

# State of Oklahoma Single Audit Report FY2018

## EXECUTIVE SUMMARY

The State of Oklahoma Single Audit Report for the fiscal year ended June 30, 2018 can be found at [www.sai.ok.gov](http://www.sai.ok.gov). It 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 the report. Additionally, the Statewide SEFA is included and reflects \$6,797,427,355 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 50 findings were reported within this year’s Single Audit Report. Of these, 48 were federal program related while two related to the financial statements only. This total of 50 includes 21 (42%) 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 2018 Single Audit Report disclosed federal questioned costs of \$10,888,285 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.

State Agencies with Single Audit Findings	Number of Findings (Number of Repeats)	Federal Questioned Costs
Dept. of Education	17 (8)	\$0
Office of Emergency Management	6 (3)	\$65,409
Employment Security Commission	2 (1)	\$23,362
Oklahoma Health Care Authority	7 (4)	\$166,217
Dept. of Health	7 (4)	\$75,365
Dept. of Human Services	7 (1)	\$10,557,932
Office of Management and Enterprise Services	1 (0)	\$0
Tax Commission	1 (0)	\$0
Dept. of Transportation	2 (0)	\$0

## 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 issued qualified opinions:

- **Medicaid Cluster (Health Care Authority) – Finding #2018-054 (page 58)**  
*Requirement:* Special Tests requirement covering the Medicaid Fraud Control Unit. *Summary:* OHCA has no written policies and procedures covering the process to refer providers to the Medicaid Fraud Control Unit and we were denied access to underlying records to test for compliance.
- **SNAP Cluster (Department of Human Services) – Finding #2018-067 (page 71)**  
*Requirement:* Special Tests requirement covering EBT card security.  
*Summary:* DHS policies and procedures over EBT card security are not being followed consistently putting the EBT cards at risk for unauthorized issuance or improper use.
- **Child Nutrition Cluster (Oklahoma State Department of Education) – Findings 2018-033, 2018-036, 2018-048 (pages 24-33)**  
*Requirements:* Activities Allowed Unallowed, Allowable Costs/Cost Principles, Eligibility; Subrecipient Monitoring, and three Special Tests requirements  
*Summary:* OSDE failed to maintain supporting documentation for the Administrative Reviews (Child Nutrition Cluster excluding Summer Food Program & Child and Adult Care 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.
- **Child and Adult Care Food Program (Oklahoma State Department of Education) - Findings 2018-034, 2018-037, 2018-038 (pages 26-31)**  
*Requirements:* Activities Allowed Unallowed, Allowable Costs/Cost Principles, Eligibility, and Subrecipient Monitoring.  
*Summary:* OSDE failed to maintain supporting documentation for the Administrative Reviews (Child Nutrition Cluster excluding Summer Food Program & Child and Adult Care 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.
- **Unemployment Insurance (Oklahoma Employment Security Commission) – Finding #2018-022 (page 51)**  
*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.
- **Title I Grants to Local Educational Agencies (Oklahoma State Department of Education) – Findings #2018-010, 2018-015, 2018-016, 2018-017 (pages 13-20)**  
*Requirements:* Level of Effort and three Special Tests requirements.

*Summary:* The OSDE Title program staff was unaware of several of the Special Tests and Provisions requirements when our office audited them for the 2017 audit (this was the first year for most of the requirements). They didn't have time in SFY18 to fully implement policies and procedures. Also, OSDE was unable to show us quantifiably how they ensure local educational agencies (LEA's) are not supplanting state and local funds with federal funds.

- ***Supporting Effective Instruction State Grants (Oklahoma State Department of Education) – Findings #2018-015, 2018-016 (pages 16-19)***

*Requirements:* Level of Effort and one Special Tests requirement

*Summary:* The OSDE Title program staff was unaware of several of the Special Tests and Provisions requirements when our office audited them for the 2017 audit (this was the first year for most of the requirements). They didn't have time in SFY18 to fully implement policies and procedures. Also, OSDE was unable to show us quantifiably how they ensure local educational agencies (LEA's) are not supplanting state and local funds with federal funds.

- ***IV-E Foster Care (Department of Human Services) – Finding #2018-052 (page 68)***

*Requirement:* Subrecipient Monitoring

*Summary:* OKDHS lacked adequate monitoring of subrecipients for SFY18.

- ***Disaster Grants – Public Assistance (Oklahoma Emergency Management) – Findings #2018-011, 2018-012, 2018-013, 2018-047, 2018-057 (page 41-49)***

*Requirement:* Subrecipient Monitoring, Cash Management, Reporting, and one Special Tests requirement

*Summary:* OEM lacked adequate monitoring of subrecipients, failed to comply with the Treasury State Agreement, failed to comply with advance payment guidance, 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 17 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***  
*2018-010; 2018-015; 2018-016; 2018-033; 2018-034* – relate to qualifications noted above.  
*2018-019 (page 20)* – inadequate controls in place to ensure all desk and on-site monitoring is completed and properly supported. Additionally, the agency did not have an adequate mechanism in place to ensure monitoring was completely timely and reviewed appropriately.
- ***Employment Security Commission***  
*2018-022* – relates to qualification noted above.
- ***Office of Emergency Management***

2018-011; 2018-012; 2018-013; 2018-047; 2018-057 – relate to qualifications noted above.

- **Health Care Authority**  
2018-054 – relates to qualification noted above.
- **Dept. of Health**  
2018-003 (page 63) – The agency did not maintain separate accounting/funds for Ryan White program rebates during SFY18. These funds were commingled with other federal funds therefore the agency could not ensure that these rebates were used in accordance with federal regulations and award conditions.
- **Department of Human Services**  
2018-052; 2018-067 - relate to qualifications noted above  
2018-061 (page 69) - The agency did not perform eligibility determinations to ensure TANF funds used to pay Adoption Assistance subsidies were paid to needy families which is a requirement for the TANF program. The individual cases with payments to families cannot be tied back specifically to the TANF funds or Adoption Assistance funds.

## **Other Federal Award Findings**

In addition to the findings noted above, we also reported 30 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, 30 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 two financial statement findings that were also reported in our audit of the Comprehensive Annual Financial Report that was issued in December 2018. The financial statement findings were as follows:

**OMES** – Errors were noted in the preliminary financial statements received by SAI which OMES's current review process did not detect.

**Tax Commission** – The method used by the Commission to calculate Taxes Receivables and Accounts Receivable does not comply with GAAP accrual basis of accounting. The amounts reported for these two accounts were understated because the Commission used the modified accrual basis of accounting rather than full accrual basis of accounting.