosed federal questioned costs of \$22,870,330 and state questioned costs of \$20,769,780 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
Dept. of Education	16 (11)	\$22,543
Office of Emergency Management	5 (4)	\$38,260
Employment Security Commission	2 (2)	\$37,075
Oklahoma Health Care Authority	7 (5)	\$2,360*
Dept. of Health	9 (2)	\$57,208
Dept. of Human Services	20 (3)	\$22,470,696 (federal); \$20,769,780 (state MOE)
OMES & Tax Commission (dual finding)	2 (0)	\$0
Tax Commission	2 (0)	\$0
Dept. of Rehabilitation Services	4 (0)	\$242,188
Total	67 (27)	\$22,870,330 (federal); \$20,769,780 (state MOE)

**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 #2019-025, 2019-087, 2019-088, 2019-089** (pages 57-64; pages 78-80)

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.
- Auto Passive Renewal completed on recipients with self-reported 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) and Social Security Administration (SSA) restrictions (any information from SSA could not be viewed by our office), we were unable to determine eligibility for some recipients.

- **Children's Health Insurance Program (Health Care Authority) – Finding #2019-087** (pages 57-60)

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.
- Auto Passive Renewal completed on recipients with self-reported income.

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 some recipients.

Qualified Opinions

- ***Children’s Health Insurance Program (Health Care Authority) – Finding #2019-047, 2019-087 (page 55; pages 57-60)***
Requirement: Activities Allowed/Unallowed; Allowable Costs/Cost Principles
Total Costs Questioned: \$2,354
Summary: Four claims submitted by a provider were not appropriately supported by medical records, and documentation errors were noted on two of the sampled claims. Recipient case files included income which exceeded the maximum federal poverty level percentage allowed for eligibility in the program prior to the date of service sampled.

- ***SNAP Cluster (Department of Human Services) – Finding #2019-016 (page 76)***
Requirement: Special tests requirement covering EBT card security
Summary: Policies and procedures over EBT card security are not being followed consistently which puts the EBT cards at risk for unauthorized issuance or improper use.

- ***TANF Cluster (Department of Human Services) – Findings #2019-014, 2019-015, 2019-024, 2019-025, 2019-043, 2019-044, 2019-051, 2019-052, 2019-067, 2019-074, 2019-075 (pages 73-80; pages 83-85; pages 88-94)***
Requirement: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Maintenance of Effort; Reporting; and Special tests requirement involving the income eligibility verification system
Total Costs Questioned: \$20,769,780 (State Funds-MOE); \$2,170,836 (Federal Funds)
Summary:
 - Expenditures were not supported with detailed data documenting that families receiving childcare subsidies paid with TANF funds were TANF eligible.
 - Exceptions were noted due to determinations/redeterminations missing from the case files.

- Expenditures were utilized as MOE costs however they were not allowable to be counted as TANF MOE, or they were not adequately supported to ensure they were made to, or on behalf of, TANF eligible families.
 - Numerous errors were reported across several federally required reports.
 - The income eligibility verification system discrepancies noted were not cleared within the federally required 45-day time frame. The percentage of exceptions remaining uncleared after 45 days ranged from 28%-62% depending on the type of data comparison.
 - Some of the data exchange jobs were not run in accordance with the required frequency.
 - Some case files lacked documentation indicating the income eligibility verification system was checked appropriately.
- ***Social Services Block Grant (Department of Human Services) – Finding #2019-050 (page 87)***
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 #2019-063 (page 90)***
Requirement: Subrecipient Monitoring
Summary: DHS lacked adequate monitoring of subrecipients for SFY19.
 - ***Child Nutrition Cluster (Oklahoma State Department of Education) – Findings 2019-004, 2019-005, 2019-006 (pages 15-21)***
Requirements: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Eligibility, Procurements; and two Special Tests requirements
Summary: OSDE failed to maintain supporting documentation for the Administrative Reviews (Child Nutrition Cluster excluding Summer Food Program) and Sponsor Reviews (Summer Food Program of the Child Nutrition Cluster) to show compliance. Currently the consultants only maintain their Administrative and Sponsor Review checklists and do not keep supporting documentation on a routine basis. Additionally, there were systematic issues within the new CARS system.
 - ***Child and Adult Care Food Program (Oklahoma State Department of Education) - Findings 2019-057, 2019-058, 2019-059 (pages 34-40)***
Requirements: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; and Eligibility
Summary: OSDE failed to maintain supporting documentation for the Child and Adult Daycare Center (CAC) Administrative Reviews and Family Day Care Home (FDCH)

Administrative Reviews to show compliance. Currently the consultants only maintain their CAC and FDCH Administrative Review checklists and do not keep supporting documentation on a routine basis. Edit failures within the eClaims system were also noted.

- ***Title I Grants to Local Educational Agencies (Oklahoma State Department of Education) – Finding 2019-065 (page 40)***
Requirements: Special Test requirement related to cohort/graduation rate
Summary: OSDE only verified documentation for 10% of the students removed from the regulatory adjusted cohort high school graduation rate. In addition, OSDE had no written policies and procedures on how they verified documentation of the students that had been removed from the regulatory adjusted cohort high school graduation rate.
- ***Unemployment Insurance (Oklahoma Employment Security Commission) – Finding #2019-078 (page 52)***
Requirement: Special Tests requirement covering overpayments
Summary: OESC did not assess and collect penalties applicable to overpayments that were made due to fraud. Additionally, the agency did not take timely action to recover the debt resulting from fraudulent overpayments.
- ***Disaster Grants – Public Assistance (Oklahoma Emergency Management) – Findings #2019-008, 2019-009, 2019-018, 2019-033 (pages 44-48; page 50)***
Requirement: Subrecipient Monitoring and Reporting
Summary: OEM lacked adequate monitoring of subrecipients, failed to comply with advance payment guidance, failed to properly review subrecipients at closeout, submitted erroneous SF-425, SF-425a, and SEFA financial reports.

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 29 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.

- ***State Dept. of Education***
2019-004, 2019-005, 2019-006, 2019-057, 2019-058, 2019-065 – relate to qualifications noted above.
2019-010 Title I, Part A Grants to Local Educational Agencies (page 21) –Tracking sheet for Assessment System Security was not properly designed to ensure compliance with policies and regulations. In addition, there were not adequate policies and procedures on how findings would be followed up on.

2019-054 Child and Adult Care Food Program (page 31) –OSDE’s Procurement contract template did not include all required elements and language. In addition, OSDE did not have appropriate policies and procedures to ensure contracts are properly reviewed prior to execution.

2019-055 and 2019-056 Title I Grants to Local Educational Agencies & Supporting Effective Instruction State Grant (pages 32-34) –OSDE was unable to verify and quantifiably demonstrate that LEAs methodology to allocate Federal funds for Title I to supplement, and not supplant, was proper due to staff turnover. In addition, for Title II, OSDE did not have procedures/controls in place to verify and quantifiably demonstrate that LEA’s are allocating funds to supplement, and no supplant, federal funds used.

- **Employment Security Commission**
2019-078 – relates to qualification noted above.
- **Office of Emergency Management**
2019-008; 2019-009; 2019-018 – relate to qualifications noted above.
- **Health Care Authority**
2019-025, 2019-087, 2019-088, 2019-089 – relate to disclaimers and qualifications noted above.
- **Department of Human Services**
2019-014, 2019-015, 2019-016, 2019-025, 2019-050, 2019-051, 2019-052, 2019-063, 2019-075 - relate to qualifications noted above
2019-001 CCDF Cluster (Page 71) - Monitoring checklists and summary reports are not designed in a manner that allows a reviewer to see what was observed. Additionally, a uniform system to track monitoring visits and non-compliance follow-up has been designed but monitors are not required to use it.
2019-031 CCDF Cluster (page 82) - DHS was unable to support that it met the 8% required minimum amount reserved for quality activities or the 3% required minimum amount reserved for quality of care for infants and toddlers. DHS claimed pre-K expenditures as matching and maintenance-of-effort however was unable to provide documentation to support the charges. In addition to the internal control finding, we also questioned \$5,720,906 in expenditures.
- **Department of Rehabilitation Services**
2019-040 Disability Insurance/SSI Cluster (page 98) - DRS lacked proper internal controls over the consultative examination provider review process.

Other Federal Award Findings

In addition to the findings noted above, we also reported 35 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, 36 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 4 financial statement findings that were also reported in our audit of the Comprehensive Annual Financial Report that was issued in December 2019. These four findings all relate to the method used by the Tax Commission to calculate Taxes Receivable. The method did not comply with GAAP accrual basis of accounting. Additionally, the way in which OMES split these funds between Agency Fund and General Fund in the Statewide CAFR was incorrect.