



STATE OF OKLAHOMA

Single Audit Report

For the fiscal year ended June 30, 2023

Cindy Byrd, CPA
State Auditor & Inspector

OKLAHOMA 2023

Single Audit Report For the Fiscal Year Ended June 30, 2023

Prepared by
Office of the State Auditor and Inspector

Cindy Byrd, CPA
Oklahoma State Auditor and Inspector



August 27, 2025

**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, 2023. 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, 2023

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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

Qualified, Adverse, Unmodified, and Disclaimer of Opinions

We have audited the State of Oklahoma's compliance with the types of compliance requirements identified as subject to audit 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, 2023, except the CCDF Cluster and Low-Income Home Energy Assistance Program; we were engaged to audit the State of Oklahoma's compliance with the type of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on CCDF Cluster and Low-Income Home Energy Assistance Program for the year ended June 30, 2023. The State of Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

We did not audit compliance with those requirements that are applicable to the major federal programs administered by the Department of Commerce, the Department of Environmental Quality, the Department of Wildlife Conservation, the Insurance Department and the Water Resources Board which were audited in accordance with the provisions of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The federal programs for the above referenced agencies represent 1.26% of total expenditures for federal programs reported on the Schedule of Expenditures of Federal Awards. Those 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 agencies, 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, 2023. 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.

Disclaimer of Opinion on CCDF Cluster and Low-Income Home Energy Assistance Program

We do not express an opinion on the State of Oklahoma's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on CCDF Cluster and Low-Income Home Energy Assistance Program. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on CCDF Cluster and Low-Income Home Energy Assistance Program section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on CCDF Cluster and Low-Income Home Energy Assistance Program.

Adverse Opinion on Emergency Rental Assistance; Immunization Cooperative Agreements; and Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the State of Oklahoma did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Emergency Rental Assistance; Immunization Cooperative Agreements; and Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) for the year ended June 30, 2023.

Qualified Opinion on SNAP Cluster, Unemployment Insurance, Formula Grants for Rural Areas, Coronavirus Relief Fund, Coronavirus State and Local Fiscal Recovery Funds, Title I Grants to Local Educational Agencies, Education Stabilization Fund, Temporary Assistance for Needy Families, Foster Care – Title IV-E, Children’s Health Insurance Program, and Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the State of Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on SNAP Cluster, Unemployment Insurance, Formula Grants for Rural Areas, Coronavirus Relief Fund, Coronavirus State and Local Fiscal Recovery Funds, Title I Grants to Local Educational Agencies, Education Stabilization Fund, Temporary Assistance for Needy Families, Foster Care – Title IV-E, Children’s Health Insurance Program, and Medicaid Cluster for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Oklahoma complied, in all material respects, with the 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, 2023.

Basis for Disclaimer of Opinion on CCDF Cluster and Low-Income Home Energy Assistance Program

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 requirements regarding Assistance Listing 93.575, CCDF Cluster as described in finding number 2023-070 for Eligibility, finding number 2023-074 for Special Tests – Health and Safety Requirements, finding number 2023-099 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests – Child Care Provider Eligibility for ARP Act Stabilization Funds; finding number 2023-103 for Activities Allowed or Unallowed, finding number for 2023-104 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility, and finding number 2023-106 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility.

Also, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the State of Oklahoma with requirements regarding Assistance Listing 93.568, Low-Income Home Energy Assistance Program as described in finding numbers 2023-032 and 2023-100 for Reporting, as described in the accompanying schedule of findings and questioned costs. As a result of these matters, we were unable to determine whether the State of Oklahoma complied with the requirements applicable to the CCDF Cluster and the Low-Income Home Energy Assistance Program.

In addition, we identified instances of noncompliance with other compliance requirements regarding Assistance Listing 93.568, Low-Income Home Energy Assistance Program in finding numbers 2023-084 and 2023-085 for Eligibility, as described in the accompanying schedule of findings and questioned costs.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of the report.

We are required to be independent of the State of Oklahoma and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the State of Oklahoma's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Adverse Opinion on Emergency Rental Assistance, Immunization Cooperative Agreements, and Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).

As described in the accompanying schedules of findings and questioned costs, the State of Oklahoma did not comply with requirements regarding the following:

Finding #	Assistance Listing #	Program (or Cluster) Name	Compliance Requirement
2023-027 2023-028 2023-088 2023-089 2023-090 2023-091	21.023	Emergency Rental Assistance	Activities Allowed/ Unallowed
2023-027 2023-028 2023-088 2023-089 2023-090 2023-091	21.023	Emergency Rental Assistance	Allowable Costs/ Cost Principles
2023-027	21.023	Emergency Rental Assistance	Eligibility
2023-091	21.023	Emergency Rental Assistance	Period of Performance
2023-092	21.023	Emergency Rental Assistance	Reporting
2023-026	21.023	Emergency Rental Assistance	Subrecipient Monitoring
2023-206	93.268	Immunization Cooperative Agreements	Reporting
2023-207 2023-211	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Reporting

Compliance with such requirements is necessary, in our opinion, for the State of Oklahoma to comply with the requirements applicable to those programs.

Matters Giving Rise to Qualified Opinion on SNAP Cluster, Unemployment Insurance, Formula Grants for Rural Areas, Coronavirus Relief Fund, Coronavirus State and Local Fiscal Recovery Funds, Title I Grants to Local Educational Agencies, Education Stabilization Fund, Temporary Assistance for Needy Families, Foster Care – Title IV-E, Children's Health Insurance Program, and Medicaid Cluster.

As described in the accompanying schedule of findings and questioned costs, the State of Oklahoma did not comply with requirements regarding the following:

Finding #	Assistance Listing #	Program (or Cluster) Name	Compliance Requirement
2023-023	10.551/10.561	SNAP Cluster	Special Tests (N3)
2023-035 2023-036	17.225	Unemployment Insurance	Special Tests (N5)
2023-013	20.509	Formula Grants for Rural Areas	Subrecipient Monitoring
2023-096	21.019	Coronavirus Relief Fund	Subrecipient Monitoring
2023-051 2023-056 2023-202	21.027	Coronavirus State and Local Fiscal Recovery Funds	Reporting
2023-010	84.010	Title I Grants to Local Educational Agencies	Level of Effort – Supplement not Supplant

2023-041	84.425	Education Stabilization Fund	Special Tests (N3)
2023-054 2023-079	93.558	Temporary Assistance for Needy Families	Eligibility
2023-055 2023-075 2023-078	93.558	Temporary Assistance for Needy Families	Reporting
2023-060 2023-073 2023-079 2023-082	93.558	Temporary Assistance for Needy Families	Level of Effort
2023-068 2023-072 2023-077 2023-080	93.558	Temporary Assistance for Needy Families	Special Tests (N2)
2023-079 2023-082	93.558	Temporary Assistance for Needy Families	Activities Allowed/ Unallowed
2023-006	93.658	Foster Care – Title IV- E	Subrecipient Monitoring
2023-009	93.767	Children's Health Insurance Program	Reporting
2023-030	93.778	Medicaid Cluster	Special Tests (N6)

Compliance with such requirements is necessary, in our opinion, for the State of Oklahoma to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the State of Oklahoma's federal programs.

Auditor's Responsibility for the Audit of Compliance

Auditor's Responsibilities for the Audit of Compliance for CCDF Cluster and Low-Income Home Energy Assistance Program

Our responsibility is to conduct an audit of compliance in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on CCDF Cluster and Low-Income Home Energy Assistance Program section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

We are required to be independent of the State of Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of Compliance for Each of the Other Major Federal Programs

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Oklahoma's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State of Oklahoma's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State of Oklahoma's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the State of Oklahoma's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the State of Oklahoma's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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:

2023-003	2023-004	2023-005	2023-007	2023-008	2023-011
2023-014	2023-015	2023-016	2023-018	2023-024	2023-025
2023-029	2023-031	2023-033	2023-037	2023-038	2023-043
2023-044	2023-045	2023-046	2023-047	2023-048	2023-050
2023-052	2023-053	2023-059	2023-061	2023-062	2023-069
2023-071	2023-081	2023-084	2023-085	2023-093	2023-094
2023-098	2023-101	2023-102	2023-105	2023-107	2023-108
2023-109	2023-200	2023-201	2023-205	2023-208	2023-209
2023-210	2023-212	2023-213			

Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the State of Oklahoma's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State of Oklahoma's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify 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**.

2023-006	2023-009	2023-010	2023-013	2023-023	2023-026
2023-027	2023-028	2023-030	2023-032	2023-033	2023-035
2023-036	2023-041	2023-051	2023-054	2023-056	2023-060
2023-068	2023-069	2023-070	2023-072	2023-073	2023-074
2023-075	2023-077	2023-078	2023-079	2023-080	2023-082
2023-084	2023-085	2023-088	2023-089	2023-090	2023-091
2023-092	2023-096	2023-099	2023-100	2023-103	2023-104
2023-106	2023-109	2023-202	2023-206	2023-207	2023-211
2023-212					

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**.

2023-005	2023-007	2023-008	2023-011	2023-014	2023-015
2023-016	2023-018	2023-020	2023-024	2023-025	2023-029
2023-031	2023-037	2023-038	2023-043	2023-044	2023-045
2023-046	2023-047	2023-048	2023-050	2023-052	2023-053
2023-055	2023-059	2023-061	2023-062	2023-071	2023-081
2023-083	2023-093	2023-094	2023-098	2023-101	2023-102
2023-105	2023-107	2023-108	2023-200	2023-201	2023-203
2023-204	2023-205	2023-213			

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State of Oklahoma's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State of Oklahoma's response was not subjected to the other 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 State of Oklahoma as of and for the year ended June 30, 2023, and have issued our report thereon dated September 4, 2024, 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. 91, Conduit Debt Obligations, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, GASB Statement No. 96, Subscription-Based Information Technology Arrangements, and GASB Statement No. 99, Omnibus 2022 (paragraphs 11-25).

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. 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, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR AND INSPECTOR

July 24, 2025 except for our report on the Schedule of
Expenditures of Federal Awards, for which the date is
September 4, 2024

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 2023, 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 under separate cover from the Annual Comprehensive Financial Report for the State of Oklahoma for the year ended June 30, 2023, dated September 4, 2024.

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes

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

Type of auditor's report issued on compliance for major programs - Unmodified for all major programs except for the following:

#10.551/#10.561 - SNAP Cluster	Qualified
#17.225 - Unemployment Insurance	Qualified
#20.509 - Formula Grants for Rural Areas	Qualified
#21.019 - Coronavirus Relief Fund	Qualified
#21.023 - Emergency Rental Assistance	Adverse
#21.027 - Coronavirus State and Local Fiscal Recovery Funds	Qualified
#84.010 - Title I Grants to Local Educational Agencies	Qualified
#84.425 - Education Stabilization Fund	Qualified
#93.268 - Immunization Cooperative Agreements	Adverse
#93.323 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Adverse
#93.558 - Temporary Assistance for Needy Families	Qualified
#93.568 - Low Income Home Energy Program	Disclaimer
#93.575/#93.596 - CCDF Cluster	Disclaimer
#93.658 - Foster Care - Title IV-E	Qualified
#93.767 - Children's Health Insurance Program	Qualified
#93.775/#93.777/#93.778 - Medicaid Cluster	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:\$30,000,000

Auditee qualified as low-risk auditee? No

Schedule of Findings

Summary of Auditor's Results

Identification of Major Programs:

	<u>Assistance Listing Number and Program</u>	<u>State Agency Name</u>
	10.093 Voluntary Public Access and Habitat Incentive	Department of Wildlife Conservation
	10.542 Pandemic EBT Food Benefits	Department of Human Services
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, Department of Human Services
	10.555 National School Lunch Program	
	10.556 Special Milk Program for Children	
	10.559 Summer Food Service Program for Children	
	10.582 Fresh Fruit and Vegetable Program	
	12.401 National Guard Military Operations and Maintenance	Oklahoma Military Department
	14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Department of Commerce, Mental Health and Substance Abuse Services, Oklahoma Water Resources Board
	14.231 Emergency Solutions Grant Program	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	
	15.626 Enhanced Hunter and Safety Education	
	15.634 State Wildlife Grants	Department of Wildlife Conservation
	17.225 Unemployment Insurance	Employment Security Commission
WIOA Cluster	17.258 WIOA Adult Programs	Department of Commerce, Department of Libraries
	17.259 WIOA Youth Activities	
	17.278 WIOA Dislocated Worker Formula Grants	
	20.509 Formula Grants for Rural Areas	Department of Transportation
	21.019 Coronavirus Relief Fund	State of Oklahoma (numerous agencies)
	21.023 Emergency Rental Assistance	State of Oklahoma - CARES Forward
	21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds	State of Oklahoma (numerous agencies)
Clean Water State Revolving Fund Cluster	66.458 Capitalization Grants for Clean Water State Revolving Funds	Water Resources Board

Schedule of Findings

Summary of Auditor's Results

Drinking Water State Revolving Fund Cluster	66.468	Capitalization Grants for Drinking Water State Revolving Funds	Department of Environmental Quality
	81.042	Weatherization	Department of Commerce
	84.010	Title I Grants to Local Educational Agencies	Department of Education, Office Juvenile Affairs
Special Education Cluster (IDEA)	84.027	Special Educational Grants to States	Department of Corrections, Department of Education, Office of Juvenile Affairs
	84.173	Special Education Preschool Grants	
Education Stabilization Fund	84.425C	Governor's Emergency Education Relief (GEER) Fund	Department of Education, Office of Juvenile Affairs, Office of Management and Enterprise Services
	84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund	
	84.425R	Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS) Program	
	84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	
	84.425V	American Rescue Plan Emergency Assistance to Non-Public Schools (ARP EANS)	
	84.425W	American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	
	93.268	Immunization Cooperative Agreements	Department of Health
	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Department of Corrections, Department of Education, Department of Health, Department of Mental Health, Office of Juvenile Affairs
	93.324	State Health Insurance Assistance Program	Oklahoma Insurance Department
	93.558	Temporary Assistance for Needy Families	Department of Human Services, Department of Libraries, Department of Career and Technology Education
	93.568	Low-Income Home Energy Assistance	Department of Commerce, Department of Human Services
	93.569	Community Services Block Grant	Department of Commerce
CCDF Cluster	93.575	Child Care and Development Block Grant	Department of Human Services
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	
	93.658	Foster Care IV-E	Department of Human Services, Office of Juvenile Affairs
	93.767	Children's Health Insurance Program	Health Care Authority, Department of Health

Schedule of Findings

Summary of Auditor's Results

Medicaid Cluster	93.775	State Medicaid Fraud Control Units	Attorney General
	93.777	State Survey and Certification of Health Care Providers and Suppliers (TitleXVIII) Medicare	Department of Health
	93.778	Medical Assistance Program	Health Care Authority, Department of Human Services, Department of Health, Office of Juvenile Affairs
Disability Insurance/SSI Cluster	96.001	Social Security - Disability Insurance	Department of Rehabilitation Services

Schedule of Findings And Questioned Costs

FINANCIAL STATEMENT FINDINGS

Reference Number: 23-090-021

State Agency: Office of Management and Enterprise Services (OMES)

Fund Type: Governmental Activities; Governmental Funds

Other Information: Statewide Adjustments - 999 Entries

Criteria: The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 3.09 and 3.10 states, in part, “Management develops and maintains documentation of its internal control system. Effective documentation assists in management’s design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, “Management designs appropriate types of control activities for the entity’s internal control system....Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”

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. Changes may occur in personnel, operational processes, or information technology....”

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

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

Condition and Context: A 999 entry is made by Office of Management and Enterprise Services (OMES) on a statewide level rather than on an agency-by-agency basis. Each entry affects multiple agencies and is made primarily for eliminations or reclassifications at the governmental activities or governmental funds level.

Based on review of the statewide journal entries (999) made for fiscal year 2023, we noted the following errors:

- *Journal Entry G999019:*
 - The total amount of Transfers In/Out eliminated between agencies for account code 531600 against the regulatory services Function of Government (FOG-8) was \$0 but should have been \$6,530,000.
 - The total amount of Transfers In/Out eliminated for account code 531600 against the social services Function of Government (FOG-9) was \$165,724,000 but should have been \$213,724,000, a difference of \$48,000,000.
 - The net result: \$54,530,000 was eliminated against the wrong Functions of Government.
- *Journal Entries G999020 & G999031:*
 - The total amount related to non-capital outlay payments between state agencies eliminated by journal entry

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G999020 was \$939,223,000 but should have been \$1,021,042,000. The difference of \$81,819,000 incorrectly included transactions totaling \$13,771,000 and excluded transactions totaling \$95,590,000.

- The total amount of capital outlay payments between state agencies eliminated by journal entry *G999031* was \$193,956,000 but should have been \$232,841,000, a difference of \$38,885,000.
 - The net result:
 - State agency eliminations for non-capital outlay payments were understated by \$81,819,000.
 - State agency eliminations for capital outlay payments were understated by \$38,885,000.
- *Journal Entry G999020:*
 - Immaterial state agencies had interagency revenue transactions totaling \$67,641,009 and were not required to submit GAAP Package R, *Interagency Payment Summary*; OMES included that total amount in the eliminations against revenue code 48XXXX. SAI reviewed the expenditure account codes for these payments and noted that the majority of the expenditures did not appear to be applicable to a 48XXXX revenue account code. OMES subsequently determined that only \$14,817,908 (22%) was applicable to revenue account code 48XXXX and the remaining \$52,823,101 (78%) should have been eliminated against other revenue account codes.
 - In addition, for agencies that submitted a GAAP Package R or that OMES reviewed individually:
 - \$6,143,277 was incorrectly eliminated against revenue account 48XXXX instead of 419171.
 - \$3,378,755 was incorrectly eliminated against revenue account 48XXXX instead of 441199.
 - The net result: \$62,345,133 was incorrectly eliminated against revenue accounts 48xxxx for entry *G999020*.
 - CI. *Journal Entry G999032:*
 - The total amount eliminated by journal entry *G999032* was \$154,076,693, which included a duplicate elimination amount of \$141,218,784: the total amount eliminated should have been \$12,857,909.
 - Result: the elimination entry was overstated by \$141,218,784.
We also noted that OMES did not have adequate internal controls over the 999 journal entry process to ensure transactions are recorded completely, accurately and timely and, to ensure prior year finding issues are not repeated.

Cause: Management did not develop an appropriate internal control system and management failed to clearly document internal controls and all processes applicable to eliminating journal entries in order to ensure organizational knowledge is retained and documentation is readily available for examination (internally or externally). Also, Management did not periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks.

Based on the lack of an adequate review over the statewide 999 journal entries, we noted the following:

- *Journal Entry G999019:* Errors were made by OMES in the journal entry preparation process and were not detected during a review process.
- *Journal Entry G999020 & G999031:* The following issues contributed to eliminating journal entry understatements:
 - The data file OMES used to calculate eliminating entry *G999020* was incomplete, and errors were made by OMES in the journal entry preparation process, neither of which were detected during a review process.
 - The data supporting eliminating entry *G999031* was incomplete due to transactions totaling \$17,800,000 that were miscoded and transactions totaling \$21,085,000 that should have been included but were not, neither of which were detected during a review process.
- *Journal Entry G999020:* Errors were made by OMES in the methodology and journal entry preparation process for eliminating expenditures for immaterial state agencies that were not required to submit detailed support for GAAP Package R, *Interagency Payment Summary*, and the errors were not detected during a review process.
- *Journal Entry G999032:* Prior to SFY23, DHS did not enter transaction level information into Peoplesoft. Therefore, the transaction level data file used to calculate eliminating entry *G999020* did not include DHS

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transactions and OMES would eliminate the DHS transactions in a separate journal entry *G999032*. In SFY23, DHS transitioned to Peoplesoft and the data file used for *G999020* included DHS transactions; therefore, the transactions were eliminated. As a result for SFY23, the DHS transactions got eliminated for both entry *G999020* and *G999032*, and the error was not detected during a review process.

Effect:

The amount of \$54,530,000 was eliminated against incorrect FOGs, which caused the financial statements to reflect misstatements in the same amount for the applicable FOGs. {ENTRY A}

The total amount eliminated for payments between state agencies (journal entries *G999020* and *G999032*) was overstated by \$59,399,784 (\$141,218,784 - \$81,819,000), which caused the corresponding accounts on the financial statements to be understated by the same amount. {ENTRIES B & D}

The total amount eliminated for payments to other state agencies for capital outlay (journal entry *G999031*) was understated by \$38,885,000, which caused the corresponding accounts on the financial statements to be overstated by the same amount. {ENTRY B}

The amount of \$62,345,133 was eliminated against incorrect revenue account codes, which caused the financial statements to reflect misstatements for the corresponding accounts in the same amount. {ENTRY C}

Recommendation:

We recommend the State of Oklahoma ensure the following for elimination journal entries:

- The methodology for preparing elimination journal entries is adequately documented and reviewed to ensure the methodology is appropriate, and revisions are made as needed to ensure prior year finding issues are not repeated.
- The eliminating journal entries are properly reviewed and approved.
- The data files used in the calculation of the eliminating journal entries are determined to be complete prior to journal entry preparation.
- State agencies are appropriately advised by OMES of any miscoding issues identified during the journal entry preparation process or during the audit process.

OMES Response:

OMES has Standard Operating Procedure #04-04: 999 Journal Entries (FRU) in place as of March 2024. OMES will review internal control procedures and the state auditor recommendations. Internal control procedures will be revised as appropriate and will include: 1) robust management review of significant phases of elimination entry process, 2) clear documentation of process and demonstration of procedural compliance within OMES workpapers, 3) annual review of procedures documented in SOP#04-04 referred to above. Any analytical tools available to SAI which can be shared with OMES that will enhance our review process would be welcomed.

Reference Number: 23-290-026

State Agency: Oklahoma Employment Security Commission

Fund Type: Enterprise Fund

Other Information: Benefit Payments

Criteria: The *Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* 9.04 states, in part, “As part of risk assessment or a similar process, management analyzes and responds to identified changes and related risks in order to maintain an effective internal control system. Changes in conditions affecting the entity and its environment often require changes to the entity’s internal control system, as existing controls may not be effective for meeting objectives or addressing risks under changed conditions. Management analyzes the effect of identified changes on the internal control system and responds by revising the internal control system on a timely basis, when necessary, to maintain its effectiveness.”

The *Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* 10.03 states, in part, “Management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.... Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and

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limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.”

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

The *Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* 11.13 states, in part, “Management evaluates security threats to information technology, which can be from both internal and external sources. External threats are particularly important for entities that depend on telecommunications networks and the Internet. External threats have become prevalent in today’s highly interconnected business environments, and continual effort is required to address these risks.”

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

Condition: Based on review of all Unemployment Insurance (UI) claims for SFY 2023, we isolated and performed analytical tests on UI benefit payments and the associated withholding payments based on *identified fraud risk factors*. When analyzing these risk factors, we noted \$1,577,292* in probable fraudulent claims related to:

- *Claimants with the same phone number (all 0’s or all 9’s)* - Payments totaling \$11,488 to 77 claimants that appear suspicious based on the claimant name, address, employer name, or similar Social Security Numbers (SSNs),
- *More than two claimants with the same phone number (numbers other than all 0’s or all 9’s)* - Payments totaling \$137,215 to 273 claimants appear suspicious based on the claimant name, address, employer name, or similar SSNs,
- *Claimants using the same address* - Payments totaling \$1,417,511 to 1,871 claimants appear suspicious based on the claimant name, employer name, or similar SSNs,
- *Social Security Number’s (SSNs) starting with 999* - Payments totaling \$11,078 to 60 claimants have 999 as the first three digits of SSNs, denoting OESC had identified these as fraud payments after they were paid.**

*Many SSNs were identified in multiple procedures; therefore, we removed the repeated payment amounts from the overpayment total. The number of claimants identified in the procedure, however, could also be included in another procedure’s count.

**No valid SSN has 999 as the first three digits.

Cause: The agency’s internal controls were insufficient to detect and/or prevent improper unemployment benefit payments before they were made: verification of a claimant’s information to establish eligibility was not in place during SFY 2023. Unallowable payments were the result of the following factors, as well as a lack of controls over the Unemployment Insurance benefit payments:

- Antiquated system that didn’t have the capacity for proper automated edits or matching of all necessary fields at the time a claim was filed
- Large number of stolen identities
- Lack of adequate staffing to handle the volume of claims paid for all Unemployment Insurance programs
- Lack of adequate training for all staff related to the various Unemployment Insurance program requirements
- Delays in the process for employers to dispute claims since the process was largely manual through the mailing of notifications

Effect: Fraud continued to occur during SFY 2023 due to the inadequate online verification process, but on a much lower percentage of the cases. We identified benefit and withholding payments totaled \$1,577,292 that appear fraudulent. Because our sample was targeted based on probable fraud criteria, we did not project these results to the entire population; it is possible that the total dollar amount of fraudulent claims paid would be significant.

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Efforts by OESC to identify and investigate known and suspected claims, and recover fraudulent and overpayment claims, are ongoing. Identifying trends or anomalies in the data has allowed the agency to suspend large amounts of potentially fraudulent claims until they can be examined. In addition, OESC implemented VerifyOK in November of 2022 to further deter and prevent identity theft fraud.

Recommendation: We recommend the OESC perform the following:

- Continue to work to strengthen internal controls over the automated system to better detect and prevent unemployment insurance benefit overpayments related to fraudulent claims.
- Continue to refine the analytics process that will help identify trends or anomalies in the data to catch fraudulent claims timely and save taxpayer monies.
- Work to strengthen their eligibility verification process to help prevent fraudulent claims.
- Continue to work with the U.S. Department of Labor to recover the remaining fraudulent payments.
- Continue to work to establish overpayment resolution for unemployment benefit claims.

Agency Management Response: While the agency does not completely disagree with the Condition, Cause and Effect as documented by the auditors, the agency believes additional considerations are important in drawing conclusions about whether all payments associated with the \$1,577,292 in claims identified in this finding are conclusively fraudulent. We worked closely with the auditors to review these claims and had previously identified over 90% of the claims through the agency's own internal fraud review processes and initiated recovery of any funds paid for claims identified as fraudulent. As we have stated in previous years, conclusions drawn by the auditors around this risk reflect the worst-case scenario based on the information available.

OESC processes are ever-evolving and improving to address fraud prevention and detection, as the threat from bad actors will continue in perpetuity. Oklahoma is one of few states that utilizes identity proofing as a gatekeeper to the claim application process. Though OESC launched an improved version of VerifyOK in November 2022, it took time to refine the logic behind the application that is expected to further decrease the potential findings of fraudulent claims for future audits. The agency continues to make fraud prevention a priority and is engaging with federal partners, other state agencies and vendor partners to be vigilant in anticipating trends in fraud activity. While we believe we are expending appropriate levels of effort in this area, we also want to acknowledge that the complexity and ever-changing nature of the fraud space will continue to make this a difficult risk to mitigate entirely.

End of Financial Statement Findings

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Note: Findings are presented alphabetically by state agency

STATE OF OKLAHOMA – CARES FORWARD

FINDING NO: 2023-062

STATE AGENCY: State of Oklahoma

FEDERAL AGENCY: U.S. Department of the Treasury

ALN: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund (CRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

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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 §200.334 – *Record retention Requirements* states in part, “The recipient and subrecipient must retain all Federal award records for three years from the date of submission of their final financial report. For awards that are renewed quarterly or annually, the recipient and subrecipient must retain records for three years from the date of submission of their quarterly or annual financial report, respectively. Records to be retained include but are not limited to, financial records, supporting documentation, and statistical records.”

2 CFR §200.336 – *Methods for collection, transmission, and storage of information* states, “When practicable, the Federal agency or pass-through entity and the recipient or subrecipient must collect, transmit, and store Federal award information in open and machine-readable formats. A machine-readable format is a format in a standard computer language (not English text) that can be read automatically by a computer system. Upon request, the Federal agency or pass-through entity must always provide or accept paper versions of Federal award information to and from the recipient or subrecipient. The Federal agency or pass-through entity must not require additional copies of Federal award information submitted in paper versions. The recipient or subrecipient does not need to create and retain paper copies when original records are electronic and cannot be altered. In addition, the recipient or subrecipient may substitute electronic versions of original paper records through duplication or other forms of electronic conversion, provided that the procedures are subject to periodic quality control reviews. Quality control reviews must ensure that electronic conversion procedures provide safeguards against the alteration of records and assurance that records remain in a format that is readable by a computer system.”

Condition and Context: The CARES FORWARD team for State of Oklahoma was unable to provide the full quarterly *Financial Progress Report* (FPR) for 7/1/2022 to 9/30/2022 (cycle 10) before the reporting portal was closed. However, for the summary page that was provided, we noted that the current quarter expenditures were reported as \$28,415,019.58. We reconciled the *Financial Progress Report* to the Schedule of Expenditures of Federal Awards (SEFA) for AL #21.019, by removing the interest revenue from our SEFA calculation, since interest is not required to be reported on the *Financial Progress Report*. The net result was SEFA expenditures totaled \$29,220,392 (\$30,422,641-\$1,202,249) for SFY 2023, based on this being the last quarter of the CRF grant.

Cause: The CARES FORWARD team reported obligations and expenditures based on the funds being transferred from the Oklahoma State Treasurer to the Executive Office of the State of Oklahoma, and not when the funds were obligated or expended by an entity other than the State of Oklahoma. In addition, human error occurred when recording some expenditures to certain cost categories. Lastly, the CARES FORWARD team failed to retain a copy of the entire cycle 10 *Financial Progress Report*.

Effect: Expenditures for the cycle 10 *Financial Progress Report* were understated by \$805,372.42. Further, the State of Oklahoma did not comply with 2 CFR §200.334.

Recommendation: We recommend the State of Oklahoma continue to work to strengthen the controls over financial reporting of federal grant awards to ensure the amounts are accurately reported. Also, we recommend the State of Oklahoma ensure they retain all quarterly *Financial Progress Reports* for a period of three years from the date of submission.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: September 2022

Corrective Action Planned: The State of Oklahoma/Office of Management and Enterprise Services agrees with this finding. See corrective action plan located in the corrective action plan section of the report.

FINDING NO: 2023-094 (Repeat finding 2022-076)

STATE AGENCY: State of Oklahoma and Office of Management and Enterprise Services (OMES)

FEDERAL AGENCY: US Department of the Treasury

Schedule of Findings And Questioned Costs

ALN: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund (CRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance

QUESTIONED COSTS: \$184,129

Criteria: 2 CFR §200.1 defines Financial obligations as “orders placed for property and services, contracts and subawards made, and similar transactions that require payment by a recipient or subrecipient under a Federal award that will result in expenditures by a recipient or subrecipient under a Federal award.”

2 CFR §200.303 - *Internal controls* provides that the *Non-Federal* entity must: “Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

The Department of the Treasury Federal Register, Vol. 86, No. 10 from January 15, 2021, states in part, “The CARES [Coronavirus Aid, Relief, & Economic Security] Act provides that payments from the Fund may only be used to cover costs that— 1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); 2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and 3. were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.”

Treasury Federal Register, Vol. 86, No. 10 also states in part, “for a cost to be considered to have been incurred, performance or delivery must occur during the covered period, but payment of funds need not be made during that time.”

Revision to Guidance Regarding When a Cost is Considered Incurred states from December 14, 2021, states in part, “The CARES Act provides that payments from the Fund may only be used to cover costs that were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021 (the “covered period”). A cost associated with a necessary expenditure incurred due to the public health emergency is considered to have been incurred by December 31, 2021, if the recipient has incurred an obligation with respect to such cost by December 31, 2021. Treasury defines obligation for this purpose as an order placed for property and services and entry into contracts, subawards, and similar transactions that require payment. Recipients are required to expend their funds received from the CRF to cover these obligations by September 30, 2022.”

Applicable State Rules and Regulations

74 O.S. §85.42 *Certain Contracts Prohibited - Contract Limitations - Certain Contracts Allowed* states in part,

“A. 1. Except as otherwise provided for in this section or other applicable law, any agency, whether or not such agency is subject to the Oklahoma Central Purchasing Act, is prohibited from entering into a sole source contract or a contract for professional services with or for the services of any person, who has terminated employment with or who has been terminated by that agency for one (1) year after the termination date of the employee from the agency.

...

C. As used in this section, person is defined as any state official or employee of a department, board, bureau, commission, agency, trusteeship, authority, council, committee, trust, school district, fair board, court, executive office, advisory group, task force, study group, supported in whole or in part by public funds or entrusted with the expenditure of public funds or administering or operating public property, and all committees, or subcommittees thereof, judges, justices and state legislators.”

Condition and Context: In testing a non-statistical random sample of 15 of 24 state agency reimbursed claims totaling \$248,328.44, we noted the following:

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- For six (40%) of the fifteen claims tested, the reimbursement was approved by an appropriate authority. However, it appears the CARES FORWARD¹ review process to determine whether expenditures qualified for reimbursement from CRF consisted of only a summary level cost reimbursement spreadsheet and attestations, including that the expenditure had not been accounted for in a prior budget, signed by the agencies. We noted invoices for the consulting services team the state engaged with do not detail the progress of work performed. Also, there was no support for the number of hours detailing time spent for services performed. Therefore, we are unable to determine what work was performed. [Questioned Costs - \$184,129]
- For nine (60%) of the fifteen claims tested, the State of Oklahoma utilized the *Financial Progress Report* to the federal government to constitute if an expenditure had been obligated by December 31, 2021. However, we didn't see the support for what the U.S. Treasury calls an "obligation", which was an order placed for property and services, entering contract, subawards, or similar transactions that require payment. However, the payments were allowable, and were liquidated within the period of performance

Cause: CARES FORWARD failed to perform a detailed review of transactions at the time of reimbursement to ensure the costs were for a necessary and allowable COVID-19 expenditure due to the public health emergency.

OMES did not have proper controls in place to ensure State purchasing rules were followed for CRF consulting contracts.

OMES did not ensure that individuals responsible for procurement of services did not have conflicts of interest with parties they contracted with.

Effect: CARES FORWARD may have reimbursed unallowable costs to the contractor.

In addition, because CARES FORWARD did not require a detailed breakout of consulting services and hours performed related to the CRF consulting contract, we are unable to determine whether the consultant met the requirements of the contract, and therefore the requirements of the federal award.

Recommendation: We recommend CARES FORWARD review, and require supporting documentation for, all reimbursement requests to ensure all relevant supporting documentation is present to support allowability of the expenditure and to prevent potential recoupment by the Department of the Treasury.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: September 2022

Corrective Action Planned: The State of Oklahoma/Office of Management and Enterprise Services partially agrees with this finding. See corrective action plan located in the corrective action plan section of the report.

Auditor Response: We recommend the CARES FORWARD team design and implement appropriate controls to ensure expenditures are incurred, per the Department of Treasury guidance, prior to reimbursement approval. Additionally, we recommend CARES FORWARD review all reimbursements and ensure that relevant documentation is present to support allowability of the expenditure and to prevent potential recoupment by the Department of the Treasury. We recommend that OMES ensure all employees responsible for the administration of federal awards provide adequate oversight of any contracted services applicable to those federal awards. Lastly, we recommend that OMES provide training to all employees involved in the procurement of consulting service contracts to ensure compliance with State Statutes.

FINDING NO: 2023-096 (Repeat finding 2022-071)

STATE AGENCY: State of Oklahoma

FEDERAL AGENCY: US Department of the Treasury

¹ Governor Kevin Stitt established [CARES FORWARD](#) to administer CRF. This team is made up of various cabinet secretaries and state employees who have an expertise in state government, finance, and federal awards.

Schedule of Findings And Questioned Costs

ALN: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund (CRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$248,779

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 § 200.332 - *Requirements for pass-through entities* states in part, “All pass-through entities must: ...

(b) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the information provided below. A pass-through entity must provide the best available information when some of the information below is unavailable. A pass-through entity must provide the unavailable information when it is obtained. Required information includes:

(1) Federal award identification.

(i) Subrecipient's name (must match the name associated with its unique entity identifier);

(ii) Subrecipient's unique entity identifier;

(iii) Federal Award Identification Number (FAIN);

(iv) Federal Award Date;

(v) Subaward Period of Performance Start and End Date;

(vi) Subaward Budget Period Start and End Date;

(vii) Amount of Federal Funds Obligated in the subaward;

(viii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity, including the current financial obligation;

(ix) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;

(x) Federal award project description, as required by the Federal Funding Accountability and Transparency Act (FFATA);

(xi) Name of the Federal agency, pass-through entity, and contact information for awarding official of the pass-through entity;

(xii) Assistance Listings title and number; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at the time of disbursement;

(xiii) Identification of whether the Federal award is for research and development; and

(xiv) Indirect cost rate for the Federal award (including if the de minimis rate is used in accordance with § 200.414).

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(2) All requirements of the subaward, including requirements imposed by Federal statutes, regulations, and the terms and conditions of the Federal award;

(3) Any additional requirements that the pass-through entity imposes on the subrecipient for the pass-through entity to meet its responsibilities under the Federal award. This includes information and certifications (see § 200.415) required for submitting financial and performance reports that the pass-through entity must provide to the Federal agency; ...

(c) Evaluate each subrecipient's fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring described in paragraph (f) of this section. When evaluating a subrecipient's risk, a pass-through entity should consider the following:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits. This includes considering whether or not the subrecipient receives a Single Audit in accordance with subpart F and the extent to which the same or similar subawards have 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 any Federal agency monitoring (for example, if the subrecipient also receives Federal awards directly from the Federal agency).

(d) If appropriate, consider implementing specific conditions in a subaward as described in § 200.208 and notify the Federal agency of the specific conditions.

(e) Monitor the activities of a subrecipient as necessary to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward. The pass-through entity is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward are achieved. In monitoring a subrecipient, a pass-through entity must:

(1) Review financial and performance reports.

(2) Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward. Significant developments include Single Audit findings related to the subaward, other audit findings, site visits, and written notifications from a subrecipient of adverse conditions which will impact their ability to meet the milestones or the objectives of a subaward. When significant developments negatively impact the subaward, a subrecipient must provide the pass-through entity with information on their plan for corrective action and any assistance needed to resolve the situation.

(3) Issue a management decision for audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521.”

The Department of the Treasury Federal Register, Vol. 86, No. 10 from January 15, 2021 states in part, “The CARES [Coronavirus Aid, Relief, & Economic Security Act] Act provides that payments from the Fund may only be used to cover costs that— 1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19); 2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and 3. were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021. ... This guidance applies in a like manner to costs of subrecipients. Thus, a grant or loan, for example, provided by a recipient using payments from the Fund must be used by the subrecipient only to purchase (or reimburse a purchase of) goods or services for which receipt both is needed within the covered period and occurs within the covered period. The direct recipient of payments from the Fund is ultimately responsible for compliance with this limitation on use of payments from the Fund.

...

Schedule of Findings And Questioned Costs

Condition and Context: Per the GAAP Package Z - Schedule of Expenditures of Federal Awards (SEFA), the State of Oklahoma reported \$249,660.69 in CRF cash basis expenditures reimbursed to subrecipients by the CARES FORWARD team. We tested all five (5) reimbursement transactions for one subrecipient and noted the following:

- One (20%) of the five (5) transactions totaling \$4,594.40 contained no supporting documentation.
- Four (80%) of the five (5) transactions totaling \$245,066.29 contained costs totaling \$244,184.29 that were incurred by the subrecipient after 12/31/2021 (covered period).

The State of Oklahoma – CARES FORWARD team failed to perform an adequate review to ensure the subrecipient purchased (or reimbursed a purchase of) goods or services for which receipt both is needed within the covered period and occurs within the covered period.

Further, we noted Award documents provided to the subrecipient did not include the terms and conditions of the subaward. Also, the CARES FORWARD team did not perform a risk assessment on subrecipients receiving continued funding during SFY 2023.

Lastly, while performing Single Audit monitoring testwork on three (3) subrecipients for SFY 2022, we determined that the State of Oklahoma - CARES FORWARD team did not perform tracking on two (2) of the subrecipients that received CRF funds. For the two subrecipients, there is no documentation to show that OMES received the SFY 2022 Single Audit, evaluated whether the subrecipient took corrective action on all significant developments that affect the subaward, and issued a management decision for any audit findings pertaining to the federal award.

Cause: Adequate controls were not in place to ensure the monitoring process utilized by the CARES FORWARD team considered the Department of Treasury guidance when determining whether the financial activities of the subrecipients complied with Federal statutes, regulations, and the terms and conditions of the Federal award prior to payment.

Also, the State of Oklahoma – CARES FORWARD² team did not have sufficient internal controls in place to ensure subrecipient award documentation included the terms and conditions of the subaward in accordance with 2 CFR § 200.332. Further, the State of Oklahoma – CARES FORWARD team did not have sufficient internal controls in place to ensure subrecipients are assessed for risk in accordance with 2 CFR § 200.332.

Lastly, the State of Oklahoma – CARES Forward team did not have sufficient internal controls in place to ensure subrecipients are monitored for a Single Audit in accordance with 2 CFR § 200.332.

Effect: These deficiencies resulted in questioned costs of \$248,779 goods or services for which receipt both was needed and occurred within the covered period. The \$248,779 in questioned costs related to subrecipient expenses is included in Finding 2023-108 (Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance) as well, as the same transactions failed to meet requirements under all these compliance areas. The amount should not be considered cumulative.

The State of Oklahoma – CARES FORWARD team did not comply with 2 CFR § 200.332.

Recommendation: We recommend for future grants that the State of Oklahoma strengthen their control process related to subrecipients to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Views of Responsible Official(s)

Contact Person: Brandy Manek

² Governor Kevin Stitt established [CARES FORWARD](#) to administer CRF. This team is made up of various cabinet secretaries and state employees who have an expertise in state government, finance, and federal awards.

Schedule of Findings And Questioned Costs

Anticipated Completion Date: September 2022

Corrective Action Planned: The State of Oklahoma/Office of Management and Enterprise Services partially agrees with this finding. See corrective action plan located in the corrective action plan section of the report.

Auditor Response: The State Auditor & Inspector's Office questioned \$248,779 to one subrecipient for SFY 2023 based on the expenditures for goods or services both needing to be within the covered period and occurring within the covered period.

Therefore, since the subrecipient payments were after the covered period (December 31, 2021), the finding will stand. Further, since there was not a risk assessment performed during the year and the Single Audit tracking was not performed for SFY 2022 for 2 of the 3 subrecipients, the finding will stand.

FINDING NO: 2023-098

STATE AGENCY: State of Oklahoma and Office of Management and Enterprise Services (OMES)

FEDERAL AGENCY: US Department of the Treasury

ALN: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund (CRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Reporting

QUESTIONED COSTS: \$157,186

Criteria: 2 CFR §200.1 defines Financial obligations as “orders placed for property and services, contracts and subawards made, and similar transactions that require payment by a recipient or subrecipient under a Federal award that will result in expenditures by a recipient or subrecipient under a Federal award.”

2 CFR §200.303 - *Internal controls* provides that 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.”

Treasury Federal Register, Vol. 86, No. 10 also states in part, “for a cost to be considered to have been incurred, performance or delivery must occur during the covered period, but payment of funds need not be made during that time.”

Treasury Federal Register, Vol. 86, No. 10 also states in part, “As previously stated in FAQ B.11, recipients are permitted to use payments from the Fund to cover the expenses of an audit conducted under the Single Audit Act, subject to the limitations set forth in 2 CFR 200.425. Pursuant to that provision of the Uniform Guidance, recipients and subrecipients subject to the Single Audit Act may use payments from the Fund to cover a reasonably proportionate share of the costs of audits attributable to the Fund. To the extent a cost is incurred by December 31, 2021, for an eligible use consistent with section 601 of the Social Security Act and Treasury's guidance, a necessary administrative compliance expense that relates to such underlying cost may be incurred after December 31, 2021. Such an expense would include, for example, expenses incurred to comply with the Single Audit Act and reporting and recordkeeping requirements imposed by the Office of Inspector General. A recipient with such necessary administrative expenses, such as an ongoing audit continuing past December 31, 2021, that relates to Fund expenditures incurred during the covered period, must report to the Treasury Office of Inspector General by the quarter ending September 2022 an estimate of the amount of such necessary administrative expenses.

Revision to Guidance Regarding When a Cost is Considered Incurred December 14, 2021, states in part, “The CARES Act provides that payments from the Fund may only be used to cover costs that were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021 (the “covered period”). A cost associated with a necessary expenditure incurred due to the public health emergency is considered to have been incurred by December 31, 2021, if the recipient has incurred an obligation with respect to such cost by December 31, 2021. Treasury defines obligation for this purpose as an order placed for property and services and entry into contracts, subawards, and similar

Schedule of Findings And Questioned Costs

transactions that require payment. Recipients are required to expend their funds received from the CRF to cover these obligations by September 30, 2022.”

Condition and Context: The State of Oklahoma recorded \$867,541.99 in final administrative closeout costs per 2023 Schedule of Expenditures of Federal Awards (SEFA), since this was the last year of the grant. The expenses were shown as cash basis expenditures. However, these costs were not paid by 6/30/2023, and therefore should have been recorded as an Accounts Payable expense. Finally, only \$652,141.40 has been paid out to date for final administrative closeout costs. These expenses were a result of the interest revenue earned over the entirety of CRF grant.

Upon review of the final closeout administrative costs totaling \$652,141.40 the State of Oklahoma CARES FORWARD³ team expended related to the CRF grant in SFY 2023, we noted: training costs of \$7,871.54 that had already been recorded as a CRF expenditure in a prior period a payment of \$116,402.36 for software license was made on 4/10/2023, which was outside of the liquidation period of the grant, was not an administrative closeout expenditure; therefore, it was not a necessary or allowable expenditure due to the public health emergency two payments to the State Auditor and Inspector’s Office totaling \$32,912.50 related to the SFY 2023 Annual Comprehensive Financial Report (ACFR), and therefore not incurred for necessary and allowable expenditures due to the public health emergency for CRF program.

Cause: OMES did not have proper controls in place over their SEFA to ensure costs were reported on the correct basis of accounting.

CARES FORWARD failed to perform an adequate review of transactions at the time of reimbursement to ensure the costs were for necessary administrative closeout expenses that were also allowable COVID-19 expenditures due to the public health emergency.

Effect: CARES FORWARD reimbursed unallowable CRF costs totaling \$157,186.40.

Also, the final administrative closeout costs per OMES’s SEFA were reported on the wrong basis of accounting.

Recommendation: We recommend CARES FORWARD strengthen its review process to ensure all relevant supporting documentation is present to support allowability of the administrative closeout expenditures, and to prevent potential recoupment by the Department of the Treasury.

In addition, we recommend the State of Oklahoma strengthen its review process over SEFA to ensure expenditures are recorded under the correct basis of accounting.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: September 2022

Corrective Action Planned: The State of Oklahoma/Office of Management and Enterprise Services agrees with this finding. See corrective action plan located in the corrective action plan section of the report.

FINDING NO: 2023-108 (Repeat finding 2022-071)

STATE AGENCY: State of Oklahoma

FEDERAL AGENCY: US Department of the Treasury

ALN: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund (CRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

³ Governor Kevin Stitt established [CARES FORWARD](#) to administer CRF. This team is made up of various cabinet secretaries and state employees who have an expertise in state government, finance, and federal awards.

Schedule of Findings And Questioned Costs

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance

QUESTIONED COSTS: \$248,779

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.”

The Department of the Treasury Federal Register, Vol. 86, No. 10 from January 15, 2021 states in part, “The CARES [Coronavirus Aid, Relief, & Economic Security Act] Act provides that payments from the Fund may only be used to cover costs that— 1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19); 2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and 3. were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.” ... This guidance applies in a like manner to costs of subrecipients. Thus, a grant or loan, for example, provided by a recipient using payments from the Fund must be used by the subrecipient only to purchase (or reimburse a purchase of) goods or services for which receipt both is needed within the covered period and occurs within the covered period. The direct recipient of payments from the Fund is ultimately responsible for compliance with this limitation on use of payments from the Fund.

Condition and Context: Per the GAAP Package Z - Schedule of Expenditures of Federal Awards (SEFA), the State of Oklahoma reported \$249,660.69 in CRF cash basis expenditures reimbursed to subrecipients by the CARES FORWARD1 team. We tested all five (5) reimbursement transactions for one subrecipient and noted the following:

- One (20%) of the five (5) transactions totaling \$4,594.40 contained no supporting documentation.
- Four (80%) of the five (5) transactions totaling \$245,066.29 contained costs totaling \$244,184.29 that were incurred by the subrecipient after 12/31/2021 (covered period).

The State of Oklahoma – CARES FORWARD team failed to perform an adequate review to ensure the subrecipient purchased (or reimbursed a purchase of) goods or services for which receipt both is needed within the covered period and occurs within the covered period.

Cause: Adequate controls were not in place to ensure the monitoring process utilized by the CARES FORWARD team considered the Department of Treasury guidance when determining whether the financial activities of the subrecipients complied with Federal statutes, regulations, and the terms and conditions of the Federal award prior to payment.

Effect: These deficiencies resulted in questioned costs of \$248,779 goods or services for which receipt both was needed and occurred within the covered period. The \$248,779 in questioned costs related to subrecipient expenses is included in Finding 2023-096 (Subrecipient Monitoring) as well, as the same transactions failed to meet requirements under all these compliance areas. The amount should not be considered cumulative.

Recommendation: We recommend for future grants that the State of Oklahoma strengthen their control process related to subrecipients to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Views of Responsible Official(s): The State agrees with this finding.

Contact Person: Brandy Manek

Anticipated Completion Date: September 2022

Corrective Action Planned: The State of Oklahoma/Office of Management and Enterprise Services partially agrees with this finding. See corrective action plan located in the corrective action plan section of the report.

Auditor Response: The State Auditor & Inspector’s Office questioned \$248,779 to one subrecipient for SFY 2023 based on the expenditures for goods or services both needing to be within the covered period and occurring within the covered period.

Schedule of Findings And Questioned Costs

Therefore, since the subrecipient payments were after the covered period of December 31, 2021, the finding will stand.

STATE OF OKLAHOMA/ OFFICE OF MANAGEMENT & ENTERPRISE SERVICES

FINDING NO: 2023-005

STATE AGENCY: State of Oklahoma

FEDERAL AGENCY: U.S. Department of the Treasury

ALN: 21.027

FEDERAL PROGRAM NAME: Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

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

QUESTIONED COSTS: \$236,115

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 § 200.403, states in part, “Except where otherwise authorized by statute, costs must meet the following criteria to be allowable under Federal awards: ... (f) Not be included as a cost or used to meet cost sharing requirements of any other federally-financed program in either the current or a prior period. See § 200.306(b).”

Condition and Context: During our cash basis reconciliation of the Office of Management and Enterprise Services (OMES) Schedule of Expenditures of Federal Awards (SEFA) for SFY 2023 to the State of Oklahoma - Statewide Accounting System, we reconciled the agency’s cash basis expenditures of \$4,295,065 for AL #21.027. However, we noted \$235,290 of OMES CSLFRF expenditures from class fund 488 (ARPA Advance Grants) for administrative costs to run the grant were expended on AL #84.825C - Governor's Emergency Education Relief (GEER) and AL #21.023 - Emergency Rental Assistance (ERA).

In addition, during our accounts payable reconciliation of the OMES SEFA for SFY 2023 to State of Oklahoma - Statewide Accounting System, we reconciled the agency’s accounts payable expenditures of \$27,323 for AL #21.027. However, we noted \$825 of CSLFRF expenditures from class fund 488 was used on expenditures for AL #84.825C - GEER.

Cause: The State of Oklahoma/Office of Management and Enterprise Services (OMES) did not have adequate controls in place to prevent expending CSLFRF class fund 488 funds on other federal programs.

Effect: Unallowable costs totaling \$236,115 were charged to CSLFRF grant for SFY 2023.

Recommendation: We recommend OMES develop and implement procedures to ensure CSLFRF funds (class fund 488) are not expended on other federal programs.

Views of Responsible Official(s)

Contact Person: Parker Wise

Anticipated Completion Date: Controls have been put into place and will continue through the end of the Federal Period of Performance and closeout.

Corrective Action Planned: The Office of Management Enterprise Services – Grants Management Office agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-014

STATE AGENCY: State of Oklahoma

Schedule of Findings And Questioned Costs

FEDERAL AGENCY: U.S. Department of the Treasury
ALN: 21.027

FEDERAL PROGRAM NAME: Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.332(d) – *Requirements for Pass-through Entities* states in part, “All pass-through entities must: ... (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.
- (3) Issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521.
- (4) The pass-through entity is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving crosscutting findings. If a subrecipient has a current Single Audit report posted in the Federal Audit Clearinghouse and has not otherwise been excluded from receipt of Federal funding (e.g., has been debarred or suspended), the pass-through entity may rely on the subrecipient's cognizant audit agency or cognizant oversight agency to perform audit follow-up and make management decisions related to cross-cutting findings in accordance with section § 200.513(a)(3)(vii). Such reliance does not eliminate the responsibility of the pass-through entity to issue subawards that conform to agency and award-specific requirements, to manage risk through ongoing subaward monitoring, and to monitor the status of the findings that are specifically related to the subaward.

2 CFR 200.332 states in part, “All pass-through entities must: ... (f) Verify that every subrecipient is audited as required by Subpart F 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.”

Condition and Context: The State of Oklahoma transferred all CSLFRF funds (except for administrative funds used by OMES-Grants Management Office (GMO) and the Legislative Service Bureau) to state agencies for them to execute projects they are charged with administering. The Oklahoma State Department of Health (agency #340), Health Care Workforce Training Commission (agency #619), and Department of Human Services (agency #830) had the material subrecipient monitoring activity for SFY 2023. These three state agencies notified their subrecipients of \$750,000 federal expenditure threshold requiring a Single Audit per 2 CFR § 200.501 - *Audit Requirements*; however, they failed to track subrecipients that expended federal expenditures for CSLFRF, or in combination with other federal programs, to ensure that every subrecipient expending over \$750,000 obtained a Single Audit.

Cause: State agencies 340, 619, and 830 did not have sufficient processes or internal controls in place to ensure subrecipient Single Audits were tracked in accordance with 2 CFR § 200.332(d) and (f).

Effect: State agencies 340, 619, and 830 may not be aware of potential subrecipient Single Audits with noncompliance issues related to the CSLFRF program. In addition, the agencies may fail to ensure that the subrecipient took appropriate corrective action on findings within the required timeframe.

Recommendation: We recommend state agencies 340, 619, and 830 develop policies and procedures and internal controls to ensure that all CSLFRF subrecipients are tracked to determine if the subrecipient had \$750,000 in total

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federal expenditures for the year. In addition, we recommend state agencies utilize a track sheet that documents the following:

- Subrecipient SFY CSLFRF expenditures
- If subrecipient is subject to single audit (y/n)
- If subrecipient had CSLFRF findings (y/n)
- Concerns with CSLFRF findings
- Date single audit is received from subrecipient or obtained from the federal audit clearing house
- Single Audit Report period (period covered by the single audit)
- Whether the state agency received a copy of the required audit from the subrecipient within 9 months of the subrecipient's fiscal year end
- Dates of follow-ups made to the subrecipient requesting single audits
- Notes to document additional information such as delays in audit reports
- Whether the state agency issued a management decision on audit findings within 6 months after receipt of the subrecipient's audit report
- Whether the state agency ensured that subrecipients took appropriate and timely corrective action on all CSLFRF audit findings

Views of Responsible Official(s)

Contact Person: OMES: Parker Wise **619:** Sara Librandi, Kami Fullingim **340:** Diane Brown, Danielle Smith, Tracey Douglas **830:** Jaretta Murphy, Lindsey Kanaly, Danielle Durkee, Katey Campbell

Anticipated Completion Date: 6/30/2025

Corrective Action Planned: The Office of Management Enterprise Services – Grants Management Office partially agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: State agency 830 states “a process is already in place through the Office of Inspector General (OIG) to identify subrecipients exceeding the \$750,000 threshold”; however, subrecipients with expenditures below the threshold must also be tracked to ensure total federal expenditures from all federal awards obtain a Single Audit. 2 CFR 200.332 states in part, “All pass-through entities must: ... (f) Verify that every subrecipient is audited”. Therefore, state agency 830 acting as the pass-through entity must verify every subrecipient is audited. In addition, contractual language requiring the subrecipient submit a single audit if the threshold is met does not release the pass-through entity of ensuring the subrecipient’s total federal expenditures are tracked. We have encountered instances where subrecipients fail to provide single audits to pass-through entities; therefore, increasing the chances of the pass-through entity not issuing a management decision for applicable audit findings pertaining only to the federal award provided.

FINDING NO: 2023-026 (Repeat 2022-032, 2022-033, 2022-034)

STATE AGENCY: State of Oklahoma, Office of Management and Enterprise Services (OMES)

FEDERAL AGENCY: US Department of Treasury

ALN: 21.023

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA 1 and ERA 2)

FEDERAL AWARD NUMBER: ERA028 and ERAE0259

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: *U.S Department of the Treasury Emergency Rental Assistance Grantee Award Form (8) (a-b) Compliance with Applicable Law and Regulations*, states in part, “

- a. Recipient agrees to comply with the requirements of Section 501 and Treasury interpretive guidance regarding such requirements. Recipient also agrees to comply with all other applicable federal statutes, regulations, and executive orders, and Recipient shall provide for such compliance in any agreements it enters into with other parties relating to this award.
- b. Federal regulations applicable to this award include, without limitation, the following:
 - i. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200, other than such provisions as Treasury may determine are inapplicable

Schedule of Findings And Questioned Costs

to this Award and subject to such exceptions as may be otherwise provided by Treasury. Subpart F - Audit Requirements of the Uniform Guidance, implementing the Single Audit Act, shall apply to this award...

- iii. Reporting Subaward and Executive Compensation Information, 2 C.F.R. Part 170, pursuant to which the award term set forth in Appendix A to 2 C.F.R. Part 170 is hereby incorporated by reference.

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

2 CFR § 200.332 Requirements for pass-through entities states in part, “All pass-through entities must: ...

(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, 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). ...

(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 written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward. ...

(f) Verify that every [subrecipient](#) is audited as required by [Subpart F](#) 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.”

2 CFR § 200.334 – Retention requirements for records states in part, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

2 CFR § 200.337 Access to records states in part, “(a) Records of non-Federal entities. The Federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents.”

Condition and Context: The State of Oklahoma entered into agreements with two non-profit entities, Restore Hope Ministries and Communities Foundation of Oklahoma (RHM and CFO), to administer the ERA program for the State of Oklahoma. SAI reviewed the agreements for these two entities and determined that both agreements constituted a subrecipient relationship that would be subject to Part M Subrecipient Monitoring requirements. The Office of Management Enterprise Services (OMES) did not perform any subrecipient monitoring procedures during State Fiscal Year (SFY) 2023.

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In addition, the agreements with both subrecipients to administer the ERA 1 program ended on March 31, 2022, and stated funds were “to be used for necessary expenditures/obligations that were or will be incurred through March 31, 2022.” The State did not obtain a new agreement to cover fiscal year 2023 when they advanced ERA 1 payments totaling \$25,878,270.13, of which the subrecipients expended \$9,459,407.08.

OMES provided these subrecipients advance payments based on expected program rental and utility expenditures for the month and administrative costs on a set percentage, 9.3% for RHM for ERA 1; and 10 % and 15% for CFO for ERA 1 and ERA 2 respectively. The subrecipients did not submit, and OMES did not review, any supporting documentation for program expenditures incurred by the subrecipients. While OMES did obtain summary information related to rental and utility payments and housing stability payments made for reporting purposes, OMES did not obtain or review any support for administrative costs to ensure that the costs were attributable to providing financial assistance and housing stability services to eligible households.

OMES did not have a process in place to review potential fraud identified by the subrecipients and ensure that the agency’s response was adequate. OMES also did not have a process in place to ensure subrecipients were adequately evaluating for the types of fraud that may occur or identifying fraud risk factors applicable to the ERA program.

OMES was unable to provide documentation to support that a risk assessment was performed in which each subrecipient would have been verified to have maintained an active status in the SAM.gov system, and that subrecipients were not suspended or disbarred.

Cause: OMES did not 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. Adequate subrecipient monitoring policies and procedures were not established by the State prior to entering into agreements with subrecipients.

OMES personnel responsible for oversight of the ERA grant do not normally oversee Federal grant programs, and do not have an adequate understanding or experience with administering Federal grant funds and understanding the types of activities that may be supported by the ERA grant.

Effect: Failure to ensure subrecipient agreements are appropriately updated to cover the Federal grant period could result in inappropriate use of federal funds past the expiration date of the agreement.

The OMES did not comply with 2 CFR § 200.332. In addition, without proper monitoring the subrecipients may not comply with the award terms and there is an increased risk of mismanagement and fraud by the subrecipients.

Recommendation: We recommend that OMES develop and implement internal controls to ensure:

- Each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward is appropriately evaluated for monitoring purposes.
- Current and future ERA grant funds are administered in accordance with applicable Federal laws and grant requirements, including ensuring that grant subrecipients are provided the proper award documentation.
- Adequate supporting documentation for actual program and administrative expenditures incurred is obtained, reviewed, and maintained by the State in order to ensure subrecipients are only expending ERA funds for allowable costs.
- Fraud identified by subrecipients is appropriately reviewed and response is adequate.
- Subrecipients adequately evaluate types of fraud that may occur and identify fraud risk factors applicable to ERA program.
- Subrecipients are reimbursed for administrative costs based on supporting documentation for actual costs incurred rather than making advanced payments for a set percentage of program funds advanced.
- Subrecipient records are available for inspection for monitoring and other audit purposes as required by OMES.

Schedule of Findings And Questioned Costs

- Subrecipient agreements are reviewed and updated regularly so the subrecipient is not operating under an expired agreement.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: Ongoing throughout the life of the grant

Corrective Action Planned: The Office of Management and Enterprise Services agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

Auditor Response: The attached risk assessments were completed in 2020 by another agency, and SAI would have no way of knowing if they were used by OMES. In addition, a risk assessment needs to be performed annually by OMES.

FINDING NO: 2023-027 (Repeat 2022-032 and 2022-036)

STATE AGENCY: State of Oklahoma, Office of Management and Enterprise Services

FEDERAL AGENCY: US Department of Treasury

ALN: 21.023

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA 1 and ERA 2)

FEDERAL AWARD NUMBER: ERA028 and ERAE0259

FEDERAL AWARD YEAR: 2023

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

QUESTIONED COSTS: \$2,686,050

Criteria: U.S Department of the Treasury Emergency Rental Assistance Grantee Award Form (8) (a-b) Compliance with Applicable Law and Regulations, states in part, “a. Recipient agrees to comply with the requirements of Section 501 and Treasury interpretive guidance regarding such requirements. Recipient also agrees to comply with all other applicable federal statutes, regulations, and executive orders, and Recipient shall provide for such compliance in any agreements it enters into with other parties relating to this award. b. Federal regulations applicable to this award include, without limitation, the following: i. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200, other than such provisions as Treasury may determine are inapplicable to this Award and subject to such exceptions as may be otherwise provided by Treasury.”

Per the U.S. Department of the Treasury Emergency Rental Assistance Frequently Asked Questions document revised August 25, 2021, “The Department of the Treasury (Treasury) is providing these frequently asked questions (FAQs) as guidance regarding the requirements of the Emergency Rental Assistance program (ERA1) established by section 501 of Division N of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (Dec. 27, 2020) and the Emergency Rental Assistance program (ERA2) established by section 3201 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (March 11, 2021). Grantees must establish policies and procedures to govern the implementation of their ERA programs consistent with the statutes and these FAQs. To the extent that these FAQs do not provide specific guidance on a particular issue, a grantee should establish its own policy or procedure that is consistent with the statutes and follow it consistently.”

The US Department of Treasury Emergency Rental Assistance (ERA) FAQ #1 states in part “A grantee may only use the funds provided in the ERA to provide financial assistance and housing stability services to eligible households. ***To be eligible, a household must be obligated to pay rent on a residential dwelling [emphasis added]*** and the grantee must determine that:

i. for ERA1:

- a. one or more individuals within the household has qualified for unemployment benefits or experienced a reduction in household income, incurred significant costs, or experienced other financial hardship due, directly or indirectly, to the COVID-19 outbreak.
- b. one or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability; and
- c. the household has a household income at or below 80 percent of area median income.

ii. for ERA2:

Schedule of Findings And Questioned Costs

- a. one or more individuals within the household has qualified for unemployment benefits or experienced a reduction in household income, incurred significant costs, or experienced other financial hardship during or due, directly or indirectly, to the coronavirus pandemic.
- b. one or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability; and
- c. the household is a low-income family (as such term is defined in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b))),2.”

The US Department of Treasury Emergency Rental Assistance (ERA) FAQ #4 states in part “If a written attestation without further verification is relied on to document the majority of the applicant’s income, the grantee must reassess the household’s income every three months by obtaining appropriate documentation or a new self-attestation.”

The US Department of Treasury Emergency Rental Assistance (ERA) FAQ #5 states in part “Grantees must obtain, if available, a current lease, signed by the applicant and the landlord or sublessor, that identifies the unit where the applicant resides and establishes the rental payment amount.”

The US Department of Treasury Emergency Rental Assistance (ERA) FAQ #6 states in part “All payments for utilities and home energy costs should be supported by a bill, invoice, or evidence of payment to the provider of the utility or home energy service.”

The US Department of Treasury Emergency Rental Assistance (ERA) FAQ #10 states in part, “In ERA1, an eligible household may receive up to twelve (12) months of assistance (plus an additional three (3) months if necessary to ensure housing stability for the household, subject to the availability of funds). The aggregate amount of financial assistance an eligible household may receive under ERA2, when combined with financial assistance under ERA1, must not exceed 18 months.”

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

2 CFR § 200.334 – Retention requirements for records state in part, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

2 CFR § 200.337 Access to records states in part, “(a) Records of non-Federal entities. The Federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents.”

Per Community Cares Partners (CCP) Emergency Rental Assistance Policies and Procedures “Steps to Quality for Assistance, Section B, Qualifications - to be approved to receive assistance,

- a. Live in Oklahoma
- b. Rent [*Refers to a household being obligated to pay rent on a dwelling in order to be eligible*]
- c. Qualified for unemployment OR one of the three below due, directly or indirectly, to COVID-19
 - i. Reduction in household income
 - ii. Incurred significant costs
 - iii. Other financial hardship
- d. Risk of housing instability or homelessness
- e. 80% AMI”

The CCP application contains the following regarding “rent”:

Schedule of Findings And Questioned Costs

***Qualification Checklist**

Instructions: Use this form to verify eligibility for each applicant.

USE THE CHECKBOXES BELOW TO CONFIRM THE APPLICANT QUALIFIES FOR CCP ASSISTANCE.

Check 2

- Verify Applicant is a Renter

Reason(s) for Denial

- Applicant owns home.

Condition and Context: While documenting controls over activities allowed or unallowed and allowable costs/cost principles, we noted that one subrecipient's system which tracks the number of months approved for arrears and prospective rent and utilities for each applicant does not distinguish between months paid for rent, utilities, or deposits. In addition, if an applicant originally applied through their prior system and then reapplied in the current system, the subrecipient would have to manually check both systems for each applicant to determine the number of months of assistance provided. We noted that an accurate tracking sheet was not maintained to ensure each applicant was in compliance with program assistance limits.

In addition, while testing 89 of 18,553 rent and utilities program expenditures, totaling \$1,161,976, we noted the following:

Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Eligibility exceptions:

- For 22 of 89, or 24.72%, of items tested, the applicant was an Afghanistan refugee and not a renter who lived in Oklahoma at the time of applying for assistance; therefore, they were not eligible and the payment was unallowable. The subrecipient, Communities Foundation of Oklahoma, paid for the applicant to be in a hotel and then subsequently paid for their rent and utilities. Since the applicants were not eligible all payments were unallowable; therefore, we did not determine if the payment was calculated correctly or if the assistance exceeded 15 months for ERA 1 or 18 months for ERA 2. However, of these unallowable costs, we noted several payments were made to the applicants after the initial payment without receiving an additional application or additional funds request (AFR) form (See FAQ #10).
- For 1 of 89, or 1.12% of items tested, the subrecipient approved two separate pledges days apart and paid the tenant and the landlord the same amount to cover the same months. A pledge is confirmation from the utility company or ledger to confirm how much was owed by the tenants and the pledge served as a promise to pay and not disconnect services. Per the landlord, the tenant did not submit the funds for rent and appears to have kept the funds for other uses. CCP noted it was a duplicate payment and requested the tenant return the money but to date have not recovered the funds.
- For 5 of 89, or 5.62% of items tested, the subrecipient paid for utilities but they were unable to provide support from the utility company showing how much the applicant owed and for which months. Therefore, we were unable to determine which months were paid or the number of months paid to ensure they were not prior to March 13, 2020 and did not exceed 15 months for ERA 1 or 18 months for ERA 2.
- For 5 of 89 home rental payments, or 5.62% of items tested, the applicant was an Afghanistan refugee and not a renter who lived in Oklahoma at the time of applying for assistance; therefore, they were not eligible and the payment was unallowable. The application was submitted prior to the applicant having a lease.
- For 1 of 89, or 1.12% of items tested, the applicant received assistance from both subrecipients administering the State of Oklahoma ERA program and duplicate months were paid. Community Cares Partners (CCP) provided a list of payments to Restore Hope Ministries (RHM) weekly so RHM would not make a duplicate payment to an applicant who already received assistance from CCP. However, this process did not identify payments made by RHM prior to CCP and allowed for a duplicate payment.

Schedule of Findings And Questioned Costs

- For 1 of 89, or 1.12% of items tested, the subrecipient paid a month that was paid by the tenant per the ledger; therefore, the amount paid did not agree to the amount owed per the ledger. Upon SAI's inquiry of the payment the subrecipient stated they would send a new pledge, moving the month in question to be prospective rent covering a different month. However, the subrecipient had already pledged 3 months prospective rent on the original pledge and therefore, would be paying 4 months prospective which is unallowable (See FAQ #10).
- For 2 of 89, or 2.25% of items tested, the subrecipient determined the applicant was ineligible after making the payment but to date has not recovered the funds.
- For 1 of 89, or 1.12% of items tested, the subrecipient obtained a ledger in August 2022 and made a payment that agreed to the ledger on 9/13/2022. However, the landlord returned the payment on 11/7/2022 and CCP paid the returned funds directly to the tenant on 12/13/2022. The landlord returning the funds indicates the funds were no longer needed and CCP did not obtain an updated ledger prior to making payment to the tenant; therefore, we are unable to determine if the amount paid agreed to the amount owed at the time of payment.
- For 2 of 89, or 2.25% of items tested, the applicant stated they had received prior ERA assistance but the subrecipient did not inquire about the prior assistance. Therefore, the subrecipient did not determine the number of months of assistance the applicant had previously received to ensure they did not exceed 15 months for ERA 1 or 18 months for ERA 2.
 - One of the applicants received prior assistance from CCP during FY22 and CCP should have looked up the prior payment information in their system to ensure assistance did not exceed the number of months allowed.
 - One of the applicants does not appear in the FY21 or FY22 CCP State expenditure data; however, they could have received funds from City, County, or Tribal sources and CCP made no attempt to investigate the prior payments to ensure assistance did not exceed the number of months allowed.
- For 1 of 89, or 1.12% of items tested, the subrecipient paid for 19 months of assistance, which is one month more than allowed for the ERA 2 program.
- For 4 of 89, or 4.49% of items tested, the assistance payment was not calculated correctly per the lease/ledger and the subrecipient paid more than the amount owed.
- For 1 of 89, or 1.12% of items tested, the subrecipient paid for 2 months of rent after the lease agreement expired and the lease did not have a month-to-month renewal clause. Therefore, the applicant was not properly screened for eligibility.
- For 1 of 89, or 1.12% of items tested, the subrecipient made several payments to the applicant without receiving additional applications or additional funds requests (AFR). Per CCP, this was because the applicant was part of the ORR (Office of Refugee Resettlement) program. The subrecipient did not properly screen for eligibility and obtain all required documents for all FY23 payments (FAQ #10).
- For 1 of 89, or 1.12% of items tested, the address on the lease, driver's license, and utility bill do not agree to the address on the application, ledger, or pledge to pay and the discrepancy was not noted or investigated by the subrecipient. Therefore, it does not appear proper eligibility screening or determinations were done.
- Questioned costs related to the previous bullets for Rent/Utilities totaled \$958,362.

Further, while summarizing the data on 'applicant', we noted one line item was made up of 498 individual payments made to hotels on behalf of the Afghanistan refugees, which consisted of 186 applicants. We identified 185 of these applicants had payments for Afghanistan refugees to live in hotels prior to applying to the ERA program. Since, at the time of the application, they were not obligated to pay rent on a residential dwelling per Department of Treasury FAQ 1 and established CCP ERA policy, the cost is unallowable. This resulted in \$1,727,687.64 in questioned costs (these costs do not include payments previously questioned in the first bullet).

Schedule of Findings And Questioned Costs

Lastly, while testing 72 of 6,576 application denials we noted the following:

- For 1 of 72, or 1.39%, of items tested, the applicant was eligible and the subrecipient was unable to provide a reason for the denial other than it was when the team first formed, denoting an inadequate review.
- For 6 of 72, or 8.33%, of items tested, the secondary review was not conducted by someone separate from the original case worker, denoting an inadequate review.

Cause: OMES personnel responsible for oversight of the ERA 1 and ERA 2 grants do not normally oversee Federal grant programs, do not understand the types of activities that may be supported by the ERA 1 and ERA 2 grant funds, and do not have adequate experience with administering Federal grant funds.

OMES did not establish and maintain effective internal control over the Federal award that provides reasonable assurance that OMES is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

OMES did not monitor subrecipients to ensure they established and maintained effective internal control over the Federal award to provide reasonable assurance that the non-Federal entity was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Communities Foundation of Oklahoma (CFO) did not maintain effective internal control over payments to applicants for rent and utility expenses to ensure compliance with allowability requirements and did not obtain all supporting documentation.

Effect: Unallowable costs, totaling \$2,686,050 were charged to the ERA program. In addition, at least 1,700 Oklahomans were denied assistance due to lack of funding. In addition, CCP, and therefore the State of Oklahoma, did not follow their established ERA policies and procedures for determining eligibility.

Recommendation: We recommend that OMES develop and implement internal controls to ensure it administers current and future ERA grants in accordance with applicable Federal laws and grant requirements, including ensuring that grant subrecipients are properly informed of Federal requirements related to allowable costs and eligibility.

Further, we recommend OMES ensure subrecipients have established effective internal control over the Federal award to provide reasonable assurance that the subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

We recommend that OMES ensure the personnel responsible for oversight of the ERA grant obtain the necessary training and knowledge to ensure compliance with Federal grant requirements.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: Ongoing throughout the life of the grant

Corrective Action Planned: The Office of Management and Enterprise Services partially agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

Auditor Response: While U.S. Department of Treasury guidance does not require U.S. citizenship or legal residency to be eligible, FAQ #1 states the household must be obligated to pay rent on a residential dwelling. Further CCP's application in page 3 lists eligibility requirements which include "Live in the State of Oklahoma and rent their home or primary residence". SAI is not concerned with the immigration status of the applicants but rather their eligibility status at the time of applying for the program. Staying in a hotel can establish the applicant was living in the State of Oklahoma and renting their residence; however, there was no documentation supporting the Afghan refugees were renting hotels and had established a residential dwelling prior to CCP's assistance and therefore they did not meet the rental requirement for eligibility prior to applying to the program. Further, we noted 48 of the hotel payments tested CCP paid for the hotel stay prior to an ERA application being completed, indicating they were not properly screening for eligibility.

Schedule of Findings And Questioned Costs

While FAQ #26 allows for the cost of a hotel or motel room occupied by an eligible household, it also states “grantees should consider the cost effectiveness of offering assistance for this purpose as compared to other uses. If a household is eligible for an existing program with narrower eligibility criteria that can provide similar assistance for hotel or motel stays, such as the HUD Emergency Solutions Grant program or FEMA Public Assistance, grantees should utilize such programs prior to providing similar assistance under the ERA program.” Other sources of assistance were available to refugees. According to the Administration for Children and Families (ACF) Office of Refugee Resettlement (ORR) some Afghanistan humanitarian parolees are eligible to apply for federal mainstream benefits in their state, such as cash assistance through Supplemental Security Income (SSI) or Temporary Assistance for Needy Families (TANF), health insurance through Medicaid, and food assistance through Supplemental Nutrition Assistance Program (SNAP). The ORR also contracted with nine organizations nationally and were eligible to use CRF funds. Therefore, SAI determined this was not an appropriate use of ERA funds that could have helped Oklahoma renters whose only available assistance was ERA.

While CCP’s policies and procedures no longer required additional funds requests (AFR), additional applications were still required by FAQ #10. Further, per FAQ #1 “Treasury strongly encourages grantees to avoid establishing documentation requirements that are likely to be barriers to participation for eligible households, including those with irregular incomes such as those operating small businesses or gig workers whose income is reported on Internal Revenue Service Form 1099. However, grantees must require all applications for assistance to include an attestation from the applicant that all information included is correct and complete.”. Applications to determine eligibility are required by Treasury guidance and therefore, are not considered an administrative barrier that could be removed, regardless of CCP’s policies and procedures.

FINDING NO: 2023-028 (Repeat 2022-087)

STATE AGENCY: State of Oklahoma, Office of Management and Enterprise Services

FEDERAL AGENCY: US Department of Treasury

ALN: 21.023

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA 1 and ERA 2)

FEDERAL AWARD NUMBER: ERA0028 and ERAE0259

FEDERAL AWARD YEAR: 2023

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

QUESTIONED COSTS: \$5,585,127

Criteria: U.S Department of the Treasury Emergency Rental Assistance Grantee Award Form (8) (a-b) Compliance with Applicable Law and Regulations, states in part, “a. Recipient agrees to comply with the requirements of Section 501 and Treasury interpretive guidance regarding such requirements. Recipient also agrees to comply with all other applicable federal statutes, regulations, and executive orders, and Recipient shall provide for such compliance in any agreements it enters into with other parties relating to this award. b. Federal regulations applicable to this award include, without limitation, the following: i. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200, other than such provisions as Treasury may determine are inapplicable to this Award and subject to such exceptions as may be otherwise provided by Treasury.”

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

The Consolidated Appropriations Act § Section 501 (c)(5) Use of Funds - Administrative Costs states in part, “A. IN GENERAL.- Not more than 10 percent of the amount paid to an eligible grantee under this section may be used for administrative costs attributable to providing financial assistance and housing stability services under paragraphs (2) and (3), respectively, including for data collection and reporting requirements related to such funds. B. No OTHER ADMINISTRATIVE COSTS.- Amounts paid under this section shall not be used for any administrative costs other than to the extent allowed under subparagraph (A)”

The American Rescue Plan Act of 2021 § Section 3201 (d)(1)(C) Use of Funds – Administrative Costs states in part, “Not more than 15 percent of the total amount paid to an eligible grantee under this section may be used for

Schedule of Findings And Questioned Costs

administrative costs attributable to providing financial assistance, housing stability services, and other affordable rental housing and eviction prevention activities, including for data collection and reporting requirements related to such funds.”

2 CFR § 200.334 – Retention requirements for records states in part, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

2 CFR § 200.337 Access to records states in part, “(a) Records of non-Federal entities. The Federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents.”

The US Department of Treasury Emergency Rental Assistance (ERA) FAQ #29 states in part “A grantee may permit a subrecipient to incur more than 10 or 15 percent, as applicable, of the amount of the subaward issued to that subrecipient as long as the total of all administrative costs incurred by the grantee and all subrecipients, whether as direct or indirect costs, does not exceed 10 or 15 percent, as applicable, of the total amount of the award provided to the grantee from Treasury.”

Condition and Context: While documenting controls over subrecipient program and administrative expenditures for the ERA 1 and ERA 2 grants, we noted that OMES did not require the subrecipients to submit supporting documentation for expenditures charged to the programs. Further, we determined one subrecipient, Communities Foundation of Oklahoma (CFO) did not have sufficient internal controls over program or administrative expenditures to ensure they were for allowable costs and activities.

While reviewing all administrative management fees, we noted one of the subrecipients charged the ERA 1 and ERA 2 grants \$5,585,126.89 in unallowable administrative costs (management fees) that were retained by the subrecipient and were not attributable to providing financial assistance and housing stability services. The management fees the subrecipient charged to the grant do not represent actual admin expenditures, but rather an arbitrary amount retained by CFO (Questioned costs - \$5,585,126.89). See management fees referenced in finding 2023-091.

In addition, during our testwork for the ERA 1 program administrative limit, we noted that administrative costs charged to the program exceeded the 10% allowable limit by 5.81%, or \$1,259,429.

Cause: OMES personnel responsible for oversight of the ERA 1 and ERA 2 grants do not normally oversee Federal grant programs, and do not have adequate experience with administering Federal grant funds and understanding the types of activities that may be supported by the ERA 1 and ERA 2 grants.

OMES did not ensure the personnel responsible for oversight of the ERA 1 And ERA 2 grants received the proper training to understand and did not ensure they used available resources to help them understand, the grant requirements.

OMES did not ensure the subrecipients established and maintained effective internal control over the Federal award to provide reasonable assurance that the non-Federal entity was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

OMES advanced to one subrecipient a set rate of 10% (ERA 1) and 15% (ERA 2) and to another subrecipient 9.3% (ERA 1) of program funds for administrative costs instead of reimbursing administrative costs actually incurred by the subrecipient that were attributable to providing financial assistance and housing stability services under the ERA 1 and ERA 2 programs.

Schedule of Findings And Questioned Costs

OMES did not obtain, review, approve, or maintain adequate supporting documentation for administrative costs.

Effect: Unallowable costs, totaling \$5,585,126.89, were charged to the ERA program by one subrecipient as administrative costs.

Recommendation: We recommend that OMES develop and implement internal controls to ensure it has the knowledge and experience to administer current and future ERA grants in accordance with applicable Federal laws and grant requirements, including ensuring that grant subrecipients are properly informed of Federal requirements related to allowable costs. In addition, we recommend that OMES ensure subrecipients have established effective internal controls over the Federal award to provide reasonable assurance that the subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Further, we recommend that OMES ensure adequate supporting documentation for administrative costs charged to the program is obtained, reviewed, approved, and maintained by OMES to ensure subrecipients are only paid or reimbursed for allowable activities and costs based on that supporting documentation.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: Brandy Manek

Corrective Action Planned: The Office of Management and Enterprise Services partially agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

Auditor Response:

CFO: Condition and Context 1 Response - SAI requested CFO's ERA accounting data on 9/27/2024. On 1/15/2025 CFO provided spreadsheets of CFO ERA expenditures for FFY21-FFY23. SAI noted the CFO expenditures only accounted for 28.05% of all management fees paid to CFO and therefore, the management fees "expended" by CCP to pay CFO were retained without representing actual admin expenditures.

CFO: Condition and Context 2 Response - The ERA 1 program's period of performance ended within the SFY23 audit period; therefore, SAI performed testwork to determine whether the 10% administrative limit was exceeded using data for the entirety of the ERA 1 program (FFY21-FFY23). We noted the 10% limit was exceeded by 5.81% or \$1,259,429.

FINDING NO: 2023-051

STATE AGENCY: State of Oklahoma and Office of Management and Enterprise Services (OMES)

FEDERAL AGENCY: U.S. Department of the Treasury

ALN: 21.027

FEDERAL PROGRAM NAME: Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: Per 2 CFR § 200.303 states in part, "The non-Federal 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."

Condition and Context: The State of Oklahoma/OMES-Grants Management Office (GMO) reported a total of \$67,851,661 of quarterly expenses for SFY 2023 for 26 project ID's per *Project and Expenditure Reports*. We reconciled \$72,818,807 of total cash basis expenditures for SFY 2023 to the State of Oklahoma - Statewide Accounting System for 31 project ID's.

Further, while performing testwork on the Quarterly *Project and Expenditure Reports* for SFY 2023, we noted the following issues with 10 projects:

Schedule of Findings And Questioned Costs

1. State agency 025 submitted project expenditures to OMES-GMO; however, OMES-GMO did not include \$131,612 of expenditures for project ID TPN-114792 on the quarterly reports.
2. State agency 340 submitted project expenditures to OMES-GMO; however, OMES-GMO did not include \$3,108,097 of expenditures for project ID TPN-114800, \$123,310 of expenditures for project ID TPN-114805, and \$60,000 of expenditures for project ID TPN-114804.
3. State agency 619 provided \$69,374 of admin expenditures to OMES-GMO; however, OMES-GMO did not categorize it properly to project ID TPN-116107 and instead put it into project ID TPN-097369. Since \$250,000 was advanced to agency 619 for admin expenditures, admin expenditures should be applied first to the admin project ID TPN-116107 before Nursing Workforce Expansion project ID TPN-097369.
4. State agency 619 did not provide \$929,878 of expenditures for project ID TPN-097369 to OMES-GMO.
5. State agency 085 provided \$2,673 of current year accounts payable expenditures to OMES-GMO that should not have been included for project ID TPN-097121 since the *Project and Expenditure Reports* are on a cash basis. In addition, the agency did not provide OMES-GMO with \$70,997 of expenditures that should have been included for project ID TPN-097121.
6. State agency 085 did not provide \$48,000 of expenditures for project ID TPN-097117 to OMES-GMO.
7. State agency 452 provided \$5,475 in expenditures for project ID TPN-114786 to OMES-GMO which do not appear to be supported in the State of Oklahoma - Statewide Accounting System; therefore, should not be included in the quarterly reports. In addition, the agency did not provide OMES-GMO with \$125,616 of expenditures for project ID TPN-114786 to OMES-GMO.
8. State agency 090 reported cash basis expenditures totaling \$4,136,338 2023 for project ID TPN-007783; however, we reconciled \$4,289,275 of expenditures to the State of Oklahoma - Statewide Accounting System resulting in an under reporting of \$152,937. In addition, \$235,290 of expenditures for GEER AL #84.825C and ERA AL #21.023 were paid using CSLFRF funds and were reported on the quarterly reports.
9. Quarterly reports were prepared and submitted to OMES-GMO by one individual at state agencies 340, 619, and 677.
10. Quarterly reports were prepared and submitted to OMES-GMO by a consulting services vendor for agency 830; however, it does not appear the agency performed a review prior to the consulting services vendor submitting the reports on behalf of the agency.

Cause: The State of Oklahoma/OMES-GMO failed to implement adequate controls to ensure quarterly reports were accurately reported to the U.S. Department of the Treasury. Further, state agencies 340, 619, 677, and 830 did not have proper segregation of duties for preparing and submitting quarterly *Project and Expenditure Reports* to OMES-GMO.

Effect: Total quarterly expenditures per *Project and Expenditure Reports* during SFY 2023 were under reported by \$4,967,146.

Recommendation: We recommend the State of Oklahoma/OMES-GMO strengthen its reporting policies and procedures by requiring staff to reconcile expenditure amounts to the State of Oklahoma - Statewide Accounting System records and investigate and resolve any differences prior to submitting the report the U.S. Department of the Treasury. In addition, we recommend reconciling reports already submitted to U.S. Department of the Treasury, to identify errors and revise future reports.

Further, we recommend OMES-GMO require that state agencies review the Summary of Receipts and Disbursements (SRD) for class fund 497 (and 488 for agency 090) to ensure expenditures are reported accurately. Lastly, we

Schedule of Findings And Questioned Costs

recommend OMES-GMO require that state agencies document the review and approval, by someone other than the preparer, of their quarterly report data submitted to OMES-GMO.

Views of Responsible Official(s)

Contact Person: Parker Wise

Anticipated Completion Date: 9/30/2025

Corrective Action Planned: The Office of Management Enterprise Services – Grants Management Office agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-056

STATE AGENCY: State of Oklahoma and Office of Management and Enterprise Services (OMES)

FEDERAL AGENCY: U.S. Department of the Treasury

ALN: 21.027

FEDERAL PROGRAM NAME: Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: Per 2 CFR § 200.303, “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 § 200.502(a) states in part, “*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.”

2 CFR § 200.510(b) states in part, “*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. The schedule must include the total Federal awards expended as determined in accordance with §200.502.

...

(3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available.”

Condition and Context: The State of Oklahoma had sixteen (16) state agencies report CSLFRF expenditures on the Schedule of Expenditures of Federal Awards (SEFA) for SFY 2023. The state created class fund 488 (ARPA Advance Grants) for administrative costs to run the grant, and class fund 497 (Statewide Recovery Fund) to facilitate the transfer of CSLFRF funds to agencies. Class fund 488 only applies to State of Oklahoma OMES - Grants Management Office (GMO) and class fund 497 applies to all agencies. For the thirteen (13) state agencies audited by the State Auditor's Office, we noted the following SEFA exceptions:

- Four agencies (Department of Health – agency 340; Legislative Services Bureau – agency 423; J.D. McCarty Center – agency 670; and Oklahoma Supreme Court – agency 677) did not include, but should have reported expenditures for, AL #21.027 CSLFRF on their SEFA
- Three agencies (Health Care Workforce Training Commission – agency 619; Career Tech – agency 800; and Department of Human Services – agency 830) included AL #21.027 CSLFRF on their SEFA but did not accurately report their expenditures
- One agency (Department of Public Safety – agency 585) failed to record AL #21.027 CSLFRF federal revenue on their SEFA
- One agency (Office of Management and Enterprise Services – agency 090) did not accurately report expenditures: administrative payroll for class fund 488 (ARPA Advance Grants) was not included on their SEFA

Based on testwork performed by State Auditor's Office on CSLFRF state agency SEFA expenditures for SFY 2023, we determined the state agencies reported \$12,307,194; and the correct SEFA total should have been \$23,003,285. Further, when including outside audits of state agency CSLFRF funds, we determined total modified accrual federal

Schedule of Findings And Questioned Costs

expenditures reported were \$66,697,853; however, the correct CSLFRF SEFA total for SFY 2023 should have been \$77,393,944.

Cause: The State of Oklahoma had no process, and failed to implement adequate controls, to ensure a SEFA was completed for each agency receiving CSLFRF funds. State agencies (090, 340, 423, 585, 619, 670, 677, 800, 830) lacked adequate controls to ensure SEFA expenditures, or federal revenue, for AL #21.027 were reported correctly.

State agencies (340, 423, 585, 619, 670, 677, 800, 830) did not review the Summary of Receipts and Disbursements (SRD) report for class fund 497 (Statewide Recovery Fund) to ensure all federal expenditures were included on their SEFA.

In addition, agency 090 did not review the SRD report for class funds 488 and 497 to ensure expenditures were included on the statewide SEFA.

Effect: The State of Oklahoma under-reported SEFA expenditures by \$10,696,091 for SFY 2023. In addition, agency 585 under-reported \$858,278 in federal revenue.

Recommendation: We recommend OMES ensure that state agencies strengthen controls over their SEFA process to ensure accurate reporting of CSLFRF expenditures, including a review of the SRD for class fund 497 to ensure CSLFRF expenditures are reported on their SEFA. Further, we recommend the State of Oklahoma review the SRD for class fund 497 (and 488 for agency 090) for the agencies that are transferred CSLFRF funds to ensure those with expenditures complete a SEFA. In addition, we recommend the State of Oklahoma reconcile state agency SEFAs to the SRD for class fund 497 (and 488 for agency 090) to ensure expenditures are reported accurately.

Views of Responsible Official(s)

Contact Person: OMES: Parker Wise, Felicia Clark **619:** Sara Librandi, Kami Fullingim **670:** Mike Powers, Mark Chronister, Erik Paulson

Anticipated Completion Date: 06/30/2026

Corrective Action Planned: The Office of Management Enterprise Services – Grants Management Office agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-088 (Repeat 2022-085)

STATE AGENCY: State of Oklahoma, Office of Management and Enterprise Services

FEDERAL AGENCY: US Department of Treasury

ALN: 21.023

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA 1 and ERA 2)

FEDERAL AWARD NUMBER: ERA028 and ERAE0259

FEDERAL AWARD YEAR: 2023

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

QUESTIONED COSTS: \$2,410,251

Criteria: U.S. Department of the Treasury Emergency Rental Assistance Grantee Award Form (8) (a-b) Compliance with Applicable Law and Regulations, states in part, “a. Recipient agrees to comply with the requirements of Section 501 and Treasury interpretive guidance regarding such requirements. Recipient also agrees to comply with all other applicable federal statutes, regulations, and executive orders, and Recipient shall provide for such compliance in any agreements it enters into with other parties relating to this award. b. Federal regulations applicable to this award include, without limitation, the following: i. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200, other than such provisions as Treasury may determine are inapplicable to this Award and subject to such exceptions as may be otherwise provided by Treasury.”

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

The Consolidated Appropriations Act § Section 501 (c)(5) Use of Funds - Administrative Costs states in part, “A. IN GENERAL.- Not more than 10 percent of the amount paid to an eligible grantee under this section may be used for administrative costs attributable to providing financial assistance and housing stability services under paragraphs (2) and (3), respectively, including for data collection and reporting requirements related to such funds. B. No OTHER ADMINISTRATIVE COSTS.- Amounts paid under this section shall not be used for any administrative costs other than to the extent allowed under subparagraph (A)”

2 CFR § 200.334 – Retention requirements for records state in part, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

2 CFR § 200.337 – Access to records states in part, “(a) Records of non-Federal entities. The Federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents.”

2 CFR § 200.403 – Factors affecting allowability of costs states in part, “Except where otherwise authorized by statute, costs must meet the following criteria to be allowable under Federal awards:

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

Condition and Context: When reviewing SFY23 payroll administrative expenditures, we noted that Communities Foundation of Oklahoma paid \$2,372,400 in bonuses to 146 employees. Of these bonuses, 47 people received between \$10,000 - \$19,999, and 44 people received more than \$20,000. We found the expenditures to be unallowable; we found no guidance that stated ERA administrative funds could be expended on bonuses.

Also, while testing 116 of 5,284 payroll administrative expenditures we noted the following:

- For 4 of 116, or 3.45% of claims tested, the contract was for an unreasonable rate and the invoices provided were not itemized and specific enough to determine if the time spent was for an allowable activity related to ERA 1 or ERA 2.
- For 9 of 116, or 7.76% of claims tested, the payment was for more than the contracted rate.
- For 23 of 116, or 19.83% of claims tested, the subrecipient was unable to provide a contract for the period paid.
- For 9 of 116, or 7.76% of claims tested, the contract was not signed by the Executive Director and was not valid.
- For 22 of 115, or 19.13% of claims tested, the payroll cost was allowable; however, the expense was attributable to multiple jurisdictions and only 90.33% of the cost should have been charged to the State of Oklahoma, but the subrecipient was unable to support the allocation was completed and that 100% of the cost was not charged to the State.

The issues noted above resulted in total questioned cost of \$37,851. We are unable to note the questioned costs per exception due to the same sample items being noted on multiple exceptions.

Cause: OMES personnel responsible for oversight of the ERA 1 and ERA 2 grants do not normally oversee Federal grant programs; they do not understand the types of activities that may be supported by the ERA 1 and ERA 2 grants, nor do they have adequate experience with administering Federal grant funds.

OMES did not establish and maintain effective internal control over the Federal award that provides reasonable assurance that OMES 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

OMES did not ensure that the subrecipients established and maintained effective internal control over the Federal award to provide reasonable assurance that the non-Federal entity was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Effect: Unallowable payroll costs totaling \$2,410,251, including unallowable bonus payments of \$2,372,400, were charged to the ERA program as payroll administrative expenditures. These funds could have been used toward Oklahoma applicants in need of ERA funding.

Recommendation: We recommend that OMES develop and implement internal controls to ensure it administers current and future ERA grants in accordance with applicable Federal laws and grant requirements, including ensuring that grant subrecipients are properly informed of federal requirements related to allowable costs. In addition, we recommend that OMES ensure the subrecipient has established effective internal controls over the Federal award to provide reasonable assurance that the subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

We recommend that OMES ensure adequate supporting documentation for administrative expenditures incurred is obtained, reviewed, and maintained by OMES to ensure subrecipients only expend ERA funds for allowable activities and costs.

We recommend that OMES only reimburse subrecipients for administrative costs based on supporting documentation of actual costs incurred.

We recommend OMES ensure the personnel responsible for oversight for the ERA grant obtain the necessary training and knowledge to ensure compliance with the Federal grant requirements.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: Ongoing throughout the life of the grant

Corrective Action Planned: The Office of Management and Enterprise Services partially agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

Auditor Response:

Per 2 CFR 200.430(f), the payroll bonuses were not approved per the contract with the State Oklahoma. Further, the bonus policy created by CFO was not written until 2024, which is after the audit period.

CFO states the contractors ‘continued to be paid the same remuneration in the time period between the expiration of the original contracts and when the new contracts and/or addendums were created and signed’; however, for nine of 10, SAI did not receive a contract that was for the rate paid for the contractor.

OMES states ‘The entities were addressing more urgent matter to assist the people of Oklahoma with the objectives of the program and did not have the bandwidth to draft and sign new agreements.’ SAI disagrees with the lack of bandwidth. We reviewed the number of contracts received per contractors mentioned above and found that we received anywhere from two to six contracts per contractor. In addition, CFO closed their application portal on 8/31/2022, which is a month prior to the first missing contract date. We do understand that applications were still being reviewed and payments were being made; however, we find that CFO had the capacity to create, and sign amended contracts for the time periods being paid.

FINDING NO: 2023-089 (Repeat 2022-086 & 2022-087)

STATE AGENCY: State of Oklahoma, Office of Management and Enterprise Services

FEDERAL AGENCY: US Department of Treasury

ALN: 21.023

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA 1 and ERA 2)

FEDERAL AWARD NUMBER: ERA028 and ERAE0259

FEDERAL AWARD YEAR: 2023

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

Schedule of Findings And Questioned Costs

QUESTIONED COSTS: \$90,669

Criteria: U.S Department of the Treasury Emergency Rental Assistance Grantee Award Form (8) (a-b) Compliance with Applicable Law and Regulations, states in part, “a. Recipient agrees to comply with the requirements of Section 501 and Treasury interpretive guidance regarding such requirements. Recipient also agrees to comply with all other applicable federal statutes, regulations, and executive orders, and Recipient shall provide for such compliance in any agreements it enters into with other parties relating to this award. b. Federal regulations applicable to this award include, without limitation, the following: i. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200, other than such provisions as Treasury may determine are inapplicable to this Award and subject to such exceptions as may be otherwise provided by Treasury.”

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

The Consolidated Appropriations Act § Section 501 (c)(5) Use of Funds - Administrative Costs states in part, “A. IN GENERAL.- Not more than 10 percent of the amount paid to an eligible grantee under this section may be used for administrative costs attributable to providing financial assistance and housing stability services under paragraphs (2) and (3), respectively, including for data collection and reporting requirements related to such funds. B. No OTHER ADMINISTRATIVE COSTS.- Amounts paid under this section shall not be used for any administrative costs other than to the extent allowed under subparagraph (A)”

2 CFR § 200.334 – Retention requirements for records state in part, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

2 CFR [§ 200.337 Access to records](#) states in part, “(a) Records of non-Federal entities. The Federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents.”

Condition and Context: While documenting controls over subrecipient administrative expenditures for the ERA 1 and ERA 2 grants, we noted that OMES did not require the subrecipients to submit supporting documentation for administrative expenditures charged to the programs. Further, we determined one of the subrecipients, Communities Foundation of Oklahoma (CFO), did not have sufficient internal controls over administrative expenditures to ensure they were for allowable costs and activities.

While testing all 17-credit card administrative expenditures totaling \$86,267 for, CFO we noted the following:

- For 15 of 17, or 88.24%, of credit cards tested, the payment included at least one expenditure for unallowable costs. These unallowable costs also included gift cards. (\$53,248.41 questioned costs)
- For \$28,661 of allowable credit card administrative expenditures, the expense was attributable to multiple jurisdictions and only 90.33% of the cost should have been charged to the State of Oklahoma; however, CFO was unable to support the proper allocation was completed and that 100% of the cost was not charged to the State. We determined we would question 9.67% of the allowable expenditures (\$2,771.52 questioned costs), since the State paid for expenditures that were the responsibility of other jurisdictions. Note: all credit card transactions were ‘multi’ jurisdictions; however, the unallowable costs are questioned in the first bullet.

While testing 48 of 251 non-payroll and non-credit card administrative expenditures, totaling \$875,026 we noted the following:

- For 3 of 48, or 6.25%, of claims tested, the costs were for services to non-profit Shelterwell, which is an organization that was formed by the Executive Director of Community Cares Partners (CCP) with CCP team

Schedule of Findings And Questioned Costs

members after CCP stopped accepting ERA applications. Shelterwell works with tenants and landlords to provide education and mediation between tenants and landlords but is not legally part of Communities Foundation of Oklahoma (CFO)/CCP and does not directly provide rental assistance. Therefore, all payments to Shelterwell do not directly support the administration of the ERA program and are not allowable administrative costs. (\$3,847.90 questioned costs)

- For 3 of 48, or 6.25%, of claims tested, the costs were for services for non-profit SidexSide (formerly LastMile) also created by CFO/CCP, which is an organization that provides job skills training and connects employers with participants seeking employment. SidexSide is not legally part of CFO/CCP and does not directly provide rental assistance; therefore, payments made to SidexSide do not directly support the administration of ERA program and are not allowable administrative costs. (\$8,824.00 questioned costs)
- For 4 of 48, or 8.33%, of claims tested, the costs were unallowable and included items such as trainings unrelated to ERA, gift cards, alcohol, and food. (\$1,549.76 questioned costs)
- For 1 of 48, or 2.08%, of claims tested, the costs were for the Afghan Legal Network project which partnered with CFO to provide ERA funds to Afghanistan refugees; SAI determined these costs are unallowable as the refugees were not Oklahoma residents, and not eligible for assistance. Therefore, administrative costs related to this project were also unallowable. (\$498.00 questioned costs)
- For 1 of 48, or 2.08%, of claims tested, the cost was unrelated to ERA and unallowable. CFO/CCP has refunded the expense using private funds after SAI determined it was unallowable. (\$250.00 questioned costs)
- For 29 of 48, or 60.42%, of claims tested, the cost was allowable; however, the expense was attributable to multiple jurisdictions and only 90.33% of the cost should have been charged to the State. However, CFO/CCP was unable to support the proper allocation was completed and that 100% of the cost was not charged to the State. We question 9.67% of the allowable expenditures (\$19,679.00 questioned costs)

The issues noted above for the credit card expenditures and non-payroll admin expenditures resulted in a total questioned cost of \$90,669.

Cause: OMES personnel responsible for oversight of the ERA 1 and ERA 2 grants do not normally oversee Federal grant programs, do not understand the types of activities that may be supported by the ERA 1 and ERA 2 grants, and do not have adequate experience with administering Federal grant funds.

OMES did not ensure the personnel responsible for oversight of the ERA 1 And ERA 2 grants received the proper training to understand and did not ensure they used available resources to help them understand, the grant requirements.

OMES did not establish and maintain effective internal control over the Federal award that provides reasonable assurance that OMES manages the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

OMES did not ensure that the subrecipients established and maintained effective internal control over the Federal award to provide reasonable assurance that the non-Federal entity was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

OMES advanced a set rate of 10% (ERA 1) and 15% (ERA 2) and to another subrecipient 9.3% (ERA 1) of program funds for administrative costs instead of reimbursing administrative costs actually incurred by the subrecipient that were attributable to providing financial assistance and housing stability services under the ERA 1 and ERA 2 programs.

OMES did not obtain, review, approve, or maintain adequate supporting documentation for administrative costs.

Effect: Unallowable costs, totaling \$120,106.53, were charged to the ERA program as administrative expenditures by CFO for SFY 2023.

Recommendation: We recommend that OMES develop and implement internal controls to ensure it has the knowledge and experience to administer current and future ERA grants in accordance with applicable Federal laws

Schedule of Findings And Questioned Costs

and grant requirements, including ensuring that grant subrecipients are properly informed of Federal requirements related to allowable costs. In addition, we recommend that OMES ensure subrecipients have established effective internal controls over the Federal award to provide reasonable assurance that the subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Lastly, we recommend that OMES ensure adequate supporting documentation for administrative costs charged to the program is obtained, reviewed, approved, and maintained to ensure subrecipients are only reimbursed for allowable activities and costs based on proper supporting documentation.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: Ongoing throughout the life of the grant

Corrective Action Planned: The Office of Management and Enterprise Services partially agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

Auditor Response:

CFO Response 1. - SAI questioned these costs as they were not refunded until SAI inquired about them.

CFO Response 2 – The response at 2023-028, condition and context 2, does not fit with the context and condition noted in this finding.

CFO Response 3 – This was cleared and removed from the finding.

CFO Response 4 – While Treasury allowed grantees to make subawards to other entities, these subawards should have been made to existing entities. Shelterwell was created by CFO and Shelterwell is required to pay CFO a percentage to perform their accounting function. Additionally, the services being provided by Shelterwell do not fall under the umbrella of those allowed under housing stability.

CFO Response 5 – While Treasury allowed grantees to make subawards to other entities, these subawards should have been made to existing entities. Side x Side was created by CFO and Side x Side is required to pay CFO a percentage to perform their accounting function. Additionally, the expenses being questioned for Side x Side do not fall under the umbrella of those allowed under housing stability as these were for consulting, website design, and nonprofit/professional development trainings

CFO Response 6 – CFO concurred

CFO Response 7 – CFO concurred

CFO Response 8 – CFO concurred

CFO Response 9 – The response at 2023-028, condition and context 2, does not fit with the context and condition noted in this finding.

FINDING NO: 2023-090 (Repeat 2022-046)

STATE AGENCY: State of Oklahoma, Office of Management and Enterprise Services (OMES)

FEDERAL AGENCY: US Department of Treasury

ALN: 21.023

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA 1 and ERA 2)

FEDERAL AWARD NUMBER: ERA0028 and ERAE0259

FEDERAL AWARD YEAR: 2022 and 2023

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

QUESTIONED COSTS: \$114,091

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

The US Department of Treasury Emergency Rental Assistance (ERA) FAQ #23 *ERA 1 and ERA 2 both allow for up to 10 percent of the funds received by a grantee to be used for certain housing stability services. What are some examples of these services?* States in part, “Under ERA 1, these funds may be used to provide eligible households with case management and other services, related to the COVID-19 outbreak.”

Schedule of Findings And Questioned Costs

Under ERA2, these services do not have to be related to the COVID-19 outbreak and the ERA2 statute does not restrict the provision of housing stability services to “eligible households.”

For purposes of ERA1 and ERA2, housing stability services include those that enable households to maintain or obtain housing. Such services may include, among other things, eviction prevention and eviction diversion programs; mediation between landlords and tenants; housing counseling; fair housing counseling; housing navigators or promoters that help households access ERA programs or find housing; case management related to housing stability; housing-related services for survivors of domestic abuse or human trafficking; legal services or attorney’s fees related to eviction proceedings and maintaining housing stability; and specialized services for individuals with disabilities or seniors that support their ability to access or maintain housing. Grantees using ERA funds for housing stability services must maintain records regarding such services and the amount of funds provided to them.”

Condition and Context: While documenting controls over housing stability expenditures for the ERA 1 and ERA 2 programs, we noted one expenditure for payroll costs to an organization contracting with one of the subrecipients that provides employment and career resources, which is not an allowable housing stability activity.

In addition, while testing 15 of 66 housing stability services expenditures totaling \$3,176,624 for one of the two subrecipients, we noted the following:

- For 6 of 15, or 40%, of items tested, the payment included unallowable activities/costs such as sick pay, moving offices, cleaning offices, non-ERA training, and general admin activities not related to ERA. This resulted in \$21,442.50 in questioned costs.
- For 2 of 15, or 13.33%, of items tested, the invoices paid between March 2023 and June 2023, included unallowable activities/costs such as management fees and moving/storing furniture. Further, there was not a valid contract in place at the time the expense was incurred or paid. The contract ended 2/28/2023 and was not renewed or modified until 7/11/2023. This resulted in \$17,648.56 in questioned costs.
- For 1 of 15, or 6.67%, of items tested, the payment was for unallowable activities/costs such as supplies and equipment to establish the organization that did not directly go to providing housing stability services. This resulted in \$75,000 in questioned costs.
- For 1 of 15, or 6.67%, of items tested totaling \$1,575, the payment included unallowable activities/costs that were refunded using private funds on 7/18/2023, after the SFY23 but prior to SAI’s audit. Since the amounts were refunded, SAI did not question these costs.

Cause: OMES did not ensure that the subrecipient established and maintained effective internal control over the Federal award to provide reasonable assurance that the non-Federal entity was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The subrecipient did not maintain effective internal control over housing stability expenditures to ensure compliance with allowability requirements and did not obtain supporting documentation for the costs actually incurred.

OMES did not properly inform the subrecipients of the Federal requirements regarding allowable costs for the grant.

Effect: Unallowable costs, totaling \$114,091, were charged to the ERA program as housing stability expenditures.

Recommendation: We recommend that the OMES develop and implement internal controls to ensure it administers ERA 2 awards in accordance with applicable Federal laws and grant requirements, including ensuring that grant subrecipients are properly informed of federal requirements related to allowable costs, and subrecipients have established effective internal control to ensure expenditures are allowable.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: Ongoing throughout the life of the grant

Schedule of Findings And Questioned Costs

Corrective Action Planned: The Office of Management and Enterprise Services partially agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

Auditor Response:

While it is proper to provide services to help individuals in the future, CFO should also be good stewards of the ERA funds. One way to do this would be to partner with existing organizations that already have established programs. Using ERA funds to create new not for profit organizations whose contract require them to pay a percentage to CFO to perform their accounting function and employing former CCP contractors is not an example of being a good steward. Additionally, the purchase of furniture and moving expenses is not only unallowable but is not a good use of ERA funds in general. As CFO stated above, Treasury guidance states, “When rental assistance is scarce, support services can still play a role in preventing eviction and homelessness.” This begs the question, why did CFO close their application portal on August 31, 2022 and not open it back up when they realized rental assistance was not scarce. As a matter of fact, they still had approximately \$50,000,000 dollars at the end of SFY23 (June 30, 2023) that could have been paid out as rental assistance to needy Oklahomans.

FINDING NO: 2023-091

STATE AGENCY: State of Oklahoma, Office of Management and Enterprise Services

FEDERAL AGENCY: US Department of Treasury

ALN: 21.023

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA 1 and ERA 2)

FEDERAL AWARD NUMBER: ERA028 and ERAE0259

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Period of Performance

QUESTIONED COSTS: \$10,985,211

Criteria: U.S Department of the Treasury Emergency Rental Assistance Grantee Award Form (8) (a-b) Compliance with Applicable Law and Regulations, states in part, “a. Recipient agrees to comply with the requirements of Section 501 and Treasury interpretive guidance regarding such requirements. Recipient also agrees to comply with all other applicable federal statutes, regulations, and executive orders, and Recipient shall provide for such compliance in any agreements it enters into with other parties relating to this award. b. Federal regulations applicable to this award include, without limitation, the following: i. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200, other than such provisions as Treasury may determine are inapplicable to this Award and subject to such exceptions as may be otherwise provided by Treasury.”

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

2 CFR § 200.403(f) – *Factors Affecting Allowability of Costs* states in part, “Except where otherwise authorized by statute, costs must meet the following criteria to be allowable under Federal awards: ...

- (f) Not be included as a cost or used to meet cost sharing requirements of any other federally-financed program in either the current or a prior period.”

The US Department of Treasury Emergency Rental Assistance (ERA) FAQ #42 states in part “The nonprofit organization deposits and maintains the ERA funds in a separate account that is not commingled with other funds.”

The US Department of Treasury Emergency Rental Assistance (ERA) FAQ #42 states in part “There are several options for a grantee to resolve its responsibility for improper payments, including the following:

1. ERA grantees may recharacterize expenditures initially reported under their ERA1 award as ultimately being funded by their ERA2 award, provided the expenditures are made during the ERA2 award period of performance and meet the ERA2 award requirements. For example, a grantee could consider the following option to achieve this: (1) recharacterize an improper payment made with ERA1 award funds as being made with ERA2 award funds provided the ERA1 improper payment was made during the ERA2 award period of

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performance; or (2) recharacterize an equivalent amount of ERA2 payments made during the ERA1 award period of performance that are in compliance with ERA1 award requirements at the time they were made as ERA1 payments.”

The US Department of Treasury Emergency Rental Assistance ERA 1 Reporting Guidance states in part, “ERA Recipients are required to certify and submit reports on each ERA award separately... Recipients with multiple ERA awards must take care to ensure that they do not commingle, funds, data, or records across two awards and to submit separate reports for each award.”

The US Department of Treasury Emergency Rental Assistance Closeout Resource states in part, “Treasury does not prohibit ERA grantees from recharacterizing expenditures initially reported under one award as ultimately being funded by the other (between ERA1 and ERA2 awards), provided the grantee updates all relevant program reports to reflect the recharacterization ... program financial reporting must be updated should a grantee choose to recharacterize the allocation of expenditures between its ERA 1 and ERA 2 awards.”

The US Department of Treasury Emergency Rental Assistance Closeout Resource states in part, “

A. Basic Closeout Requirements

- Closeout must occur after the end of the award period of performance (also called the end of the award term) to ensure collection of robust, and complete reporting data from all grantees. Grantees may not close out their ERA1 awards before the end of the award period of performance on September 30, 2022.
- ERA1 funds received through reallocation are subject to a 90-day extension of the availability of such funds. Grantees that received reallocated funds may elect to begin closeout after September 30, 2022 or to defer closeout until after December 29, 2022.

C. Closeout Activities

1. Allowable Operations The end date of the award period of performance is the last day for a grantee to obligate funds for ERA1 activities (September 30, 2022 for award funds received pursuant to the grantee’s initial allocation and December 29, 2022 for reallocated funds). Funds statutorily available for administrative costs are not considered to be “automatically” obligated; therefore, grantees must obligate award funds by the end of the award period of performance to cover their administrative costs for closeout activities. Obligated funds may be expended by grantees for up to 120 calendar days after the end of the award period of performance for allowable administrative activities. Obligated funds may be expended by subrecipients for up to 90 calendar days after the end of the award period of performance for allowable administrative activities or an earlier date as agreed upon by subrecipient and grantee per 2 CFR 200.344(a).”

Condition and Context: While documenting controls over Period of Performance for the ERA 1 grant, we noted payments made to subrecipients in the Statewide Accounting System were all put under one fund and were not distinguishable between ERA 1 and ERA 2. Therefore, OMES was unable to determine at a glance whether the funds distributed to subrecipients were attributable to ERA 1 or ERA 2. Further, we determined one of the subrecipients, Communities Foundation of Oklahoma (CFO), did not have sufficient internal controls over ERA 1 program spending to ensure all funds were expended by the end of the period of performance.

During our testwork of 30 of 116 adjusting journal entries totaling \$35,811,879.92 for CFO, we noted the following:

- For eight of 30, or 26.67% of adjustments tested, the adjustment was to move expenses from ERA 2 to ERA 1 to meet ERA 1 spending requirements prior to closeout of the program. CFO commingled ERA 1 and ERA 2 funds and could not directly support each recharacterization with documentation for the specific transactions involved, but stated it was recharacterized to meet ERA 1 spending limits prior to the end of the period.
- For 11 of 30, or 36.67%, the adjustment was to move expenses between jurisdictions (City, State, County), which is unallowable per FAQ #42 and ERA reporting guidance.

This resulted in \$2,586,978 in questioned costs.

Schedule of Findings And Questioned Costs

When performing our testwork to determine whether ERA 1 expenditures met period of performance requirements (incurred on or before September 30, 2022), we noted 207 transactions occurred after September 30, 2022. Of the 207 transactions, we noted 40 that resulted in \$10,711,668 (of this amount \$2,313,435 is already questioned above) in questioned costs. We noted the following:

- For 13 of 207, or 6.28% of transactions tested, the adjustment was to move funds between funding jurisdictions (City, State, County), which is unallowable per FAQ #42 and ERA reporting guidance. (This resulted in \$1,594,881 in questioned costs, of which \$24,450 is questioned above)
- For 11 of 207, or 5.31%, the adjustment was to move funds between ERA 2 and ERA 1 and the adjustment was not directly supported with documentation for the specific transactions involved. It was noted as recharacterized to meet ERA 1 spending limits prior to the end of the period, and CFO did not go back to revise any prior monthly or quarterly reports as required by Treasury. (This resulted in \$7,003,715 in questioned costs, of which \$2,200,000 is questioned above)
- For 7 of 207, or 3.38% of transactions tested, the adjustment was to 'correct accounts' or 'tie out accounts'; we determined these were not attributable to specific transactions but were 'plug' numbers to zero out the ERA 1 balance prior to the end of the period of performance to meet spend down requirements and were not supported by actual expenditures that can be determined to have been incurred on or before September 30, 2022. (This resulted in \$1,837,072 in questioned costs, of which \$88,985 is questioned above)
- For 7 of 207, or 3.38% of transactions tested, the adjustment was to CFO management fees. Management fees were retained on a percentage basis; therefore, the fee is not supported by actual expenditures that can be determined to have been incurred on or before September 30, 2022. (This resulted in \$1,430,228 in questioned costs which were all questioned on finding 2023-028).
- We noted a total of \$8,271,796 in management fees that were not expended for ERA 1 and therefore were not spent within the period of performance. Of this amount, \$6,841,568 were management fees questioned in the SFY2021 and SFY2022 State of Oklahoma Single Audit reports and the remaining \$1,430,228 is questioned on finding 2023-028.
- For 2 of 207, or 0.97% of transactions tested, the payment was not supported by an itemized invoice to enable a determination that all the costs were incurred prior to September 30, 2022. (This resulted in \$276,000 in questioned costs)

Cause: OMES personnel responsible for oversight of the ERA 1 and ERA 2 grants do not normally oversee Federal grant programs, do not understand the types of activities that may be supported by the ERA 1 and ERA 2 grants, and do not have adequate experience with administering Federal grant funds.

OMES did not ensure the personnel responsible for oversight of the ERA 1 And ERA 2 grants received the proper training to understand and did not ensure they used available resources to help them understand, the grant requirements.

OMES did not establish and maintain effective internal control over the Federal award that provides reasonable assurance that OMES manages the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Effect: Unallowable costs or adjustments, totaling \$10,985,211, were charged to the ERA program by one subrecipient for SFY 2023 as administrative expenditures.

Administrative expenditures for other jurisdictions were reimbursed 100% by the State.

OMES did not accurately and correctly report ERA program expenditures on federal reports.

Lastly, not all ERA 1 funds were spent within the program's period of performance.

Recommendation: We recommend that the OMES develop and implement internal controls to ensure that program obligations and expenditures are accurately reported by the subrecipient. In addition. we also recommend OMES

Schedule of Findings And Questioned Costs

obtain and review federal reports and supporting documentation before submitting the information to the Federal agency.

Lastly, we recommend that the OMES personnel responsible for oversight of the ERA grant obtain the necessary training and knowledge to ensure compliance with federal reporting requirements.

Views of Responsible Official(s)

Contact Person: Ongoing throughout the life of the grant

Anticipated Completion Date: Brandy Manek

Corrective Action Planned: The Office of Management and Enterprise Services partially agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

Auditor Response:

CFO Response 1 bullet 1 - SAI acknowledges that funds 49400 and 49200 were created for ERA 1 and ERA 2; however, our finding is addressing the fact that all ERA 1 and 2 payments were classified as fund 49000.

CFO Response 1 bullet 2 - SAI acknowledges that the date shows December 29, 2022; however, CFO used plug numbers in their tracking spreadsheet which is not a true tracking of expenditures, and funds were recharacterized to meet spend down requirements; however, reports were not revised to reflect the changes.

CFO Response 2 bullet 1 - CFO partially agrees.

CFO Response 2 bullet 2 - CFO agrees that funds cannot be moved from ERA 2 to ERA 1.

CFO Response 2 bullet 3 - SAI acknowledges that CFO has 31 separate accounts for ERA funds; however, in the transaction data SAI was provided, these eight adjustments are transfers of funds between ERA 1 and ERA 2.

CFO Response 2 bullet 4 -We have removed the portion stating reports should have been revised. While this was present in the reporting instructions, we also acknowledge the guidance referred to by CFO.

CFO Response 3 bullet 1 - The expenditure description clearly states CFO/CCP moved funds from the State to 'xyz' or visa versa. Further, it does not appear that the tracking of spending limits for either ERA grant was kept.

CFO Response 3 bullet 2 - SAI notes that FAQ #42 does not directly address 'jurisdictions'; however, it does explain that 'The nonprofit organization deposits and maintains the ERA funds in a separate account that is not commingled with other funds.' Because there are adjustments to move expenses between jurisdictions, this conflicts with guidance.

CFO Response 4 bullet 1 - SAI acknowledges that the date shows December 29, 2022; however, CFO used plug numbers in their tracking spreadsheet which is not a true tracking of expenditures, and funds were recharacterized to meet spend down requirements; however, reports were not revised to reflect the changes.

CFO Response 5 bullet 1 - The expenditure description clearly states CFO/CCP moved funds from the State to 'xyz' or visa versa. Further, it does not appear that the tracking of spending limits for either ERA grant was kept.

CFO Response 5 bullet 2 - SAI notes that FAQ #42 does not directly address 'jurisdictions'; however, it does explain that 'The nonprofit organization deposits and maintains the ERA funds in a separate account that is not commingled with other funds.' Because there are adjustments to move expenses between jurisdictions, this conflicts with guidance.

CFO Response 6 bullet 1 - CFO partially agrees.

CFO Response 6 bullet 2 - CFO agrees that funds cannot be moved from ERA 2 to ERA 1.

CFO Response 6 bullet 3 -We have removed the portion stating reports should have been revised. While this was present in the reporting instructions, we also acknowledge the guidance referred to by CFO.

Schedule of Findings And Questioned Costs

CFO Response 6 bullet 3 - SAI acknowledges that the date shows December 29, 2022; however, CFO used plug numbers in their tracking spreadsheet which is not a true tracking of expenditures, and funds were recharacterized to meet spend down requirements; however, reports were not revised to reflect the changes.

CFO Response 7 bullet 1 - CFO partially agrees.

CFO Response 7 bullet 2 - CFO agrees that funds cannot be moved from ERA 2 to ERA 1.

CFO Response 7 bullet 3 - SAI acknowledges that the date shows December 29, 2022; however, CFO used plug numbers in their tracking spreadsheet which is not a true tracking of expenditures, and funds were recharacterized to meet spend down requirements; however, reports were not revised to reflect the changes.

CFO Response 8 - SAI reiterates that management fees did not represent actual expenditures; therefore, the transactions are questioned.

CFO Response 9 - SAI reiterates that management fees did not represent actual expenditures; therefore, the transactions are questioned. In addition, see previous response above.

CFO Response 10 bullets 1 and 2 - Support was only provided for one of the two questioned itemized invoices; however, an itemized invoice was not provided but rather an excel spreadsheet that does not provide the dates for the costs incurred for the applicants. Therefore, we are unable to determine whether costs were incurred prior to September 30, 2022, and the costs will remain questioned.

FINDING NO: 2023-092 (Repeat Finding 2022-028)

STATE AGENCY: State of Oklahoma, Office of Management and Enterprise Services (OMES)

FEDERAL AGENCY: US Department of Treasury (Treasury)

ALN: 21.023

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA 1 and ERA 2)

FEDERAL AWARD NUMBER: ERA0028 and ERAE0259

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

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 § 200.334 – *Retention requirements for records* states in part, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

The US Department of Treasury Emergency Rental Assistance: Closeout Resource states in part, “Per the ERA 2 Award Terms, financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to the ERA1 award must be retained for a period of five years after all funds have been expended or returned to Treasury.”

The US Department of Treasury Emergency Rental Assistance Reallocation Guidance (as of 9/6/2022) states, “Grantees are encouraged to partner with local nonprofit organizations and governmental agencies to expedite the obligation process and delivery of assistance to eligible households. However, Grantees may not use subrecipient agreements with these entities to avoid meeting the statutory obligation deadlines, and funds will not be considered obligated based solely on the fact they are subject to an agreement that provides for another entity to administer assistance on the Grantee’s behalf.”

Schedule of Findings And Questioned Costs

Condition and Context: While performing testwork of the Q1 2023 Compliance Report (January 1, 2023 – March 31, 2023), we noted the following:

- The report did not include the demographics section, which is a required reporting element. Per Treasury Guidance, the State is required to retain documentation for five years after all funds have been expended or returned. The State contacted Treasury to obtain the original submission that includes the demographic section and Treasury noted it is a common issue for that section to be missing when downloaded from the reporting portal. Treasury was unable to provide the original report but provided an excel spreadsheet with the information used in the report. However, the excel spreadsheet provided only included 16 of the 21 reporting elements that were missing from the report and the State did not retain all supporting documentation. The required reporting element "Cumulative Total Dollar Amount of ERA Award Funds Approved (Obligated) for Administrative Expenses" was not included on the report or information provided by Treasury.
- The State considers amounts expended as soon as they have left the State's coffers and have been distributed to the subrecipients rather than reporting actual expenditures for program assistance. Per Treasury guidance, funds will not be considered obligated based solely on the fact they are subject to an agreement that provides for another entity to administer assistance on the Grantee's behalf. Therefore, the required reporting elements were not appropriately included and or supported by underlying data of actual expenditures.
- The State was unable to provide underlying data for the cumulative administrative expenditures; therefore, we were unable to determine if the amounts reported trace to supporting documentation. Further, this indicates the report was not appropriately reviewed by OMES personnel prior to submission. SAI calculated the State overstated cumulative expenditures by \$41,024,695.56.
- The amount reported for 'Cumulative Number of Unique Households Receiving Housing Stability' does not trace to supporting documentation. Although the support provided was not for the reporting period and covered more than a year after the report was due, SAI still filtered the supporting data to only include dates through the reporting period and determined the reported number of unique households was 9,812 larger than the supporting data indicated.

While performing procedures for ERA 1 period of performance, we noted program assistance payments that were canceled or returned to the subrecipient were after the period of performance ended. The State did not amend prior period reports to reflect the changes in number of participant households or amount of program expenditures in those periods.

Cause: OMES did not establish and maintain effective internal control over the Federal award that provides reasonable assurance that the State is managing the Federal award in compliance with federal statutes, regulations, and the terms and conditions of the Federal award.

OMES personnel responsible for oversight of the ERA grant do not understand the reporting requirements, do not normally oversee Federal grant programs, and do not have adequate experience with administering Federal grant funds.

OMES did not retain supporting documentation as required by Treasury.

OMES fully relied on the subrecipients to administer the program and meet reporting requirements with little guidance.

Effect: OMES did not accurately and correctly report ERA program expenditures on federal reports. In addition, not all reporting elements were present or accurately presented. Lastly, prior ERA reports were overstated and do not accurately reflect refunds of program expenditures.

Schedule of Findings And Questioned Costs

Recommendation: We recommend the OMES develop and implement internal controls to ensure that program obligations and expenditures are accurately reported. In addition, we also recommend OMES obtain, review and retain reports and supporting documentation, before submitting to the Federal agency.

Lastly, we recommend the OMES personnel responsible for oversight of the ERA grant obtain the necessary training and knowledge to ensure compliance with federal reporting requirements.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: Ongoing throughout the life of the grant

Corrective Action Planned: The Office of Management and Enterprise Services partially agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

Auditor Response:

The demographic data originally provided to the State did not include the required reporting element “Cumulative Total Dollar Amount of ERA Award Funds Approved (Obligated) for Administrative Expenses”. The support provided in response to the finding for administrative expenses was for the Cleveland County Project not the State of Oklahoma portion. Further, the State was unable to provide their underlying data for the Cumulative administrative expenditures to support the reported amounts. No additional support was provided for the discrepancies between the reported amounts and underlying support from the subrecipient. Therefore, these findings will stand.

FINDING NO: 2023-093

STATE AGENCY: State of Oklahoma, Office of Management and Enterprise Services

FEDERAL AGENCY: US Department of Treasury

ALN: 21.023

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA 1 and ERA 2)

FEDERAL AWARD NUMBER: ERA0028 and ERAE0259

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Special Tests and Provisions – ERA Funds Reallocation

QUESTIONED COSTS: \$0

Criteria: *U.S. Department of the Treasury ERA1 Reallocation Guidance* states in part, “**II. Obligations and Excess Funds,** The ERA1 statute requires Treasury to identify “excess funds” for reallocation from amounts Grantees have “not obligated” from their initial ERA1 allocations. Specifically, the statute provides that beginning on September 30, 2021, Treasury must recapture excess funds, as determined by the Secretary, not obligated by a grantee for eligible ERA1 purposes, and Treasury must reallocate those funds to Grantees that, at the time of the reallocation, have obligated at least 65% of their initial ERA1 allocation. The amount of any reallocation is based on demonstrated need within a Grantee’s jurisdiction, as determined by Treasury.”

U.S. Department of the Treasury ERA1 Reallocation Guidance states in part, “**II. Obligations and Excess Funds B. Identifying Excess Funds** A grantee whose Expenditure Ratio is below 30% for the First Assessment will be considered to have excess funds. Beginning with the 30% threshold established for September 30, 2021, the minimum Expenditure Ratio will increase by 5% each calendar month.”

U.S. Department of the Treasury ERA 2 Reallocation Guidance states in part, “The ERA2 statute requires Treasury to identify funds for reallocation from amounts allocated to eligible Grantees, but not yet paid out to them. Specifically, the statute provides that beginning on March 31, 2022, Treasury must “reallocate funds allocated to eligible grantees ... but not yet paid,” according to a procedure established by Treasury. Under the statute, to be eligible to receive reallocated funds, a Grantee must have obligated at least 50% of its total initial ERA2 allocation.

Treasury will periodically determine a Grantee’s “ERA2 Expenditure Ratio,” which will be calculated as (i) the sum of the Grantee’s total expenditure of ERA2 funds on assistance to eligible households and eligible costs for housing stability services (for purposes of the Quarter 3 and Quarter 4 assessments) divided by (ii) an amount equal to 75% (for purposes of the Quarter 1 and 2 Assessments, described below) or 85% (for subsequent assessments) of the Grantee’s total ERA2 allocations, adjusted for any amounts reallocated from the Grantee, as of the date the excess

Schedule of Findings And Questioned Costs

funds determinations are approved by Treasury. The 75% and 85% allowances both reflect the ERA2 statute's limitation that a maximum of 15% of the total amount of ERA2 funds paid to a Grantee may be used for administrative costs, and the 75% allowance also reflects the ability under the statute for Grantees to use up to 10% of their ERA2 funds to provide housing stability services. Treasury encourages Grantees to use ERA2 funds for such housing stability services."

1. Quarter 1 Assessment

A Grantee whose ERA2 Expenditure Ratio is below 20% for the quarter 1 Assessment (as of March 31, 2022) will be considered to have excess funds

2. Quarter 2 and Quarter 3 Assessments

A Grantee whose ERA 2 Expenditure Ratio is below 40% in the Quarter 2 Assessment (as of June 30, 2022) or below 60% in the Quarter 3 Assessment (as of September 30, 2022) will be considered to have excess funds"

U.S. Department of the Treasury ERA 1 Reallocation Guidance states in part, "*A. Obligating ERA Funds* Treasury will not recapture funds that a grantee has obligated. Treasury will consider funds to be obligated if they meet any of the following conditions:

- The funds have actually been spent providing financial assistance and housing stability services under ERA for eligible households;
- The funds are needed to pay for assistance promised in a commitment letter issued to induce a landlord to enter a rental agreement with an eligible household under Treasury's ERA FAQ #35; or
- Subject to the conditions described below concerning subrecipients, the Grantee has, as part of the Grantee's ERA program administration, entered into a binding agreement or funding commitment requiring the Grantee to disburse the funds to a third party for eligible ERA1 purposes (a Contractual Obligation).

A Contractual Obligation will include situations in which (i) assistance has been approved for an eligible household but the payment to the landlord or utility provider has not yet been disbursed, or (ii) assistance has been approved but not yet disbursed under a bulk payment arrangement with a large landlord or utility provider under Treasury's ERA FAQ #38.

Funds may not be deemed to be under a Contractual Obligation for more than 12 months. Treasury will consider any funds under a Contractual Obligation (subject to this 12-month limit) or any funds covered by a commitment letter issued to an eligible household to remain obligated for 30 days after the termination of the relevant agreement, funding commitment, or commitment letter. Funds not expended or re-obligated within the 30-day period will be considered deobligated and potentially subject to reallocation in accordance with this guidance. In addition, under the ERA1 statute (as amended), Grantees must obligate all funds from their initial allocations by September 30, 2022.

Grantees are encouraged to partner with local nonprofit organizations and governmental agencies to expedite the obligation process and delivery of assistance to eligible households. However, Grantees may not use subrecipient agreements with these entities to avoid meeting the statutory obligation deadlines, and funds will not be considered obligated based solely on the fact they are subject to an agreement that provides for another entity to administer assistance on the Grantee's behalf. Funds paid or payable by a Grantee under a subrecipient agreement, and that have not been expended by the subrecipient for permissible purposes, will be considered obligated only to the extent that such funds (i) represent the subrecipient's permissible compensation for ERA1- related responsibilities, in accordance with Treasury's ERA FAQ #21; or (ii) will be used to pay obligations under binding agreements or funding commitments that would constitute Contractual Obligations if entered into by the Grantee directly."

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 testing the expenditure and obligation ratios used to determine if excess funds should be given back to Treasury, the State of Oklahoma reported amounts expended as funds given to the subrecipients, which does not align with Treasury guidance.

Schedule of Findings And Questioned Costs

The ERA 1 Expenditure Ratio as determined by Treasury is as follows:

Total Expenditures of ERA 1 Funds on Assistance to Eligible Households
Initial ERA 1 Award Amount – Returned Excess of Funds – 10% of Initial ERA 1 Award for Administrative Expenses

The State calculated the expenditure ratio as of March 31, 2022 using subrecipient expenditure data. The State Auditor & Inspector (SAI) determined while the State met the required expenditure ratio to not have funds voluntarily reallocated, the reported ratio was not accurate. See table below.

Time Period	Required Ratio	SAI Calculated Ratio	State Reported Ratio	Variance
3/31/2022	60%	81% (\$152,914,817/\$189,010,034)	74.30% (\$140,436,005/\$189,010,034)	-6.70%

The ERA 2 Expenditure Ratio as determined by Treasury is as follows:

Total Expenditures of ERA 2 funds on assistance to eligible households and housing stability services
75% of allocations (Q1 and Q2) or 85% of allocations in subsequent quarters

The State calculated the expenditure ratio for Quarter 1 2022 and Quarter 3 2022 using subrecipient expenditure data. SAI determined while the State met all required expenditure ratios to not have funds voluntarily reallocated and to receive reallocated funds, the reported ratios were not accurate. See table below.

Time Period	Required Ratio	SAI Calculated Ratio	State Reported Ratio	Variance
Quarter 1 (As of 3/31/2022)	20%	25% (\$31,181,094/\$124,628,995)	24.71% (\$30,793,230/\$124,628,995)	-0.29%
Quarter 3 (As of 9/30/2022)	60%	69% (\$97,580,120/\$141,246,194)	75.85% (\$107,138,642/\$141,246,194)	6.85%

Cause: OMES personnel responsible for oversight of the ERA grant do not normally oversee Federal grant programs, and do not have adequate experience with administering Federal grant funds and understanding reporting requirements.

Effect: OMES did not accurately and correctly calculate the expenditure ratios used in determining whether excess funds should be given back to Treasury.

Recommendation: We recommend that OMES develop and implement internal controls to ensure that program obligations and expenditures are accurately reported. In addition, we also recommend OMES obtain and review reports and supporting documentation before submitting to the Federal agency.

Lastly, we recommend that the OMES personnel responsible for oversight of the ERA grant obtain the necessary training and knowledge to ensure compliance with federal reporting requirements.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date: Ongoing throughout the life of the grant

Corrective Action Planned: The Office of Management and Enterprise Services agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-101

STATE AGENCY: State of Oklahoma

FEDERAL AGENCY: U.S. Department of the Treasury

ALN: 21.027

FEDERAL PROGRAM NAME: Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance

QUESTIONED COSTS: \$128,690

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.”

Condition and Context: The State of Oklahoma had sixteen (16) state agencies report CSLFRF expenditures on the Schedule of Expenditures of Federal Awards (SEFA) for SFY 2023. For the five (5) state agencies selected for testing, we sampled 19 of 64 non-subrecipient transactions totaling \$4,183,368.41 from a population of \$7,317,749.62, and noted the following exception:

- The Department of Human Services (DHS) had one reimbursement totaling \$40,418 for administrative costs. The invoice for the Jill Geiger Consulting (JGC) team that DHS engaged with does not detail the progress of work performed for each project. The invoice only provides a description for management services for projects included in HB2884 for April 2023, quantity, rate, and amount. We then obtained the tracking sheet prepared by JGC detailing the breakdown of the invoice hours for each project. The hours and amount invoiced each month is the same proportion of the total appropriated amount (i.e., weighted average) for each project; therefore, costs reported are not based on actual hours spent working on the projects. Based on the tracking sheet accounting for all costs based on a weighted average, we will question the remaining SFY 2023 costs of \$88,272 for this vendor.

Cause: The JGC team invoiced DHS based on the hours and amount being a proportion of the total appropriated amount (i.e., weighted average) to projects.

Effect: The \$128,690 charged to DHS for JGC services per tracking sheet, does not reflect the actual costs associated with each project. As a result, we are unable to determine what services/costs should have been charged per project.

Recommendation: DHS should ensure JGC provides invoices with the following detail:

- Staff assigned to each project and hours billed by each staff
- Total current hours billed for each project
- Total current amount billed for each project
- Cumulative hours billed for each project
- Cumulative amount billed for each project
- Cumulative amount billed as a percentage of total contract value

Views of Responsible Official(s)

Contact Person: OMES: Parker Wise DHS: Jaretta Murphy, Lindsey Kanaly, Danielle Durkee, Katey Campbell

Schedule of Findings And Questioned Costs

Anticipated Completion Date: N/A

Corrective Action Planned: The Office of Management Enterprise Services – Grants Management Office disagrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: The auditor was provided meeting notes and emails support to indicate work was performed by the consultant; however, the support does not indicate the number of hours reflected on the invoice charged for actual services performed. Therefore, we are still unable to determine what services/costs should have been charged per project.

FINDING NO: 2023-102

STATE AGENCY: State of Oklahoma

FEDERAL AGENCY: U.S. Department of the Treasury

ALN: 21.027

FEDERAL PROGRAM NAME: Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Subrecipient Monitoring

QUESTIONED COSTS: \$348,761

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 § 200.334 – Retention requirements for records states, in part, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

Condition and Context: The State of Oklahoma transfers all CSLFRF funds to state agencies so they can work directly with the subrecipient to ensure the project(s) are executed correctly. The State of Oklahoma had seven (7) state agencies make payments totaling \$51,454,078 to subrecipients during SFY 2023. For the three (3) state agencies selected for testing, we sampled 14 of 43 subrecipient payments totaling \$5,192,951 from a population of \$8,694,772; and noted the following issue:

- An Oklahoma State Department of Health (OSDH) subrecipient was reimbursed \$825,223.40 on 6/16/23; however, \$429,592.97 was later determined unallowed on 8/21/23 after an internal review. The subrecipient purchased pharmacy supplies which were unallowed. The subrecipient was only approved to purchase buildings and perform renovations in accordance with the contract and funding packet between OSDH and the subrecipient. The subrecipient then submitted an additional \$80,831.48 of allowable costs on 11/8/23 to be applied against the unallowed costs he was already reimbursed. The remaining \$348,761.49 was to be paid by the subrecipient for future capital expenditures. We requested supporting documentation for the \$348,761.49 submitted by subrecipient for future capital expenditures; however, support could not be provided.

Cause: The Oklahoma State Department of Health (OSDH) did not obtain and adequately review all supporting documents prior to payment.

Effect: Unallowable costs, totaling \$348,761.49, were charged to the CSLFRF program and not supported.

Recommendation: We recommend the Oklahoma State Department of Health (OSDH) strengthen their internal controls to ensure adequate supporting documentation for program expenditures incurred is obtained, reviewed, and maintained to ensure subrecipients are expending CSLFRF funds for allowable costs.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: OMES: Parker Wise OSDH: Diane Brown, Danielle Smith, Tracey Douglas

Anticipated Completion Date: 5/1/2025

Corrective Action Planned: The Office of Management Enterprise Services – Grants Management Office agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-109 (prior year 2022-090)

STATE AGENCY: State of Oklahoma and Office of Management and Enterprise Services

FEDERAL AGENCY: Multiple

ALN: Multiple

FEDERAL PROGRAM NAME: Multiple

FEDERAL AWARD NUMBER: Multiple

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.317 *Procurements by states, says in part,*

“When procuring property and services under a Federal award, a State must follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ... ensure that every purchase order or other contract includes any clauses required by § 200.327.

2 CFR § 200.404 *Reasonable costs*, states in part, “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to ... :

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.”

74 O.S. §85.5 *Powers and Duties of State Purchasing Director*, states in part,

“H. 1. The State Purchasing Director may develop and test new contracting policies, procedures and innovations that hold potential for making state procurement more effective and efficient and identify, and make recommendations to the Legislature of, any appropriate changes in law. Such development and testing, proof of concept, pilot project or other similar test shall not be considered an acquisition subject to the Oklahoma Central Purchasing Act.

2. The State Purchasing Director is authorized to explore and investigate cost savings in energy, resource usage and maintenance contracts and to identify and negotiate contract solutions including, but not limited to, pilot projects to achieve cost savings for this state.”

Condition and Context: While performing federal compliance testing of all major programs for SFY2022 Single Audit, we were made aware that Office of Management and Enterprise Services (OMES) created a pilot program (starting in SFY 2019/2020) wherein vendors were put on Statewide Contract, thus no longer requiring them to competitively bid their services. These pilot programs are known as Rolling Request for Proposal (RFP) or Rolling Solicitations. In SFY2022, we noted certain non-IT consulting services (SW0133 Statewide Contracts) and Deliverable Based IT Service (SW1050 Statewide Contracts) vendors were added to Statewide Contract pilot program and are now receiving federal funds through this process. In SFY2023, OMES added two additional Statewide

Schedule of Findings And Questioned Costs

Contract pilot programs, SW1025 Information Technology Staff Augmentation Services and SW0132 Non-IT Temporary Employment Services. Vendors under this contract category will also be receiving federal funding.

Further, there are no written policies and procedures for any of the Statewide Contracting pilot programs (Rolling RFP's) to describe how these contracts are to be executed to meet both federal and state law. Since there were no written policies and procedures, we were unable to determine how OMES conducted their evaluation process relevant to the scope of services and contract price, to ensure vendors are properly vetted.

Lastly, no recommendations have been made to the Legislature on how the Statewide Contract pilot programs has helped state procurement become more effective and efficient for the State of Oklahoma as required by law. As a result, the longer the pilot programs remain open without recommendations to the Legislature, entities on Statewide Contract pilot programs are allowed to charge what they feel are appropriate rates per their federal contracts, without any competitive or vetting process in place.

Cause: The OMES does not have adequate controls in place, including policies and procedures, to ensure federal grant contracts are properly executed.

Effect: The OMES is not complying with 2 CFR § 200.317 *Procurements by states* since the agency has no policies and procedures in place for the Statewide Contracting pilot programs. As a result, federal contracts awarded under the Statewide Contracting pilot programs, do not appear to meet State of Oklahoma competitive bidding requirements. Also, contracts with vendors may not contain the applicable provisions required by 2 CFR § 200.327. Lastly, under the existing Statewide Contract pilot programs, OMES can receive increased federal contract fees because vendors are not compelled to charge reasonable rates per 2 CFR § 200.404.

Recommendation: We recommend the OMES develop and implement policies and procedures for the Statewide Contract pilot programs to ensure all federal contracts are properly executed. Further, we recommend OMES provide justification on how vendors/consultants put on the Statewide Contract pilot programs are exempt from competitive bidding requirements. Lastly, we recommend the OMES work in a timely manner to either bring the Statewide Contract pilot programs before the legislature to explain the benefits to the state and what should be written into law or eliminate the program.

Views of Responsible Official(s)

Contact Person: Amanda Otis

Anticipated Completion Date: *Sine Die*

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

Auditor Response: Based on the corrective action plan provided by management, the procedures provided were not adequate, or timely policies and procedures to explain how the Statewide Contracting pilot programs (Rolling RFP's) are meeting the competitive bidding requirements per Title 74 O.S. § 85.7. As a result, our finding stands that management does not have adequate policies and procedures to meet 2 CFR § 200.317 *Procurements by states* for federal contracting. Further, the Statewide Contracting pilot programs lack detailed policies and procedures to show that federal grant contracts are being awarded to the lowest and best, or best value, bidder or bidders per Title 74 O.S. § 85.7.A.7.B.

FINDING NO: 2023-202

STATE AGENCY: State of Oklahoma

FEDERAL AGENCY: U.S. Department of the Treasury

ALN: 21.027

FEDERAL PROGRAM NAME: Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Schedule of Findings And Questioned Costs

Criteria: The Uniform Guidance (2 CFR 200) §200.510 states in part an auditee should “prepare a schedule of expenditures of federal awards (“SEFA”) for the period covered by the auditee’s financial statement [that]... at a minimum shall... provide total federal awards expended for each individual program...”. The SEFA, Oklahoma Office of Management and Enterprise Services’ (“OMES”) Schedule Z should accurately capture all expenditures, and be reconciled and reviewed, by the Oklahoma Water Resources Board (“OWRB”). Adequate documentation of procedures performed as well as evidence of thorough reviews should be in place. According to generally accepted accounting principles (“GAAP”), expenditures should be recognized in the period incurred.

Condition and Context: The original SEFA submitted by OWRB to OMES included the following errors:

- Approximately \$193,540,000 in cash transfers to OWRB’s Trustee were improperly recorded as expenditures.
- Approximately \$75,979,000 of subsequent cash transfers to OWRB’s Trustee were improperly accrued as accounts payable in fiscal year 2023, resulting in a further overstatement of expenditures.

Cause and Effect: OWRB received Board approval as required in accordance with Oklahoma Statue Title 785 §50.15.1 to make grant awards of American Rescue Plan Act (“ARPA”) funds to qualified entities for qualified project purposes. Upon receiving the necessary approvals, OWRB then transferred cash from the Oklahoma State Treasurer to its Trustee’s bank accounts, earmarking the cash dedicated to a subrecipient’s future project. In doing so, an approved purchase order and voucher was submitted to OMES, which resulted in expenditures being recorded in the statewide accounting system, PeopleSoft. These funds are maintained in the Trustee bank accounts and invested in highly liquid cash equivalents in accordance with Oklahoma Statute Title 62 §348.1, earning a higher rate of interest for the program.

As a result of the cash transfers erroneously being reported as expenditures, the GAAP reporting of federal spending in Assistance Listing Number 21.027 was materially overstated by a total of approximately \$268,407,000 for fiscal year ending June 30, 2023.

Recommendation: We recommend OWRB’s management works with OMES to appropriately reflect cash transfers to the Trustee bank as a journal entry from cash to restricted cash, along with recording the actual expenditures as a reduction to restricted cash. Lastly, as expenditures are incurred, we recommend reducing the transfer in from state to then recognize the corresponding revenue earned as claim reimbursements are made to subrecipients.

Views of Responsible Official(s)

Contact Person: Cleve Pierce, Chief of Administrative Services/CFO, Jessica Billingsley, Comptroller/Financial Manager

Anticipated Completion Date: 6/30/25

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

OKLAHOMA DEPARTMENT OF EDUCATION

FINDING NO: 2023-010

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies

FEDERAL AWARD NUMBER: S010A220036

FEDERAL AWARD YEAR: 2023

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 -*

Schedule of Findings And Questioned Costs

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

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

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

Title I Supplement not Supplant Guidance, FAQ # 19 states, “Must an LEA maintain documentation to demonstrate that the LEA allocated State and local funds to schools in accordance with its methodology?”

Yes. Under ESEA section 8306(a)(6)(B) and 34 C.F.R. §§ 76.730-76.731, an LEA must keep records to show compliance with program requirements and facilitate an effective audit. Accordingly, an LEA must maintain documentation necessary to demonstrate that its methodology results in each Title I school in the LEA receiving all of the State and local funds it would otherwise receive if it were not receiving Title I, Part A funds and provide this information upon request to the SEA, auditors, and other authorized individuals. Examples of documentation include the LEA’s methodology and calculations the LEA performed to implement its methodology.”

Title I Supplement not Supplant Guidance, FAQ # 24 states in part, ... “The ESEA requires an SEA to monitor its LEAs to ensure compliance with the requirements of the ESEA (see ESEA section 8304(a)(1), (3)(B)), which would include that an LEA has a compliant methodology for allocating State and local funds, among other requirements.”

Condition and Context: LEAs are required to submit an appropriate Supplement not Supplant (SNS) methodology (or methodologies) to allocate/budget State and local funds to each Title I school that ensures that the school receives all of the State and local funds it would otherwise receive if it were not receiving Title I funds. However, OSDE does not require the LEAs to demonstrate that the LEAs expended State and local funds in accordance with its methodology, and during SFY 2023, the OSDE Office of Federal Programs (OFP) did not perform appropriate procedures to verify and quantifiably demonstrate that:

- the LEAs’ SNS methodologies were sufficient and effective, and
- the LEAs only used Federal funds to supplement, and not supplant other non-Federal funds used for Title I activities based on the methodologies submitted by the LEAs to demonstrate their compliance.

Cause: OSDE had implemented procedures for tracking the methodologies in prior audit periods (SFY 20 and 21); however, staff that prepared and reviewed this spreadsheet are no longer employed at OSDE, and the current employees could not locate a supplement not supplant tracking spreadsheet applicable to SFY 23 and no other support for comparable procedures to ensure compliance with supplement not supplant requirements was provided to SAI. In addition, OSDE’s consolidated monitoring procedures only include a review of the LEAs methodology but do not include procedures to review the calculations the LEA performed to implement its methodology or to verify the methodology was compliant.

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

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

Schedule of Findings And Questioned Costs

We recommend that OSDE employees retain all documentation related to ensuring LEAs are complying with Federal requirements in case of certain events such as staff turnover.

Views of Responsible Official(s)

Contact Person: Tammy Smith, Senior Director of Federal Programs | Office of Title Services

Anticipated Completion Date: May 2025

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-015

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture (USDA)

ALN: 10.553, 10.555, 10.556, 10.559, 10.582

FEDERAL PROGRAM NAME: Child Nutrition Cluster

FEDERAL AWARD NUMBER: 60K300329

FEDERAL AWARD YEAR: 2023

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

QUESTIONED COSTS: \$0

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

7 CFR § 210.14 (a) Resource management states in part, “Nonprofit school food service. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, ...”

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

Per 7 CFR § 210.19 (a) (1) - *Assurance of compliance for finances* states in part, “Each State agency shall ensure that school food authorities comply with the requirements to account for all revenues and expenditures of their nonprofit school food service. School food authorities shall meet the requirements for the allowability of nonprofit school food service expenditures in accordance with this part and, 2 CFR part 200, subpart D and USDA implementing regulations 2 CFR part 400 and part 415, as applicable. ...”

Condition and Context: While performing testwork on 33 of 218 or 15.14% of the School Food Authorities (SFA’s) that had a three-month excess operating balance as of June 30, 2022, we noted one of 33 or 3.03% did not provide supporting documentation to OSDE showing the excess funds were spent only for the school food account or did not obtain approval from OSDE to carry forward the balance for current and future operating expenses.

OSDE’s *Excess Operating Balance for School Year 2021-2022* form states in part, “Please use this form to request State Agency approval to retain the current balance, even if that balance exceeds the 3-month limit. Confirmation of meeting the reporting requirement and State Agency approval to retain funds in excess of 3 months’ average expenditures will be sent separately.”

While reviewing the prior year three-month excess operating balance tracking sheet for SFAs that had excess balances as of June 30 2021, we noted, for the SFAs that had obtained approval to carry forward some or all of the SFY21 excess balance into current or future periods, a significant number of SFAs showed balances that were still outstanding and had notes indicating not all invoices had been received by OSDE. It appears OSDE is not performing adequate follow-up for SFAs that receive prior period approval to carry forward an excess balance into current or future periods.

Schedule of Findings And Questioned Costs

Cause: OSDE did not have adequate internal controls to ensure excess operating balances were approved or spent appropriately.

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

Recommendation: We recommend OSDE strengthen their policies and procedures to ensure the excess three-month operating balances or expenditures are approved and appropriately tracked until all invoices for excess balances have been received and the balance has been fully expended.

Views of Responsible Official(s)

Contact Person: Jennifer Weber

Anticipated Completion Date: June 2, 2025

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-038

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture (USDA)

ALN: 10.553, 10.555, 10.556, 10.559, 10.582

FEDERAL PROGRAM NAME: Child Nutrition Cluster

FEDERAL AWARD NUMBER: 60K300329

FEDERAL AWARD YEAR: 2023

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

QUESTIONED COSTS: \$406

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.”

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:

(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.”

7 CFR § 225.7(e)(6) *Meal claim validation* – Records states in part, “As part of every sponsor review under [paragraph \(e\)\(4\)](#) of this section, the State agency must validate the sponsor's meal claim utilizing a record review process.

(i) The State agency must develop a record review process. This process must include, at a minimum, reconciliation of delivery receipts, daily meal counts from sites, and the comparison of the sponsor's claim consolidation spreadsheet with the meals claimed for reimbursement by the sponsor for the period under review.”

The Summer Food Service Program (SFSP) State Agency Monitor Guide, states in part, “If the sponsor has submitted a claim for reimbursement, the State agency monitor must review the meal count documentation used to consolidate monthly meal counts and must validate at least one month's claim. A complete claim review would consist of

Schedule of Findings And Questioned Costs

examining meal claims for all claiming sites in the review month. During the review, the State Agency shall compare the total claim amounts for all sites with the total claimed by the sponsor. If a claim has not been submitted, the State agency monitor should examine meal count information for the period of review and, if feasible, verify the most recent claim submitted by the sponsor. Follow-up on obtaining final meal count documentation to verify the claim submitted for the period of review is also strongly recommended."

...

"Examining claims for reimbursement and any other information collected by the State agency about the sponsor's operation is necessary in order to identify any red flags for unusual data, trends, or patterns that may indicate potential areas of concern or potential Program violations."

Condition and Context: For 1 of 19, or 5.26% Administrative Reviews (ARs) tested, the supporting documentation (meal counts) for the month reviewed did not agree to the information recorded on the AR or the claim and the overclaim of \$ \$232.50 was not noted by the consultant. The number of 'paid' meals overclaimed was 447 at a rate of \$0.50 per meal.

For one of 6 (16.67%) Summer Food Service Program (SFSP) Sponsor Reviews (SR), the supporting documentation (meal counts) for the review period did not agree with the information recorded on the SR by the consultant and an overclaim of \$173.25 was not noted by the consultant. The number of 'free' meals overclaimed was 35 at a rate of \$4.95 per meal.

For four of six (66.67%) SFSP Sponsor Reviews tested, the OSDE consultant did not verify/validate at least one claim month for the Sponsor and/or site visited.

Cause: An adequate internal control process was not in place for OSDE management to review the ARs and the SRs. In addition, OSDE does not have an adequate process in place to ensure SFSP claims are actually validated as part of the Sponsor Review in cases where the review is conducted prior to the SFSP site submitting a claim.

Effect: Subrecipient noncompliance and overclaims were not detected or prevented.

Recommendation: We recommend that OSDE strengthen their policies and procedures for review of both Administrative Reviews and SFSP Sponsor Reviews to ensure subrecipient noncompliance issues are accurately detected.

In addition, we recommend that OSDE develop adequate policies and procedures/controls to ensure that an adequate number of SFSP monthly claims are verified/validated as part of the Sponsor Review process.

Views of Responsible Official(s)

Contact Person: Jennifer Weber

Anticipated Completion Date: May 2025 (once SFSP reviews start for summer 2025)

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-041 (Repeat 2022-070)

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.425; 84.425V

FEDERAL PROGRAM NAME: American Rescue Plan – Emergency Assistance to Non-Public Schools (ARP EANS)

FEDERAL AWARD NUMBER: S425V210007

FEDERAL AWARD YEAR: 2022 & 2023

CONTROL CATEGORY: Special Tests and Provisions – Identifying Non-Public Schools under ARP EANS that Enroll a Significant Percentage of Students from Low-income Families and are Most Impacted by the COVID-19 Emergency

QUESTIONED COSTS: \$0

Schedule of Findings And Questioned Costs

Criteria: 2 C.F.R. § 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.”

86 FR 36648 – *American Rescue Plan Act Emergency Assistance to Non-Public Schools Program* states in part, “Under the ARP EANS program, consistent with section 312(d)(1) of division M of the CRRSA Act, the Department will allot funds by formula to each Governor with an approved application based on the State's relative share of children aged 5 through 17 who are from families at or below 185 percent of the 2020 Federal poverty level and enrolled in non-public schools, as determined by the Department on the basis of non-public school enrollment data from the U.S. Census Bureau's American Community Survey (ACS) Public Use Microdata Sample (PUMS) for 2015-2019.”

U.S. Department of Education Application for Funding – Emergency Assistance to Non-Public Schools (EANS) under the American Rescue Plan Act of 2021 (ARP Act) states in part, “The final requirements require a Governor, in his or her application for ARP EANS funds, to identify the significant poverty percentage and the factors demonstrating the impact of the COVID-19 emergency the State will use, after approval by the Secretary, to determine which non-public schools are eligible to receive services or assistance. In addition to meeting the definition of a non-public school in section 316(6) of the CRRSA Act and the eligibility requirement in section 312(d)(9) of the CRRSA Act, a non-public school must meet or exceed the State’s significant poverty percentage and be most impacted by the COVID-19 emergency.

...

A non-public school enrolls a significant percentage of students from low-income families if the percentage of students from low-income families enrolled in such school meets or exceeds--

- 40 percent; or
- An alternate significant percentage approved by the Secretary in the State’s application that is based on circumstances in the State, which may be –
 - The State’s average percentage of students from low-income families in public and non-public schools;
 - The average percentage of students from low-income families in non-public schools in the State that, for example, applied for or participated in the EANS program authorized by the CRRSA Act; or
 - Other factors that the State demonstrates support an alternate significant poverty percentage.

A non-public school is most impacted by the COVID-19 emergency based on one or more of the following factors:

- The number of COVID-19 infections per capita in the community or communities served by the non-public school;
- The number of COVID-19 related deaths per capita in the community or communities served by the non-public school;
- Data on the academic impact of lost instructional time⁴ and the social, emotional, and mental health impacts on students attending the non-public school attributable to the disruption of instruction caused by the COVID-19 emergency; or
- The economic impact of the COVID-19 emergency on the community or communities served by the non-public school.

...

Determining Low-Income Counts - To be counted as a student from a low-income family for purposes of the ARP EANS program, a student must be aged 5 through 17 from a family whose income does not exceed 185 percent of the 2020 Federal poverty threshold. To obtain a count of students from low-income families enrolled in a non-public school, an SEA may use one or more of the following sources of data, provided the poverty threshold is consistent across sources:

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- Data on student eligibility for free or reduced-price lunch under the Richard B. Russell National School Lunch Act (43 U.S.C. 1751 et seq.).
- Data from the E-rate program administered by the Federal Communications Commission (47 CFR 54.500, 54.505(b)).
- Data from a different source, such as scholarship or financial assistance data.
- Data from a survey developed by the SEA.”

USDE published a webinar dated February 24, 2022, that states in part, “ Under the ARP EANS final requirements, the source of data must be an actual measure of family income. Methodologies, such as proportionality, may not be used to determine the eligibility of non-public schools for ARP EANS services or assistance.”

USDOE Letter dated July 29, 2022, states in part, “Because proportionality is a methodology to derive an estimate and is not based on actual income data from the families of students enrolled in a non-public school, it cannot be used to determine school eligibility for ARP EANS.”

Condition and Context: We reviewed the 31 ARP EANS allocations and noted the following issues:

1. For 12 of 31 (38.71%) non-public schools that received an ARP EANS allocation, we noted OSDE allowed non-public schools to use of proportionality data to calculate their low-income student counts, and OSDE failed to revise the allocations after notification from the USDOE that the use of proportionality data was unallowable.
2. For 31 of 31 (100%) non-public schools, the ARP EANS allocation is incorrect.
3. For 31 of 31 (100%) non-public schools, OSDE did not track the amounts spent to ensure the expenditures did not exceed the total allocation.

Also, OSDE did not appropriately determine whether the non-public schools enrolled a significant percentage of students from low-income families who were most impacted by COVID-19.

SAI noted that many non-public schools elected to use proportionality data (estimate based on the Title IA low income counts for the public school serving the same area as the private school) even though other reliable low income counts that were based on actual income data were available. Because OSDE collects actual low income counts from many of these non-public schools as part of OSDE’s procedures to determine equitable services for non-public schools, OSDE should have been aware that the use of the proportionality data resulted in the non-public schools receiving an ARP EANS allocation based on greatly inflated and inaccurate low-income counts, and OSDE should also have been aware that some schools reported low-income counts on their ARP EANS applications that greatly exceeded the low income counts these same non-public schools had reported for Title IA participation. In addition, many non-public schools would not have met the 40% threshold if their actual low-income counts had been used. Finally, the amount of ARP EANS funds allocated to other non-public schools that did report actual low-income counts correctly would have been unfairly reduced by the private schools using the inflated estimates.

SAI notes that, as of the date of this finding (February 14, 2025), OSDE has not obtained the appropriate low income counts from the non-public schools that used the proportionality data or incorrect low-income counts originally and has not made the required re-allocation of ARP EANS funds.

Cause: OSDE does not have adequate policies and procedures to ensure:

- ARP EANS allocations are only made to non-public schools that enroll a significant percentage of students from low-income families who were most impacted by COVID-19
- allocations are based on allowable methodologies for determining non-public school low-income counts and, data that reflects actual low-income counts
- ARP EANS funds are re-allocated based on 1) USDE published final requirements stating proportionality data was not an allowable methodology to determine eligibility for ARP EANS and 2) correct low-income counts.

Schedule of Findings And Questioned Costs

Effect: ARP EANS funds were allocated to ineligible non-public schools. Eligible non-public schools were allocated less ARP EANS funding than they should have been awarded.

Recommendation: We recommend that OSDE develop and implement policies and procedures to ensure ARP EANS funds are correctly allocated only to non-public schools that enroll a significant percentage of students from low-income families who were most impacted by COVID-19.

We recommend OSDE immediately revise the ARP EANS allocations based on allowable methodologies for determining non-public school low-income counts and accurate low-income numbers.

Views of Responsible Official(s)

Contact Person: Tammy Smith, Senior Director of Federal Programs | Office of Title Services

Anticipated Completion Date: February 5, 2025

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-043

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies

FEDERAL AWARD NUMBER: S010A220036

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 2 CFR Subpart B [§ 170.200 Federal awarding agency reporting requirements](#) states in part, “(a) Federal awarding agencies are required to publicly report Federal awards that equal or exceed the micro-purchase threshold and publish the required information on a public-facing, OMB-designated, governmentwide website and follow OMB guidance to support Transparency Act implementation.”

2 CFR Subpart B [§ 170.220 Award term](#) states in part “(a) To accomplish the purposes described in [§ 170.100](#), a Federal awarding agency must include the award term in appendix A to this part in each Federal award to a recipient under which the total funding is anticipated to equal or exceed \$30,000 in Federal funding.”

2 CFR Subpart B [§ 170.220 Award term - Appendix A states](#) in part,

“I. Reporting Subawards and Executive Compensation

a. *Reporting of first-tier subawards.*

Applicability. Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds \$30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency (see definitions in paragraph e. of this award term)....

2. *Where and when to report.*

i. The non-Federal entity or Federal agency must report each obligating action described in paragraph a.1. of this award term to <http://www.fsrs.gov>.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)

3. *What to report.* You must report the information about each obligating action that the submission instructions posted at <http://www.fsrs.gov> specify.”

Condition and Context: While testing controls over the original FFATA submission for 2023 Title I allocations, we noted the following:

- The FFATA data OSDE submitted included 21 fewer subawards than the allocation spreadsheet, with total subaward amounts of \$7,258,599.83 less than the total allocation amounts on the allocation spreadsheet.

Schedule of Findings And Questioned Costs

While reviewing a sample of 26 of 504 Title IA LEA subawards required to be reported on FFATA, we noted the following:

For 26 of 26 (100%) subawards tested, the applicable subaward obligations /modifications were not reported correctly, specifically:

- For one (3.85%) LEA, the FFATA report did not include a revised allocation reduction of \$194,490.25
- For 22 (84.62%) LEAs, the FFATA report did not include the revised allocation increases totaling \$663,080.42
- For three (11.54%) LEA's, the FFATA report did not include the original or the revised allocations totaling \$297,172.84

Cause: OSDE does not have adequate policies and procedures to ensure that FFATA reports and applicable revisions are accurate, complete, and submitted within the required timeframes.

Effect: Information reported in the Federal Subaward Reporting System (FSRS) is not accurate or complete.

Recommendation: We recommend that OSDE develop policies and procedures to ensure that FFATA reports and applicable revisions are accurate, complete, and submitted within the appropriate timeframes.

Views of Responsible Official(s)

Contact Person: Tammy Smith, Senior Director of Federal Programs | Office of Title Services

Anticipated Completion Date: September 2025

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-044

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 10.553, 10.555, 10.556, 10.559, 10.582

FEDERAL PROGRAM NAME: Child Nutrition Cluster

FEDERAL AWARD NUMBER: 60K300329

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 2 CFR Subpart B [§ 170.200 Federal awarding agency reporting requirements](#) states in part, “(a) Federal awarding agencies are required to publicly report Federal awards that equal or exceed the micro-purchase threshold and publish the required information on a public-facing, OMB-designated, governmentwide website and follow OMB guidance to support Transparency Act implementation.”

2 CFR Subpart B [§ 170.220 Award term](#) states in part “(a) To accomplish the purposes described in [§ 170.100](#), a Federal awarding agency must include the award term in appendix A to this part in each Federal award to a recipient under which the total funding is anticipated to equal or exceed \$30,000 in Federal funding.”

2 CFR Subpart B [§ 170.220 Award term - Appendix A states](#) in part,

“I. Reporting Subawards and Executive Compensation

a. *Reporting of first-tier subawards.*

Applicability. Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds \$30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency (see definitions in paragraph e. of this award term). ...

2. *Where and when to report.*

i. The non-Federal entity or Federal agency must report each obligating action described in paragraph a.1. of this award term to <http://www.fsrs.gov>.

Schedule of Findings And Questioned Costs

- ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)
3. *What to report.* You must report the information about each obligating action that the submission instructions posted at <http://www.fsrs.gov> specify.”

FFATA FAQ, F (1), states, “What grant awards are subject to the subaward and executive compensation reporting requirements of the Transparency Act? A. Federal grant is an award of financial assistance from a Federal agency to a recipient to carry out a public purpose of support or stimulation authorized by a law of the United States. Federal grants are not federal direct assistance payments or loans to individuals. New Federal, non- Recovery Act funded grant awards with an award date on or after October 1, 2010, and resulting first-tier subawards, are subject to the reporting requirements under the Transparency Act. New Federal grants includes **grants with a new Federal Award Identification Number (FAIN)** as of October 1, 2010, and does not include continuing or renewals of grants awarded in prior fiscal years with new obligations beginning October 1, 2010.”

FFATA FAQ– Grants, states in part, “In accordance with 2 CFR Chapter 1, Part 170 REPORTING SUB-AWARD AND EXECUTIVE COMPENSATION INFORMATION, Prime Awardees awarded a federal grant are required to file a FFATA sub-award report by the end of the month following the month in which the prime awardee awards any sub-grant equal to or greater than \$30,000. The reporting requirements are as follows:

...

- If the initial award is below \$30,000 but subsequent grant modifications result in a total award equal to or over \$30,000, the award will be subject to the reporting requirements, as of the date the award exceeds \$30,000.
- If the initial award equals or exceeds \$30,000 but funding is subsequently de-obligated such that the total award amount falls below \$30,000, the award continues to be subject to the reporting requirements of the Transparency Act and this Guidance.”

Condition and Context: While documenting controls over the Child Nutrition Cluster FFATA submissions applicable to SFY 23 expenditures OSDE Child Nutrition Services (CNS) informed us that they are only reporting subaward expenditures if a sub-awardee has expenditures of over \$30,000 in a given month instead of reporting all subgrants equal to or over \$30,000 during the entire prime award period of performance (which is one Federal Fiscal Year) funded under the prime awardees Federal Award Identification Number (FAIN). It appears that OSDE CNS significantly underreported (est. 40-50%) the sub-awardee amounts for FFY 22 FAIN # 226OK329N1099 and FFY 23 FAIN # 236OK329N1099.

Cause: OSDE does not have adequate policies and procedures to ensure that FFATA reports and applicable revisions are accurate and complete.

Effect: Information being reported in the Federal Subaward Reporting System (FSRS) is not accurate and/or complete.

Recommendation: We recommend that OSDE develop policies and procedures to ensure that FFATA reports, and applicable revisions are accurate and complete.

Views of Responsible Official(s)

Contact Person: Jennifer Weber

Anticipated Completion Date: July 1, 2025, or when the US Spending system update is available.

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-045

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.425 – 84.425D; 84.425U

FEDERAL PROGRAM NAME: Elementary and Secondary School Emergency Relief Fund (ESSER); American Rescue Plan – Elementary and Secondary Schools Emergency Relief Fund (ARP ESSER)

Schedule of Findings And Questioned Costs

FEDERAL AWARD NUMBER: S425D210024; S425U210024

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Equipment and Real Property Management, Subrecipient Monitoring

QUESTIONED COSTS: \$0

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

2 C.F.R. § 200.313 *Equipment. (d) Management requirements*, states in part, “Regardless of whether equipment is acquired in part or its entirety under the Federal award, the recipient or subrecipient must manage equipment (including replacement equipment) utilizing procedures that meet the following requirements:

(1) Property records must include a description of the property, a serial number or another identification number, the source of funding for the property (including the FAIN), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property. The recipient and subrecipient are responsible for maintaining and updating property records when there is a change in the status of the property.”

Condition and Context: While performing testwork for school districts with equipment expenditures applicable to Part F, Equipment and Real Property Management that were included in OSDE’s consolidated monitoring for SFY 23, we noted the following:

For two of 21 (9.52%) of consolidated monitoring reviews, the school districts inventory listing submitted in the consolidated monitoring application did not include all the information required per 2 C.F.R. § 200.313(d)(1) and the issue was not noted in the monitoring review; therefore, OSDE did not adequately monitor the school district’s compliance with inventory requirements.

Cause: It appears that the OSDE Office of Federal Programs is not adequately reviewing the school districts inventory compliance during consolidated monitoring.

Effect: School Districts may not be complying with the Federal program inventory requirements.

Recommendation: We recommend that OSDE strengthen their policies and procedures to ensure inventory records are appropriately reviewed during consolidated monitoring.

Views of Responsible Official(s)

Contact Person: Amber Polach

Anticipated Completion Date: August 2025

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-046

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.425 –84.425D; 84.425R; 84.425V

FEDERAL PROGRAM NAME: Elementary and Secondary School Emergency Relief (ESSER) Fund; Coronavirus Response and Relief Supplemental Appropriations Act, 2021 – Emergency Assistance for Non-Public Schools (CRRSA EANS) American Rescue Plan – Emergency Assistance to Non-Public Schools (ARP EANS)

FEDERAL AWARD NUMBER: S425D210024; S425R210007; S425V210007

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Activities Allowed or Unallowed; Subrecipient Monitoring; Special Tests and Provisions – Participation of Private School Children

QUESTIONED COSTS: \$1,460,995

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Criteria: 2 CFR § 200.332 - *Requirements for pass-through entities* states, “All pass-through entities must:

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.”

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

CARES ACT SEC. 18005 (a) states,

“In General.— A local educational agency receiving funds under sections 18002 or 18003 of this title shall provide equitable services in the same manner as provided under section 1117 of the ESEA of 1965 to students and teachers in non-public schools, as determined in consultation with representatives of non-public schools.”

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.”

86 FR 36648 – *American Rescue Plan Act Emergency Assistance to Non-Public Schools Program* states in part, “Under the ARP EANS program, consistent with section 312(d)(1) of division M of the CRRSA Act, the Department will allot funds by formula to each Governor with an approved application based on the State's relative share of children aged 5 through 17 who are from families at or below 185 percent of the 2020 Federal poverty level and enrolled in non-public schools, as determined by the Department on the basis of non-public school enrollment data from the U.S. Census Bureau's American Community Survey (ACS) Public Use Microdata Sample (PUMS) for 2015-2019.”

U.S. Department of Education Application for Funding – Emergency Assistance to Non-Public Schools (EANS) under the American Rescue Plan Act of 2021 (ARP Act) states in part, “Determining Low-Income Counts - To be counted as a student from a low-income family for purposes of the ARP EANS program, a student must be aged 5 through 17 from a family whose income does not exceed 185 percent of the 2020 Federal poverty threshold.”

Condition and Context: OSDE did not properly include non-LEA subrecipients (i.e., non-public schools, contractors) in their evaluation of each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for the purpose of determining the subrecipient monitoring to be performed by the agency.

OSDE contracted with an outside vendor to oversee and administer non-public services for the CRRSA EANS and ARP EANS programs. However, OSDE failed to properly review, track and monitor these expenditures and, was unable to provide SAI with data showing how much was expended on behalf of each non-public school for either the CRRSA EANS or ARP EANS program.

We reviewed 100 % of ARP EANS claims (238 claims totaling \$4,179,555.98) and noted the following:

- For 58 of 238 claims (24.37%) totaling \$802,414.82, the claim was for a non-public school that used unallowable proportionality data in their ARP EANS application, therefore, the expenditures are unallowable and will result in questioned costs.
- For 25 of 238 claims (10.50%) totaling \$633,303.03, the claim was for a non-public school that used a low-income count in their ARP EANS application which was significantly higher than the low-income count the

Schedule of Findings And Questioned Costs

private schools' submitted for participation in Title I activities and, it appears that these schools were not eligible for ARP EANS because their actual low-income count did not exceed 40%. Therefore, the expenditures are unallowable and will result in questioned costs.

- For 23 of 238 claims (9.66%) totaling \$155,588.43, no supporting documentation or, insufficient documentation was available in Peoplesoft and we were unable to identify what non-public school the claim was for and, whether the expenditure was allowable.

While performing duplicate testing on miscellaneous expenditure claims processed through the Statewide Accounting System during our ACFR audit, we found one duplicate payment, totaling \$25,277.44, related to one CRRSA EANS claim paid for educational materials provided for a non-public school. This will result in questioned costs.

Cause: OSDE does not have internal control processes in place to ensure the following are performed appropriately:

- Risk Assessments
- Contractor Monitoring
- Non-public LEA expenditure and claims tracking
- ARP EANS claims review and processing

Effect: Failure to perform adequate risk assessments and monitoring for non-public LEAs resulted in noncompliance with Federal statutes, regulations.

Failure to ensure ARP EANS allocations are revised correctly and based on allowable and correct data resulted in \$1,435,717.85 in questioned costs and continued payment of program funds for unallowable services or assistance in the future.

The claim review error resulted in a \$25,277.44 overpayment to the vendor.

Lack of supporting documentation for claims may have resulted in unallowable claims being approved.

Recommendation: We recommend that OSDE strengthen their policies and procedures to ensure non-LEA subrecipients are included in the Risk assessment process and monitoring activities.

We recommend that OSDE develop and implement policies and procedures to ensure contractor administered services are appropriately monitored and, all non-public LEA expenditures for the CRRSA EANS and ARP EANS programs are adequately tracked by individual non-public LEA and, claims are appropriately supported and reviewed.

We recommend OSDE ensure ARP EANS funds paid to or on behalf of non-public LEAs that used an unallowable methodology or incorrect low-income count on their original ARP EANS application are either returned to USDOE or, charged against a different allowable ESF program is possible.

Views of Responsible Official(s)

Contact Person: Amber Polach

Anticipated Completion Date: August 2025

Corrective Action Planned: The Oklahoma State Department of Education partially agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

Auditor Response:

EANS Proportionality Issue: SAI is aware that USDOE accepted OSDE's corrective action effective February 5, 2025, however, this does not change the finding condition for this audit period. The payment of \$802,414.82 in claims for non-public schools that used unallowable proportionality data in their ARP EANS application is a condition that both existed and was uncorrected as of as of June 30, 2023. In addition, OSDE was aware of the issue prior to the start of the SFY 23 audit period but failed to start implementing corrective action until after the end of SFY 24. The US Department of Education published the following prior to the start of the SFY 23 audit period:

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- USDOE webinar dated February 24, 2022, that states in part, “Under the ARP EANS final requirements, the source of data must be an actual measure of family income. Methodologies, such as proportionality, may not be used to determine the eligibility of non-public schools for ARP EANS services or assistance.”
- USDOE Letter dated July 29, 2022, states in part, “Because proportionality is a methodology to derive an estimate and is not based on actual income data from the families of students enrolled in a non-public school, it cannot be used to determine school eligibility for ARP EANS.”

In addition, OSDE received a prior year finding (#2022-070) related to the inappropriate use of the proportionality data.

Unsupported ARP EANS Claims Issue: OSDE was provided with a list of the 23 claims totaling \$155,588.43, with no supporting documentation or, insufficient documentation to identify what non-public school the claim was for and, whether the expenditure was allowable. This issue is closely related to the following condition also included in this finding:

OSDE contracted with an outside vendor to oversee and administer non-public services for the CRRSA EANS and ARP EANS programs. However, OSDE failed to properly review, track and monitor these expenditures and, was unable to provide SAI with data showing how much was expended on behalf of each non-public school for either the CRRSA EANS or ARP EANS program.

SAI noted that, as part of their corrective action provided to USDOE, OSDE performed a reconciliation of ARP EANS expenditures, however, OSDE did not include adequate corrective action in their response to ensure services performed by outside contractors are adequately monitored and non-public school expenditures are properly tracked in the future.

Risk Assessment of Non-LEA Subrecipients: OSDE did not include adequate corrective action in their response for the following condition also included in this finding:

OSDE did not properly include non-LEA subrecipients (i.e., non-public schools, contractors) in their evaluation of each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for the purpose of determining the subrecipient monitoring to be performed by the agency.

FINDING NO: 2023-047

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.010; 84.027; 84.173; 84.425 – 84.425D & U

FEDERAL PROGRAM NAME: Title I – Grants to Local Educational Agencies; Special Education IDEA, Part B and Preschool; Education stabilization Fund (ESF) - Elementary and Secondary School Emergency Relief (ESER) Fund and American Rescue Plan – Elementary and Secondary Schools Emergency Relief Fund (ARP ESSER)

FEDERAL AWARD NUMBER: S010A220036; H027A220051-22A; H173A220084; S425D210024, S425U210024

FEDERAL AWARD YEAR: 2023

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

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.430 *Compensation—personal services* states in part, “(g) *Standards for Documentation of Personnel Expenses.*

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the recipient or subrecipient;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the recipient or subrecipient, not exceeding 100 percent of compensated activities (for IHEs, this is the IBS);

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- (iv) Encompass federally-assisted and all other activities compensated by the recipient or subrecipient on an integrated basis but may include the use of subsidiary records as defined in the recipient's or subrecipient's written policy;
- (v) Comply with the established accounting policies and procedures of the recipient or subrecipient (See [paragraph \(i\)\(1\)\(ii\)](#) of this section for treatment of incidental work for IHEs.); and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
- (vii) Budget estimates (meaning, estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
 - (A) The system for establishing the estimates produces reasonable approximations of the activity performed;
 - (B) Significant changes in the related work activity (as defined by the recipient's or subrecipient's written policies) are promptly identified and entered into the records. Short-term (such as one or two months) fluctuations between workload categories do not need to be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
 - (C) The recipient's or subrecipient's system of internal controls includes processes to perform periodic after-the-fact reviews of interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made so that the final amount charged to the Federal award is accurate, allowable, and properly allocated.
- (viii) Because practices vary as to the activity constituting a full workload (for example, the Institutional Base Salary (IBS) for IHEs), records may reflect categories of activities expressed as a percentage distribution of total activities.

Condition and Context: Charges to Federal awards (Title IA, Special Education IDEA and IDEA Preschool, ESF – ESSER II and ARP ESSER III) for salaries and wages were not based on records that accurately reflect the work performed and were not properly allocated. While documenting controls, SAI requested the time and effort data for payroll totaling \$7,493,331.34 charged to the Title IA, Special Education and the ESF – ESSER II and ARP ESSER III programs; however, OSDE did not provide the data requested. In addition, the United States Department of Education (USDOE) in their *Consolidated Performance Review of Oklahoma* dated July 25, 2024, (which included the SFY 23 audit period), noted that OSDE had used estimates to allocate payroll costs to federal awards but had not reconciled those estimates to the actual work performed on each federal program as required per 2 CFR § 200.430.

Cause: Technical issue with the State's recently adopted time and attendance system: the system will not allow OSDE to accurately charge fringe benefits for employees who are paid from both State and Federal sources and OSDE has not implemented an alternative process to accurately allocate payroll costs to federal awards.

In addition, OSDE's failure to provide requested time and effort data was impacted by significant staff turnover and inadequate record retention processes.

Effect: Payroll costs charged to Federal programs may be incorrect or unallowable.

Recommendation: We recommend that OSDE develop policies and procedures for ensuring personnel costs that are charged to Federal awards comply with the time and effort requirements per 2 CFR § 200.430. We recommend OSDE develop policies and procedures for ensuring all records are appropriately retained, especially when staff turnover is high. In addition, we recommend OSDE develop policies and procedures to provide adequate training for staff members regarding federal requirements for recording time and effort data and appropriately allocating salaries and wages to federal awards.

Views of Responsible Official(s)

Contact Person: Tammy Smith, Senior Director of Federal Programs | Office of Title Services

Anticipated Completion Date: January 2024

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

Contact Person: Sherri Coats, Director of Special Education Service | Office of Special Education Services

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Anticipated Completion Date: June 30, 2025

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-048

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies

FEDERAL AWARD NUMBER: S010A220036

FEDERAL AWARD YEAR: 2023

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

QUESTIONED COSTS: \$0

Criteria: Section 2102 of the ESEA – Subgrants to Local Educational Agencies states in part,

“(a) ALLOCATION OF FUNDS TO LOCAL EDUCATIONAL AGENCIES

(2) ALLOCATION FORMULA.-From the funds described in paragraph (1), the State educational agency shall allocate to each of the eligible local educational agencies in the State for a fiscal year the sum of—

(A) an amount that bears the same relationship to 20 percent of such funds for such fiscal year as the number of individuals aged 5 through 17 in the geographic area served by the agency, as determined by the Secretary on the basis of the most recent satisfactory data, bears to the number of those individuals in the geographic areas served by all eligible local educational agencies in the State, as so determined; and

(B) an amount that bears the same relationship to 80 percent of the funds for such fiscal year as the number of individuals aged 5 through 17 from families with incomes below the poverty line in the geographic area served by the agency, as determined by the Secretary on the basis of the most recent satisfactory data, bears to the number of those individuals in the geographic areas served by all the eligible local educational agencies in the State, as so determined.”

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(b)(1) – “In General. – The measures described in subsection (a) shall include provision for appropriate adjustments, through recovery of funds or reduction of payments for the succeeding year, in cases where payments made to a charter school on the basis of estimated or projected enrollment data exceed the amounts that the school is eligible to receive on the basis of actual or final enrollment data.”

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

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

Condition and Context: While documenting controls over newly opened and significantly expanded charter schools in FY2023, we determined the following:

Schedule of Findings And Questioned Costs

- Federal Programs was unable to locate and provide the low-income counts used in their hold harmless calculation for two newly opened charter schools and one significantly expanded charter school.
- Federal Programs did not identify two additional charter schools that significantly expanded in 2023. In addition, low-income counts were not provided; therefore, we were unable to calculate what their hold harmless limit should have been as well as their Title I Allocation.
- For one significantly expanding charter school, the wrong hold harmless limit of 95% was used instead of 90%, which resulted in their Title I, Part A allocation being \$2,703.26 more than it should have been.
- The Federal programs department did not adjust Title I, Part A allocations for newly expanded charter schools based upon correct, actual enrollment figures.

Cause: The Federal Programs department does not have procedures in place to make necessary adjustments to Title I, Part A allocations for newly expanded charter schools to account for over- or under-allocations once actual eligibility and enrollment data becomes available.

The Federal Programs department also does not have procedures in place to accurately identify when a charter school has significantly expanded. In addition, charter school allocations, including hold harmless limits, were not adequately reviewed by someone other than the preparer.

Effect: Federal funds for Title I, Part A were calculated incorrectly.

Recommendation: We recommend OSDE strengthen their policies and procedures regarding use of correct and actual enrollment figures for new or significantly expanded charter schools. In addition, we recommend that OSDE strengthen their controls over the review and approval of allocations and identifying significantly expanding charter schools.

Views of Responsible Official(s)

Contact Person: Tammy Smith, Senior Director of Federal Programs | Office of Title Services

Anticipated Completion Date: August 2025

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-050 (Partial Repeat 2022-012)

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.425 – 84.425D; 84.425U

FEDERAL PROGRAM NAME: Elementary and Secondary School Emergency Relief Fund (ESSER); American Rescue Plan – Elementary and Secondary Schools Emergency Relief Fund (ARP ESSER)

FEDERAL AWARD NUMBER: S425D210024; S425U210024

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Subrecipient Monitoring; Special Tests and Provisions – Wage Rate Requirements

QUESTIONED COSTS: \$0

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

2 C.F.R. Appendix A to Part 215—*Contract Provisions* states in part, “All contracts, awarded by a recipient including small purchases, shall contain the following provisions as applicable: 3. Davis-Bacon Act, as amended (40 U.S.C. 276a to a–7)—When required by Federal program legislation, all construction contracts awarded by the recipients and subrecipients of more than \$2000 shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a–7) and as supplemented by Department of Labor regulations (29 CFR part 5, “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). Under this Act, contractors shall be required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor.”

Schedule of Findings And Questioned Costs

2 C.F.R. § 5.5 (3)(ii) *Certified payroll requirements* states in part,

“(A) *Frequency and method of submission.* The contractor or subcontractor must submit weekly, for each week in which any DBA- or Related Acts-covered work is performed, certified payrolls to the ... [applicant, sponsor, owner, or other entity, as the case may be, that maintains such records, for transmission to the [write in name of agency]. ...

(B) *Information required.* The certified payrolls submitted must set out accurately and completely all of the information required to be maintained under [paragraph \(a\)\(3\)\(i\)\(B\)](#) of this section, except that full Social Security numbers and last known addresses, telephone numbers, and email addresses must not be included on weekly transmittals. Instead, the certified payrolls need only include an individually identifying number for each worker (e.g., the last four digits of the worker's Social Security number). ...

(C) *Statement of Compliance.* Each certified payroll submitted must be accompanied by a “Statement of Compliance,” signed by the contractor or subcontractor, or the contractor's or subcontractor's agent who pays or supervises the payment of the persons working on the contract, and must certify the following:

(1) That the certified payroll for the payroll period contains the information required to be provided under [paragraph \(a\)\(3\)\(ii\)](#) of this section, the appropriate information and basic records are being maintained under [paragraph \(a\)\(3\)\(i\)](#) of this section, and such information and records are correct and complete;

(2) That each laborer or mechanic (including each helper and apprentice) working on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in [29 CFR part 3](#); and

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification(s) of work actually performed, as specified in the applicable wage determination incorporated into the contract.”

The SFY 23 Uniform Guidance Compliance Supplement, *USDOE Davis-Bacon Overview* section states in part,

...

LOCAL EDUCATIONAL AGENCY (LEA) RESPONSIBILITIES

An LEA that is using Federal education funds to support a construction project must include all applicable contract clauses found in 29 CFR 5.5. The LEAs must also maintain contractor certified payroll records and submit these records to the State.

STATE RESPONSIBILITIES

As the grantee, it is the State’s responsibility to monitor subgrantees including LEAs for Davis-Bacon compliance. The State must collect from the LEA and monitor the contractor’s certified payroll records.”

Condition and Context: While documenting controls over wage rate requirements and reviewing four school districts with construction expenditures applicable to Part N1 Wage Rate requirements that were included in OSDE’s consolidated monitoring for SFY 23, we noted the following:

For 2 of 4 (50%) of consolidated monitoring reviews, the school district had approved construction projects and related expenditures for the period covered under the monitoring review; however, the school district did not upload any certified payroll records in their consolidated monitoring application. Therefore, OSDE did not monitor the contractor’s certified payroll records as required.

Cause: It appears that the OSDE Office of Federal Programs is not consistently ensuring the school districts submit the certified payroll records for review as part of the consolidated monitoring process.

Effect: School Districts may not be complying with the Wage Rate Requirements.

Recommendation: We recommend that OSDE strengthen their policies and procedures to ensure all certified payroll records are appropriately reviewed during consolidated monitoring for all school districts that have applicable Education Stabilization Fund federal expenditures for construction projects.

Contact Person: Amber Polach

Anticipated Completion Date: *Previously Completed – See Corrective Action Planned*

Schedule of Findings And Questioned Costs

Corrective Action Planned: The Oklahoma State Department of Education does not agree with the finding. See corrective action plan located in the corrective action plan section of this report.

Auditor Response: SAI did provide OSDE with the details of the two non-compliant consolidated monitoring reviews identified by the State Auditor. The condition stated in the finding is related to OSDE's failure to follow their established monitoring protocols and both obtain from the LEA and review the contractor's certified payroll records as required for 50% of the sample SAI tested. The SFY 23 Uniform Guidance Compliance Supplement, *USDOE Davis-Bacon Overview* section specifically states the following:

"STATE RESPONSIBILITIES

As the grantee, it is the State's responsibility to monitor subgrantees including LEAs for Davis-Bacon compliance. **The State must collect from the LEA and monitor the contractor's certified payroll records."**

FINDING NO: 2023-053 (Partial repeat 2022-022 84.425D & 84.425U)

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.010; 84.425 – 84.425D, 84.425U

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies; Education Stabilization Fund (ESF) - Elementary and Secondary Schools Emergency Relief Fund (ESSER II); American Rescue Plan – Elementary and Secondary Schools Emergency Relief Fund (ARP ESSER III).

FEDERAL AWARD NUMBER: S010A220036; S425D210024; S425U210024

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 200.332(b) – *Requirements for Pass-through Entities* states in part, "All pass-through entities must: ... (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, 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 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 § 200.332(d) – *Requirements for Pass-through Entities* states in part, "All pass-through entities must: ... (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

...

- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means."

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

Schedule of Findings And Questioned Costs

Condition and Context: While testing 40 of 540 LEAs on the Risk Assessment Ranking Tool, we noted the following issues:

- For 18 of 40 (45%) LEAs tested, OSDE did not appropriately and/or consistently assign points in the risk assessment based on the established procedures which denotes an inadequate review. However, the LEAs risk category would not have changed or would have been lowered.
- For two of 40 (5%) LEAs tested, the LEA's risk of noncompliance was inappropriately evaluated.
- For one of 40 (2.5%) LEAs tested, the LEA's risk of noncompliance was inappropriately evaluated and, the LEA was not monitored as high risk appropriately.

In addition, while performing testwork on 15 prior year monitored non-compliant sites to see if appropriate follow-up procedures were performed, we noted the following:

- For two of 15 (13.33%) LEAs tested, we determined that two LEAs were found to be non-compliant during FY22 monitoring and did not receive points on the FY23 Risk Assessment.
- For one of 15 (6.67%) LEAs tested, we determined that one LEA was found to be non-compliant during FY22 monitoring and did not receive points on the FY23 Risk Assessment which would have required the site to be re-monitored as high risk.
- While determining our population of the prior year non-compliant LEAs, we noted 32 LEAs were not marked as compliant or non-compliant on the monitoring log. SAI received confirmation from OSDE that three LEAs received a non-compliant status; however, OSDE failed to provide a completed monitoring log as requested; therefore, SAI was unable to determine the status of the remaining 29 LEAs.

Cause: OSDE does not have an appropriate tracking system to ensure subrecipient LEAs are accurately evaluated on the Risk Assessment Ranking Tool or to ensure the monitoring logs are completed appropriately.

Effect: Failure to adequately distribute risk assessment points could result in inadequate monitoring of subrecipient LEAs. Failure to accurately identify an LEAs compliance status on the monitoring logs could result in inadequate follow-up procedures being performed for non-compliant sites.

Recommendation: We recommend OSDE strengthen their policies and procedures related to risk assessment scoring and monitoring logs to ensure all subrecipients are appropriately evaluated and monitored.

Views of Responsible Official(s)

Contact Person: Tammy Smith, Senior Director of Federal Programs | Office of Title Services

Anticipated Completion Date: July 2025

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-059 (Partial Repeat 2022-049)

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.425 – 84.425D, 84.425U; 84.425R

FEDERAL PROGRAM NAME: Education Stabilization Fund (ESF) - Elementary and Secondary Schools Emergency Relief Fund (ESSER II); American Rescue Plan – Elementary and Secondary Schools Emergency Relief Fund (ARP ESSER III); Coronavirus Response and Relief Supplemental Appropriations Act, 2021 – Emergency Assistance To Non-Public Schools (CRRSA EANS)

FEDERAL AWARD NUMBER: S425D210024; S425U210024

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Reporting

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

Schedule of Findings And Questioned Costs

managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

2 CFR § 200.334 *Record retention requirements* states in part, “The recipient and subrecipient must retain all Federal award records for three years from the date of submission of their final financial report. For awards that are renewed quarterly or annually, the recipient and subrecipient must retain records for three years from the date of submission of their quarterly or annual financial report, respectively. Records to be retained include but are not limited to, financial records, supporting documentation, and statistical records. Federal agencies or pass-through entities may not impose any other record retention requirements except for the following:

(a) The records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken if any litigation, claim, or audit is started before the expiration of the three-year period.”

United States Department of Education website *ESSER Annual Reporting* states in part, “All grantees are required to report on ESSER funds received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act; and the American Rescue Plan (ARP) Act. Grantees must submit an annual report describing how the State and subrecipients used the awarded funds during the performance period. Similar to CARES Act Year 1 annual reporting, grantees will use the Annual Report Data Collection Tool to submit the State report.”

Condition and Context: We were unable to verify compliance with several key line items on the ESSER I, ESSER II, ARP ESSER III, and CRRSA EANS SFY 22 Annual Reports submitted during the audit period due to a lack of supporting documentation (i.e., supporting data and questionnaires sent to LEAs/nonpublic schools to collect the FTE, Student Participation data, and expenditures by category and object code). These key line items include the following:

- Line 3.b1 LEA expenditures by category, and object code for ESSER I, ESSER II and ARP ESSER III
- Line 3.b10 Number of specific positions supported with ESSER Funds
- Line 5.a Full Time Equivalent positions for ESSER I, ESSER II and ARP ESSER III
- SEA obligations (including reimbursements) by allowable activity for CRRSA EANS
- Other information for Non-public schools receiving services or assistance under CRRSA EANS

While documenting controls over the Annual Report we noted one LEA with a subaward/allocation of \$16,832,303.63 and re-allocation of \$28,177.30 and SFY 22 current expenditures of \$5,509,241.03 was not included on the ARP ESSER III Annual Report.

While reviewing a sample of 62 of 1,275 LEA subaward allocations and total expenditures reported on the ESSER Annual Reports, we noted the following:

- For 25 of 62 (40.32%) subawards tested, the SFY 22 allocations reported on the LEA’s Grant Management System (GMS) application was less than the amount reported on the ESSER II Annual Report, totaling \$12,707.62. In addition, OSDE did not provide the supporting documentation for ESSER II re-allocations. Therefore, we were unable to verify whether the total allocation for these LEAs were reported correctly in the ESSER II Annual Report.
- For three of 62 (4.84%) subawards tested, the SFY 22 current expenditures reported on the LEA’s GMS Closeout Report or Summary Expenditures reports were less than the amount reported on the ARP ESSER III Annual Report. OSDE was unable to provide support for the variances totaling \$218,392.41.

Cause: Due to staff turnover and inadequate record retention policies and procedures, OSDE was unable to locate and/or provide all the supporting documentation used by previous staff members to prepare the reports.

Effect: The amount reported for the total ARP ESSER III subaward was understated by \$16,860,480.93, and the amount reported for the total ARP ESSER III current year expenditures was understated by \$5,290,848.62

Information being reported on the USDOE website is not accurate and/or complete.

Schedule of Findings And Questioned Costs

Data previously reported cannot be verified by current staff or other entities required to perform audits or reviews.

Recommendation: We recommend OSDE develop and implement appropriate record retention policies and procedures to ensure records are maintained, especially during staff turnovers.

We recommend OSDE develop and implement policies and procedures to ensure personnel have an adequate understanding of the requirements for the Annual Report and to ensure the amounts reported are correct.

Views of Responsible Official(s)

Contact Person: Tammy Smith, Senior Director of Federal Programs | Office of Title Services

Anticipated Completion Date: March 2024

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-061 (Partial Repeat # 2022-043)

STATE AGENCY: Oklahoma State Department of Education (OSDE)

FEDERAL AGENCY: United States Department of Education (USDE)

ALN: 84.425 - 84.425U

FEDERAL PROGRAM NAME: Education Stabilization Fund (ESF); Elementary and Secondary School Emergency Relief Fund (ESSER); American Rescue Plan – Elementary and Secondary Schools Emergency Relief Fund (ARP ESSER)

FEDERAL AWARD NUMBER: S425U210024

FEDERAL AWARD YEAR: 2023

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

QUESTIONED COSTS: 84.425U - \$49,860

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: While testing 35 of 720 Education Stabilization Fund (ESF) accounts payable claims totaling \$78,176,621.03, we noted the following:

- For three (8.57%) of 35 of ESF claims tested, we noted that the supporting documentation for \$49,859.60 of the line-item expenditures was insufficient to determine if the items were allowable or if the last date of service was not on or before June 30, 2023.

Cause: OSDE did not adequately review claims to ensure all supporting documents were submitted with the claim.

Effect: Failure to adequately review supporting documentation for claims could result in reimbursement of unallowable expenses. Claims may have been incorrectly included in accounts payable.

Recommendation: We recommend OSDE strengthen their policies and procedures related to claim reviews to ensure that supporting documentation for claims is complete, expenditures are correctly classified, and LEAs are not reimbursed for unallowable uses of ESF.

Views of Responsible Official(s)

Contact Person: Tammy Smith, Senior Director of Federal Programs | Office of Title Services

Anticipated Completion Date: August, 2025

Corrective Action Planned: The Oklahoma State Department of Education agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-211

STATE AGENCY: Oklahoma Department of Education

Schedule of Findings And Questioned Costs

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.323

FEDERAL PROGRAM NAME: Epidemiology and Laboratory Capacity for Infectious Diseases, passed through the Oklahoma State Department of Health

FEDERAL AWARD NUMBER: NU50CK000535

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Other/Reporting

QUESTIONED COSTS: Unknown

Criteria: Per 2 CFR §200.303(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 the terms and conditions of the Federal award. A key component of an effective internal control system is a strong control environment, including a culture of integrity and ethical values fostered by the organization's leadership.

Additionally, the Uniform Guidance (2 CFR 200) § 200.510 requires an auditee to "prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee's financial statement [that]...at a minimum shall... provide total Federal awards expended for each individual Federal program and the Assistance Listing Number (AL#) or other identifying number when the AL# information is not available." In accordance with Uniform Guidance, the Department is required to maintain a structure of internal control to ensure compliance with applicable reporting requirements.

Condition and Context: During our audit of the AL# 93.323, Epidemiology Laboratory Capacity ("ELC"), we observed that the Oklahoma State Department of Education (OSDE") did not adequately establish and/or enforce internal control procedures. Specifically, we noted the following:

Inconsistent application of accounting and governing body policies. Leadership of OSDE did not set an adequate tone at the top for appropriate fiscal responsibility of funds.

The Department's previous management did not maintain adequate procedural manuals and internal control narratives to ensure effective internal controls over their accounting records. Accounting records were not supported by appropriate subsidiary records to permit the preparation of accurate federal expenditure reporting on a timely basis. Procedures were not in place to ensure that underlying transactions recorded in the statewide PeopleSoft accounting system were reconciled by appropriate grant source and reported to the State in accordance with the State of Oklahoma's Schedule Z Schedule of Expenditures of Federal Awards ("SEFA") Conversion Package, with an approximate \$1,550,000 variance between the underlying accounting records versus reported spend per Schedule Z.

Cause and Effect: A lack of internal control procedures increases the risk of noncompliance with federal awards. Furthermore, the tone at the top set by leadership of OSDE has not prioritized compliance with laws and regulations and allowable uses of federal awards.

Significant turnover of personnel at OSDE resulted in existing management's inability to reconcile the underlying accounting records to prior management's reported spend of AL# 93.323 reported per the SEFA Schedule Z. As a result, a variance of approximately \$1,550,000 existed between the statewide PeopleSoft accounting system and the reported federal spending per Schedule Z for AL#93.323.

Recommendation: We recommend management now in place in the Comptroller's office of OSDE adequately documents internal control procedures and reconciles federal expenditures to the appropriate funding sources in the statewide accounting system.

Views of Responsible Official(s)

Contact Person: Shawn Richmond, Comptroller

Anticipated Completion Date: 6/30/2024

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

Schedule of Findings And Questioned Costs

FINDING NO: 2023-212

STATE AGENCY: Oklahoma Department of Education

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.323

FEDERAL PROGRAM NAME: Epidemiology and Laboratory Capacity for Infectious Diseases, passed through the Oklahoma State Department of Health

FEDERAL AWARD NUMBER: NU50CK000535

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: Unknown

Criteria: 2 CFR § 200.332(b) – Requirements for Pass-through Entities states in part, “All pass-through entities must:… (b) Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

- (1) Subrecipient’s prior experience with the same or similar awards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with subpart F 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 terms and conditions of the Federal award.”

Condition and Context: The Oklahoma State Department of Education (“OSDE”) awarded subgrants of Epidemiology Laboratory Capacity (“ELC”) funding through the Reopening Schools grant on an application basis to school districts throughout the state, without performing a required risk assessment of individual Local Education Agencies (“LEA”). Awarded funds were based on LEA self-certification and budgeted use of funds, with funding being disbursed upon approval of the application based on prior school year’s October 1 enrollment counts.

As such, 27 of 60 selections tested (45%) did not have an appropriate risk assessment score, or risk of noncompliance was inappropriately evaluated. 7 of 60 selections tested (12%) did not have an initial risk assessment, but did provide a mid-year evaluation subsequent to OSDE making the award to the LEA.

Additionally, a central repository of documentation was lacking and the underlying source documents and records were missing or incomplete. Reimbursements were made to subrecipients without obtaining sufficient underlying details to support the total expenditure claimed by the LEAs.

As such, 3 of 60 selections tested (5%) of claim reimbursements totaling approximately \$162,500 paid did not have sufficient underlying details to support the claim paid to the LEAs.

Cause and Effect: By awarding subgrants to LEAs solely based on an application process and a set dollar figure per student enrollments, OSDE has not adequately followed 2 CFR § 200.332 to distribute subawards based on LEAs individual risk. As a result of improper monitoring of subrecipients, OSDE has increased the risk that a LEA could inappropriately spend the ELC funds awarded and be noncompliant with AL# 93.323.

Additionally, reimbursing LEAs based on requested amounts without a thorough system of internal controls to inspect all underlying source documentation comprising the total expenditures requested increases the risk of noncompliance as unallowable expenditures could be contained within the batch total requested by the LEA.

Schedule of Findings And Questioned Costs

Recommendation: We recommend OSDE implements a thorough risk assessment of each LEA to factor into its application and subaward process for Assistance Listing 93.323, catering the award amount and approvals based on individual LEAs risk. Furthermore, we recommend a complete reconciliation of requested reimbursement is performed to the underlying detailed supporting documentation and that these reconciliations are maintained in a central repository for evidence of through reviews of LEAs claimed costs.

Views of Responsible Official(s)

Contact Person: Shawn Richmond, Comptroller

Anticipated Completion Date: 6/30/2025

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

FINDING NO: 2023-213

STATE AGENCY: Oklahoma Department of Education

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.323

FEDERAL PROGRAM NAME: Epidemiology and Laboratory Capacity for Infectious Diseases, passed through the Oklahoma State Department of Health

FEDERAL AWARD NUMBER: NU50CK000535

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: Unknown

Criteria: 2 CFR § 200.430(g)(1) Compensation – personal services states in part “Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) be incorporated into the official records of the recipient or subrecipients;
- (iii) encompass federally-assisted and all other activities compensated by the recipient or subrecipient on an integrated basis but may include the use of subsidiary record as defined in the recipient or subrecipient’s written policy;
- (iv) support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award.”

Condition and Context: The Oklahoma State Department of Education (“OSDE”) reimbursed subrecipient Local Education Agencies (“LEA”) for payroll related costs without obtaining certified time and effort or adequate supporting details of time and attendance for hours worked in payroll related reimbursement requests. Additionally, budgets based on pre-determined percentages cannot be relied upon without actual validation.

As such, 15 of 60 (25%) subrecipient reimbursement contained payments made to LEAs for payroll related costs, without evidence of adequate time and effort records.

Cause and Effect: Due to a lack of detailed payroll records, OSDE reimbursed LEAs for costs which may not have been actual time worked against Assistance Listing Number (AL#) 93.323. As a result, the grant could have been overcharged based on budgeted position setup rather than true time and effort spent towards the grant.

Recommendation: We recommend OSDE requires LEAs to provide evidence of certified time and effort and accurate time tracking of hours spent prior to approving subrecipient claims for reimbursement.

Views of Responsible Official(s)

Contact Person: Kellie Carter, Program Manager, School Health Services

Anticipated Completion Date: 6/30/2025

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

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OKLAHOMA EMPLOYMENT SECURITY COMMISSION

FINDING NO: 2023-031

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

ALN: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI340792055A40, UI356692155A40, UI372442255A40, UI393432355A40

FEDERAL AWARD YEAR: 2020, 2021, 2022, 2023

CONTROL CATEGORY: Reporting

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.”

2 CFR § 200.303(c) – *Internal Controls* states in part, “Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations, and the terms and conditions of Federal awards.”

2 CFR §200.334 Retention requirements for records states in part, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient... .”

The UI Report Handbook No. 401, 5th Ed., *Introduction and General Reporting Instructions – Reporting Policy* provides reporting requirements that, in accordance with section 303(a)(6) of the Social Security Act, stipulate the reporting of unemployment insurance data in a consistent, comparable manner.

The UI Report Handbook No. 401, 5th Ed., *Introduction and General Reporting Instructions – Record Retention* states in part, “Unless otherwise noted in specific instructions, source data supporting counts should be retained for at least three years.”

Condition and Context: The U.S. Department of Labor (DOL) requires monthly submission of the ETA 9050 Time Lapse of All First Payments, ETA 9052 Nonmonetary Determinations, and ETA 9055 Appeals Case Aging reports. Oklahoma Employment Security Commission’s mainframe generates summary level reports of data that are then input into the DOL’s Sun System to create the final ETA 9050, 9052, and 9055 reports.

Of the 12 final ETA 9052 reports submitted for State Fiscal Year 2023, we selected a sample of three (3) reports. For 33.33% (1/3) of the final ETA 9052 Reports tested, Section C did not tie to the summary level mainframe report and the error was not detected during review. The summary level mainframe report identified one claimant in Section C; however, the final ETA 9052 submitted to DOL reported none.

Further, we obtained the detail for one month’s ETA 9050 Report and one month’s ETA 9052 Report to tie to the summary level mainframe report. Each set of detail had discrepancies from the summary level mainframe reports; therefore, we were unable to verify the accuracy of the information in the summary level mainframe reports. We were unable to obtain one month’s detail for the ETA 9055 report.

Cause: The data used to create the summary level mainframe reports is time sensitive and cannot be reproduced to achieve the exact results. Oklahoma Employment Security Commission did not save the underlying detail when the summary level mainframe reports were created; therefore, discrepancies existed when the detail was obtained

Schedule of Findings And Questioned Costs

retroactively. For the ETA 9055 Report, constraints on available resources in the Oklahoma Employment Security Commission IT department caused focus to shift to higher priority requests from Department of Labor.

Effect: Since the data was time sensitive and could not be reproduced, we were unable to determine whether the data was accurately reported on the ETA 9050, ETA 9052, and ETA 9055 reports. For the ETA 9055, we were also unable to determine whether the system accurately calculated the number of days from the date an appeal was filed through the end of the month covered by the report. In addition, Oklahoma Employment Security Commission is not in compliance with federal record retention requirements.

Recommendation: We recommend Oklahoma Employment Security Commission save the detail behind the summary level reports each month when the summary level reports are produced and retain the data for a period compliant with requirements.

Views of Responsible Official(s)

Contact Person: Michelle Britten, Chief Administrative Officer

Anticipated Completion Date: Programming completed in June 2023 to retain backup data; data validation for regulatory reports is ongoing as part of OESC technology modernization efforts

Corrective Action Planned: OESC concurs with the audit finding and agrees with the recommendation. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-033 (Repeat #2022-051)

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

ALN: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI340792055A40, UI356692155A40, UI372442255A40, UI393432355A40

FEDERAL AWARD YEAR: 2020, 2021, 2022, 2023

CONTROL CATEGORY: Special Tests and Provisions – Benefit Accuracy Measurement

QUESTIONED COSTS: \$0

Criteria: As documented in the Unemployment Insurance Program Letter (UIPL) No. 02-12, Public Law 112-40 enacted on October 21, 2011, and effective October 21, 2013, amended sections 303(a) and 453A of the Social Security Act and sections 3303, 3304, and 3309 of FUTA. Section 4. of the UIPL states in part, “Section 251(a) of the TAAEA [Trade Adjustment Assistance Extension Act of 2011] amends section 303(a), SSA, by adding a new paragraph (11). As a condition of receiving a Federal grant to administer its UC law, a state that has determined that an improper payment from its unemployment fund was made to an individual due to fraud committed by such individual must assess a monetary penalty of not less than 15 percent of the amount of the erroneous payment against that individual. The 15 percent penalty amount is the minimum amount required; states may impose a greater penalty.”

UIPL No. 02-12, Section 4. States in part, “A. Requirements: Section 303(a)(11), SSA, further requires that the state immediately deposit receipts of the Federally-mandated penalty amounts into the unemployment fund of the state....When a recovery with respect to a fraudulent overpayment is made, the state is encouraged to apply any recovery to the principal amount of the overpayment first, to the Federally-mandated penalty amount second and finally to any other amounts due (e.g., additional penalties and/or interest). However, the order of the recovery is determined by state law.” See UIPL No. 02-12 at https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=6707.

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

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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.”

Oklahoma Administrative Code (OAC) 240:10-3-28 (b) states, “All payments or amounts collected in processes other than offset or recoupment of current unemployment benefit payments – When a payment is made or a collection of funds is accomplished to repay an indebtedness created by a previous overpayment of unemployment benefits established pursuant to 40 O.S. §2-613 (1) or (2), the payment or the amount collected shall be applied in the following manner:

- (1) First, to the fees that have been charged to the debtor in the earliest established overpayment until all fees for that overpayment are paid.
- (2) Second, to accrued penalties in the earliest established overpayment until all penalties for that overpayment are paid.
- (3) Third, to the accrued interest in the earliest established overpayment until all interest for that overpayment is paid.
- (4) Fourth, to the principal amount in the earliest established overpayment until the principal amount is paid in full.
- (5) After the payment or amount collected has been applied in the manner described in paragraphs 1 through 4 of this subsection and the earliest established overpayment is paid in full, any money left over, and all future payments or amounts collected, shall be applied in the same manner to the overpayment established next in time, and this procedure shall be repeated until all overpayments are repaid.”

2 CFR §200.1 “Internal controls”, states in part, “*Internal controls* non-Federal entities means processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (i) Effectiveness and efficiency of operations;
- (ii) Reliability of reporting for internal and external use; and
- (iii) Compliance with applicable laws and regulations.”

The *Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* Design of the Entity’s Information System, states in part:

“11.03 Management designs the entity’s information system to obtain and process information to meet each operational process’s information requirements and to respond to the entity’s objectives and risks. An information system is the people, processes, data, and technology that Federal Internal Control Standards management organizes to obtain, communicate, or dispose of information....

11.04 Management designs the entity’s information system and the use of information technology by considering the defined information requirements for each of the entity’s operational processes.... Although information technology implies specific types of control activities, information technology is not a “stand-alone” control consideration. It is an integral part of most control activities.

11.05 Management also evaluates information processing objectives to meet the defined information requirements. Information processing objectives may include the following:

- Completeness - Transactions that occur are recorded and not understated.
- Accuracy - Transactions are recorded at the correct amount in the right account (and on a timely basis) at each stage of processing.
- Validity - Recorded transactions represent economic events that actually occurred and were executed according to prescribed procedures.”

Condition and Context: When OESC receives a reimbursement (recovery) for a fraudulent overpayment, the OESC Bull Mainframe is to apply the recovery in the order prescribed in OAC 240:10-3-28(b). While performing testwork on SFY 2023 recoveries of *fraudulent* Unemployment Insurance (UI) overpayments, penalties were applicable to 7 repayments of 60 claimants’ sampled. Of the 7 repayments subject to penalties, the system did not apply penalties before principal/interest on 42.9% (3/7).

Cause: During SFY 2023, the Bull Mainframe system was applying overpayment recoupments to principal/interest before penalties.

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Effect: Penalties totaling \$843 were not applied to recoveries. Further, \$506 (3/5 of \$843) from the omitted penalties was not deposited to the Unemployment Trust fund and \$337 (2/5 of \$843) was not deposited to the Oklahoma Employment Security Commission Revolving Fund.

Recommendation: OESC stated the underlying programming issue was resolved in February 2023; therefore, we recommend OESC IT continue to monitor and, as needed, strengthen the programming relating to recovery allocations to ensure recoveries are properly applied in the following order: fees, penalty, interest, and then principal.

Views of Responsible Official(s)

Contact Person: Christopher O'Brien, Vice President - OESC UI

Anticipated Completion Date: Completed in February 2023

Corrective Action Planned: OESC concurs with the audit finding and agrees with the recommendation. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-035 (Repeat #2022-077)

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

ALN: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance Program

FEDERAL AWARD NUMBER: UI359652160A40, UI380002260A40, 23A60UR000033

FEDERAL AWARD YEAR: 2022-2023

CONTROL CATEGORY: Special Tests and Provisions – Reemployment Services and Eligibility Assessments (RESEA)

QUESTIONED COSTS: \$0

Criteria: 42 USC § 506(b) – *Grants to States for reemployment services and eligibility assessments* states in part, “The purposes of this section are to accomplish the following goals:

- (1) To improve employment outcomes of individuals that receive unemployment compensation and to reduce the average duration of receipt of such compensation through employment.
- (2) To strengthen program integrity and reduce improper payments of unemployment compensation by States through the detection and prevention of such payments to individuals who are not eligible for such compensation.
- (3) To promote alignment with the broader vision of the Workforce Innovation and Opportunity Act (29 U.S.C. 3101 et seq.) of increased program integration and service delivery for job seekers, including claimants for unemployment compensation.
- (4) To establish reemployment services and eligibility assessments as an entry point for individuals receiving unemployment compensation into other workforce system partner programs.”

U.S. Department of Labor, Unemployment Insurance Program Letter No. 10-22, Number 4. Program Operations, d. states in part, “i. UI staff must be engaged in the administration of the RESEA program. This includes, but is not limited to:

- Participating in the planning, administration, and oversight of the RESEA program;
- Providing all appropriate staff training on UC eligibility requirements;
- Ensuring accurate data are provided in the RESEA-required reports; and
- Conducting eligibility determinations and redeterminations resulting from issues identified through RESEA participation.”

2 CFR §421 – *Failure to Participate in Reemployment Services through Profiling* states in part, “The Oklahoma Employment Security Commission shall establish and utilize a system of Re-employment Services and Eligibility Assessment selection for all ex-military service claimants and for unemployment benefit claimants who will be likely to exhaust unemployment benefits and who will need job-search assistance services to make a successful transition to new employment. Any claimant who has been referred to re-employment services pursuant to the selection system and who fails to participate in the re-employment services made available to the claimant, shall be disqualified to receive benefits for each week in which the failure occurs, unless the Commission determines that: 1. The claimant has

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previously completed the re-employment services within the benefit year; or 2. There is good cause for the claimant's failure to participate in re-employment services.”

The RESEA Instructions and Procedures, 07/17/2017 revision and 06/06/2023 revision, *Summary of Documentation* states in part, “the RESEA process will be documented by the following -

Required services:

1. Reemployment Services & Eligibility Assessment – RESEA (placeholder service)
 2. Reemployment Needs Inventory & Eligibility Review
 3. Resume Assistance
 4. Referral to WIOA Services
 5. OKJM Registration
 6. Job Search Planning
 7. Individual Reemployment Plan
 8. Custom Labor Market Information
 9. RESEA – Follow-up
- Completing the Individual Reemployment Plan according to procedures.
 - Uploading 3 required forms to OKJM:
 1. Reemployment Needs Inventory & Eligibility Review, OES 802
 2. RESEA Follow-Up, OES 251(Must be completed and uploaded during the initial appointment.)
 3. Unemployment Eligibility Review Questionnaire for follow-up appointment, OES 173”

The RESEA Instructions and Procedures, 07/17/2017 revision, *Notifying UI and the Adjudication Process* states in part, “Adjudication Process. Once all notifications have been sent to the OKC Claims Adjudication Unit, the adjudication process follows these general steps: Local office staff report the claimant as a NO SHOW by emailing the OES 842E to PRF/JSW/POE@oesc.state.ok.us. A 2-421 code will be placed on the claim.”

The RESEA Instructions and Procedures, 06/06/2023 revision, *Notifying UI and the Adjudication Process* states in part, “Adjudication Process. Once all notifications have been sent to the OKC Claims Adjudication Unit, the adjudication process follows these general steps: 1. Local office staff report the claimant as a NO SHOW by emailing the OES-842E to PRF/JSW/POE@oesc.ok.gov. A 2-421 code will be placed on the claim and benefits will be denied until attend and no back weeks will be paid. 2.If the claimant reschedules and attends the same week they were a no show the, local office staff email the OES-842E to PRF/JSW/POE@oesc.ok.gov and: The 2-421 is deleted; and the claimants will receive their weekly benefits. 3. If the Claimant reschedules and attends any time after the same week, they were a no show the Local office staff will report the claimant as attended after denial by emailing the OES-842E to PRF/JSW/POE@oesc.ok.gov. The 2-421 issue will be released that week and no back benefits will be paid. 4. If the claimant calls to say he will not be able to attend the RESEA appointment because he has returned to fulltime work, local office staff will enter the start date, employer name, salary, and employment status full time or part time in OKJM and the CRC. Then email PRF/JSW/POE@oesc.ok.gov advising of the date so it can be added to the claim. If a determination has been issued for 2-421, let it stand.”

2 CFR §200.1 “Internal controls” states in part, “*Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (iv) Effectiveness and efficiency of operations;
 - (v) Reliability of reporting for internal and external use; and
 - (vi) Compliance with applicable laws and regulations.”

The *Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* 14.03 states, “Management communicates quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles.”

2 CFR §200.334 Retention requirements for records states in part, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or

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annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient....”

Condition and Context: The Reemployment Services and Eligibility Assessment (RESEA) provides reemployment services to unemployment claimants who are unlikely to return to their previous industry or occupation and who are considered likely to use up benefits. The Department of Labor’s Employment and Training Administration (ETA) 9128 report provides quarterly information on the RESEA activities of claimants selected to participate in the RESEA program. The data on this report allows for evaluation and monitoring of the RESEA program.

We tested 60 Unemployment Insurance claimants that were profiled for the RESEA program during State Fiscal Year (SFY) 2023 and noted the following exceptions:

- 10 (16.7%) had no RESEA Notification Letters in DocuShare.
- 12 (20.0%) were missing an OES 842E Adjudication Form in OKJobMatch when the claimant did not report for follow-up.
- 7 (11.7%) were missing documentation for at least one of the nine required RESEA steps.

Cause: During SFY 2023, the Oklahoma Employment Security Commission did not have adequate controls, along with timely and/or effective communication of RESEA procedures, including instructions on how to properly retain documentation. Further, RESEA Quality Control reviews were suspended throughout SFY 2023 due to system malfunctions.

Effect: RESEA program evaluation and monitoring may not have been based on correct information and the ETA 9128 performance report may be incomplete and unreliable. RESEA participants may not have received notice regarding their required participation in the RESEA program and may have received benefits for a longer period than necessary.

Recommendation: The Oklahoma Employment Security Commission revised the RESEA procedures in the last month of SFY 2023. We recommend the Oklahoma Employment Security Commission continue implementing the new procedures to ensure all documents are properly completed and retained. Additionally, when the Quality Control program resumes, we recommend follow-up on all Quality Control findings and training to ensure employees are aware of and understand proper procedures for completing appropriate forms and retaining records to prevent future errors.

Views of Responsible Official(s)

Contact Person: Tammy Wood, RESEA/TAA Program Manager

Anticipated Completion Date: Ongoing until modernization of RESEA tools is complete

Corrective Action Planned: The agency concurs with the findings and agrees with the recommendation. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-036 (Partial Repeat #2022-038)

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

ALN: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance Program

FEDERAL AWARD NUMBER: UI359652160A40, UI380002260A40, 23A60UR000033

FEDERAL AWARD YEAR: 2022-2023

CONTROL CATEGORY: Special Tests and Provisions – Reemployment Services and Eligibility Assessments (RESEA)

QUESTIONED COSTS: \$0

Criteria: Section 306 of the Social Security Act requires all states to operate either a Worker Profiling and Reemployment Services Program (WPRS) or a Reemployment Services and Eligibility Assessment Program (RESEA), or both. The State of Oklahoma only operates a RESEA program. The requirements include profiling of all claimants to determine who will likely exhaust their benefits and need reemployment services to transition to new

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employment. If operating only a RESEA program, the Oklahoma Employment Security Commission must include the basic elements of the WPRS program which includes the required WPRS profiling model and statewide provision of services.

Social Security Act § 306(a) [42 USC § 506(b)] – *Grants to States for reemployment services and eligibility assessments* states in part, “The purposes of this section are to accomplish the following goals:

- (1) To improve employment outcomes of individuals that receive unemployment compensation and to reduce the average duration of receipt of such compensation through employment.
- (2) To strengthen program integrity and reduce improper payments of unemployment compensation by States through the detection and prevention of such payments to individuals who are not eligible for such compensation.
- (3) To promote alignment with the broader vision of the Workforce Innovation and Opportunity Act (29 U.S.C. 3101 et seq.) of increased program integration and service delivery for job seekers, including claimants for unemployment compensation.
- (4) To establish reemployment services and eligibility assessments as an entry point for individuals receiving unemployment compensation into other workforce system partner programs.”

U.S. Department of Labor, Unemployment Insurance Program Letter No. 10-22, Number 4. Program Operations, d. states in part, “i. UI staff must be engaged in the administration of the RESEA program. This includes, but is not limited to:

- Participating in the planning, administration, and oversight of the RESEA program;
- Providing all appropriate staff training on UC eligibility requirements;
- Ensuring accurate data are provided in the RESEA-required reports; and
- Conducting eligibility determinations and redeterminations resulting from issues identified through RESEA participation.”

Condition and Context: The Department of Labor’s Employment and Training Administration (ETA) 9128 report provides quarterly information on the Reemployment Services and Eligibility Assessment (RESEA) activities of claimants who are most likely to exhaust their Unemployment Insurance (UI) benefits and are selected to participate in the RESEA program. The data on this report allows for evaluation and monitoring of the RESEA program. Oklahoma Job Match system (OKJM), the management system where the appointments are recorded, provides appointment information for Sections I and III of the ETA 9128 performance report. OESC’s mainframe generates a report that is used for Sections II and IV of the report. The data from both systems are then input into the Department of Labor’s Sun System to create the final ETA 9128 report.

The data generated by OKJM used in the ETA 9128 performance report was not reliable for reporting purposes. In order to complete the ETA 9128 report, the RESEA program manager had staff manually go back through their appointments, capture information, and verbally provide the results. Based on the lack of physical documentation for the ETA 9128 performance report, we are unable to determine if the ETA 9128 performance report accurately compiled all RESEA performance data.

Cause: During Covid, services were suspended in part due to a directive from the Governor to suspend required work searches, as well as the inability to meet with RESEA participants in person. As a result, programming changes prevented enrollments from opening in OKJM and staff were unable to enter data in the RESEA enrollment to be captured in the report. For SFY 2023, the programming changes had not been corrected.

Effect: For SFY 2023, OESC staff were unable to use the OKJM system to capture RESEA participant information, which could result in OESC reporting inaccurate data on the ETA 9128 performance reports.

Recommendation: We recommend the OESC continue to develop a process in OKJM to ensure that the RESEA enrollment opens allowing staff to capture appointment information and keep track of the number of RESEA appointments and that the system generates reliable quarterly data to be reported on the ETA 9128.

Views of Responsible Official(s)

Contact Person: Tammy Wood, RESEA/TAA Program Manager

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Anticipated Completion Date: Ongoing until modernization of RESEA tools is complete

Corrective Action Planned: OESC concurs with the audit findings and agrees with the recommendation. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-052 (Partial Repeat #2022-053)

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

ALN: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI340792055A40, UI356692155A40, UI372442255A40, UI393432355A40

FEDERAL AWARD YEAR: 2020, 2021, 2022, 2023

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

QUESTIONED COSTS: \$1,578,278

Criteria: The *Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* 9.04 states in part, “As part of risk assessment or a similar process, management analyzes and responds to identified changes and related risks in order to maintain an effective internal control system. Changes in conditions affecting the entity and its environment often require changes to the entity’s internal control system, as existing controls may not be effective for meeting objectives or addressing risks under changed conditions. Management analyzes the effect of identified changes on the internal control system and responds by revising the internal control system on a timely basis, when necessary, to maintain its effectiveness.”

The *Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* 10.03 states in part, “Management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system. ... Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.”

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

The *Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* 11.13 states in part, “Management evaluates security threats to information technology, which can be from both internal and external sources. External threats are particularly important for entities that depend on telecommunications networks and the Internet. External threats have become prevalent in today’s highly interconnected business environments, and continual effort is required to address these risks.”

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

Condition: The Oklahoma Employment Security Commission paid 2,318 claims, totaling \$22,552,181, during State Fiscal Year (SFY) 2023. When testing a sample of 64 Unemployment Insurance (UI) claim payments totaling \$23,440 (identified by check number per payment data), we noted 2 unallowable payments due to unresolved fraud stops totaling \$969 were paid to 2 claimants, which is a 3.13% error rate of claims tested and a 4.13% error rate of dollars tested. We isolated these 2 claimants from all SFY 2023 payments per the applicant identifier (SSN per payment data) and identified 9 benefit payments totaling \$4,318 to those 2 claimants.

In addition, we performed analytical tests on the same population of all SFY 2023 UI benefit payments and the associated withholding payments based on *identified fraud risk factors*. When analyzing these risk factors, we noted \$1,577,292* in probable fraudulent claims related to:

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- *Claimants with the same phone number (all 0's or all 9's)* - Payments totaling \$11,488 to 77 claimants that appear suspicious based on the claimant's name, address, employer name, or similar Social Security Numbers (SSNs),
- *More than two claimants with the same phone number (numbers other than all 0's or all 9's)* - Payments totaling \$137,215 to 273 claimants appear suspicious based on the claimant's name, address, employer name, or similar SSNs,
- *Claimants using the same address* - Payments totaling \$1,417,511 to 1,871 claimants appear suspicious based on the claimant's name, employer name, or similar SSNs,
- *Social Security Number's (SSNs) starting with 999* - Payments totaling \$11,078 to 60 claimants have 999 as the first three digits of SSNs, denoting OESC had identified these as fraud payments after they were paid.**

*Many SSNs were identified in multiple procedures; therefore, we removed the repeated payment amounts from the overpayment total. The number of claimants identified in the procedure, however, could also be included in another procedure's count.

**No valid SSN has 999 as the first three digits.

Cause: The agency's internal controls were insufficient to detect and/or prevent unallowable unemployment benefit payments. Unallowable payments were the result of the following factors, as well as a lack of controls over the Unemployment Insurance benefit payments:

- Antiquated system that didn't have the capacity for proper automated edits or matching of all necessary fields at the time a claim was filed
- Large number of stolen identities
- Lack of adequate staffing to handle the volume of claims paid for all Unemployment Insurance programs
- Lack of adequate training for all staff related to the various Unemployment Insurance program requirements
- Delays in the process for employers to dispute claims since the process was largely manual through the mailing of notifications

Effect: Unallowable benefit payments were made, which contributed to the depletion of the Unemployment Insurance Trust Fund. Total questioned costs from the sample and analytical procedures are \$1,578,278 (\$1,577,292 + \$986***).

Fraud continued to occur during SFY 2023 due to the inadequate online verification process, but in a much lower percentage of the cases. Because the analytical procedures were designed to target probable fraud criteria, we did not project these results to the entire population; it is possible that the total dollar amount of fraudulent claims paid would be significant.

***1 claimant was identified in both the sample and the analytical procedures; therefore, we have adjusted the amount questioned from the sample testwork to avoid duplicating the amount.

Recommendation: Efforts by OESC to identify and investigate known and suspected claims, and recover fraudulent and overpayment claims, are ongoing. Identifying trends or anomalies in the data has allowed the agency to suspend large amounts of potentially fraudulent claims until they can be examined. In addition, OESC implemented VerifyOK in November of 2022 to further deter and prevent identity theft fraud.

We recommend the OESC continue to:

- Work to strengthen internal controls over the automated system to better detect and prevent unemployment insurance benefit overpayments related to fraudulent claims
- Refine the analytics process that will help identify trends or anomalies in the data to catch fraudulent claims timely and save taxpayer monies
- Work to strengthen their eligibility verification process to help prevent fraudulent claims
- Work with the U.S. Department of Labor to recover the remaining fraudulent payments
- Work to establish overpayment resolution for unemployment benefit claims

Views of Responsible Official(s)

Contact Person: Michelle Britten, Chief Administrative Officer

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Anticipated Completion Date: The efforts required for fraud prevention are not expected to end, as bad actors are expected to continually pursue new methods to exploit unemployment benefit systems in all states.

Corrective Action Planned: Management does not completely disagree with the Condition, Cause and Effect as documented by the auditors. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: The claims identified were based on the information available to the auditor at the time of testing.

OKLAHOMA DEPARTMENT OF HEALTH

FINDING NO: 2023-203 (Repeat Finding 2022-201)

STATE AGENCY: Oklahoma Department of Health

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.268

FEDERAL PROGRAM NAME: Immunizations Cooperative Agreements

FEDERAL AWARD NUMBER: 6 NH23IP922575-02-05, 6 NH23IP922575-02-06, 6 NH23IP922575-03-01, 5 NH23IP922575-003-00

FEDERAL AWARD YEAR: 2020, 2021, 2022

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

QUESTIONED COSTS: Unknown

Criteria: 7 CFR § 246.13 - Financial Management System, states in part, “(b) Internal control. The State agency shall maintain effective control over and accountability for all Program grants and funds.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, “Management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.” Additionally, 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.”

Condition: The Oklahoma State Department of Health’s (the “Department”) internal controls over the payroll transaction cycle lacked appropriate employee access profiles, allowing all timecodes available for use, regardless of an employee’s specific job position and function. Thus, the initiation of timecard entry was incorrectly reported, and supervisors approved employee timecards without thoroughly reviewing to detect and correct these errors.

Additionally, the Department neglected to perform its existing control activities of timely reviewing time and effort against the payroll expenses recorded in the general ledger. During FY23, recorded payroll costs did not accurately reflect the Department’s time and effort.

Cause and Effect: The Department’s conversion from PeopleSoft HR to Workday in a prior fiscal year did not have adequate internal controls in place to ensure accurate timecodes were selected by employees when completing their timecards. As a result of converting payroll systems and a lack of employee training prior to going live with Workday, employees’ reported time did not accurately reflect their time and effort. Time codes were not locked down to user specific profiles until May of 2023.

Inadequate internal control policies and procedures over the payroll cycle could result in an increased risk of non-compliance with federal requirements, and an inability to comply with audit requirements.

Recommendation: The Department has since locked timecodes to specific user profiles; however, this did not take effect until the beginning in May of 2023, we recommend the Department continues to monitor the employee access

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of timecodes relate to their specific job function and projects. Supervisors should thoroughly review timecards prior to approval. Additionally, the Department should timely monitor time and effort against recorded payroll to ensure grants are not over or under charged and reconcile validated time to booked payroll costs regularly.

Views of Responsible Official(s)

Contact Person: Stefan Von Dollen

Anticipated Completion Date: 6/30/25

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

FINDING NO: 2023-204 (Repeat Finding 2022-201)

STATE AGENCY: Oklahoma Department of Health

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.323

FEDERAL PROGRAM NAME: Epidemiology and Laboratory Capacity for Infectious Diseases

FEDERAL AWARD NUMBER: NU50CK000535-02-04, NU50CK000535-02-06, NU50CK000535-01-04, NU50CK000535-01-05

FEDERAL AWARD YEAR: 2020, 2021, 2022

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

QUESTIONED COSTS: Unknown

Criteria: 7 CFR § 246.13 - Financial Management System, states in part, “(b) Internal control. The State agency shall maintain effective control over and accountability for all Program grants and funds.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, “Management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.” Additionally, 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.”

Condition: The Oklahoma State Department of Health’s (the “Department”) internal controls over the payroll transaction cycle lacked appropriate employee access profiles, allowing all timecodes available for use, regardless of an employee’s specific job position and function. Thus, the initiation of timecard entry was incorrectly reported, and supervisors approved employee timecards without thoroughly reviewing to detect and correct these errors.

Additionally, the Department neglected to perform its existing control activities of timely reviewing time and effort against the payroll expenses recorded in the general ledger. During FY23, recorded payroll costs did not accurately reflect the Department’s time and effort.

Cause and Effect: The Department’s conversion from PeopleSoft HR to Workday in a prior fiscal year did not have adequate internal controls in place to ensure accurate timecodes were selected by employees when completing their timecards. As a result of converting payroll systems and a lack of employee training prior to going live with Workday, employees’ reported time did not accurately reflect their time and effort. Time codes were not locked down to user specific profiles until May of 2023.

Inadequate internal control policies and procedures over the payroll cycle could result in an increased risk of non-compliance with federal requirements, and an inability to comply with audit requirements.

Recommendation: The Department has since locked timecodes to specific user profiles; however, this did not take effect until the beginning in May of 2023, we recommend the Department continues to monitor the employee access of timecodes relate to their specific job function and projects. Supervisors should thoroughly review timecards prior

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to approval. Additionally, the Department should timely monitor time and effort against recorded payroll to ensure grants are not over or under charged and reconcile validated time to booked payroll costs regularly.

Views of Responsible Official(s)

Contact Person: Stefan Von Dollen

Anticipated Completion Date: 6/30/25

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

FINDING NO: 2023-205 (Repeat Finding 2022-204)

STATE AGENCY: Oklahoma Department of Health

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.268

FEDERAL PROGRAM NAME: Immunizations Cooperative Agreements

FEDERAL AWARD NUMBER: 6 NH23IP922575-02-06, 6 NH23IP922575-02-05, 6 NH23IP922575-03-01

FEDERAL AWARD YEAR: 2020, 2021

CONTROL CATEGORY: Special Tests and Provisions

QUESTIONED COSTS: None

Criteria: Document storage and retention was not adequately maintained by the Immunization Program's field staff related to assistance listing 93.268.

Condition: Management was unable to provide the below requests for audit testwork, as the items were not retained by the Department:

- Orientation Packet: 1 of 3, or 33% of new enrollee's completed orientation packets
- Sampled provider patient screening: 23 of 94, or 24%, of quality assurance visits could not provide evidence the field staff sampled a providers patient screening for eligibility of vaccination.
- Inspected provider inventory storage: 6 of 94, or 9%, of quality assurance visits could not provide evidence the field staff sampled a inspected the inventory storage and safeguards over vaccine compliance.
- Signed acknowledgement form: 4 of 94, or 4%, of quality assurance visit could not provide evidence the completed acknowledgement form was signed by the respective medical providers.
- Unannounced visits demonstrated Provider noncompliance detected by field staff; however, 2 of 14, or 14% of tested visits, could not provide that evidence was retained showing the Department follow-up actions were conducted to ensure providers corrected their noncompliance.

Cause and Effect: The Department does not have adequate internal controls in place for centrally storing and retaining documentation as it relates to enrollment and quality assurance visits of providers for the Vaccines for Children (VFC) Immunizations program. As a result, there is an increased risk of non-compliance with federal requirements and an inability to comply with audit requirements.

Recommendation: We recommend the Department evaluate the documentation preparation and retention process and make the appropriate adjustments to ensure that future documents are properly prepared and retained. Furthermore, we recommend the periodic random audits of its field staff's stored documentation to ensure the completeness of required supporting evidence is maintained.

Views of Responsible Official(s)

Contact Person: Stefan Von Dollen

Anticipated Completion Date: 12/31/25

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

FINDING NO: 2023-206 (Repeat Finding 2022-202)

STATE AGENCY: Oklahoma Department of Health

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.268

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FEDERAL PROGRAM NAME: Immunizations Cooperative Agreements

FEDERAL AWARD NUMBER: 6 NH23IP922575-02-05, 6 NH23IP922575-02-06, 6 NH23IP922575-03-01, 5 NH23IP922575-003-00

FEDERAL AWARD YEAR: 2020, 2021, 2022

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: Unknown

Criteria: The *Schedule of Expenditures of Federal Awards* (SEFA – GAAP Package Schedule Z) should be accurately captured, reconciled, and reviewed by the Oklahoma State Department of Health (the “Department”). Adequate documentation of procedures performed, as well as evidence of thorough reviews, should be in place. According to GAAP, expenditures should be recognized in the period services are performed or goods are received.

In accordance with the modified accrual basis of accounting, federal grant revenues should be recognized when applicable eligibility requirements, including reimbursement, time requirements, and other eligibility requirements, are met *and* the resources are available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. In accordance with the State of Oklahoma’s Annual Comprehensive Financial Report, the State considers revenues to be available if they are collected within sixty days of the end of the fiscal year.

Additionally, the Federal Financial Report (FFR), SF-425, is required on an annual basis except for awards where more frequent reporting is noted in the Notice of Award. The report also must cover any authorized extension during the reported budget period. Grant recipients submit FFRs to the U.S. Department of Health and Human Services (HHS) Payment Management System (PMS). Annual FFRs are due 90 days after the end of the budget period and final FFRs are due 90 days after the end of the period of performance.

Lastly, The Uniform Guidance (2 CFR 200) § 200.510 requires an auditee to “prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee’s financial statement [that]...at a minimum shall...list individual Federal programs by Federal agency... [and] provide total Federal awards expended for each individual Federal program... [and] include the total amount provided to subrecipients for each Federal program” In accordance with Uniform Guidance, the Department is required to maintain a structure of internal control to ensure compliance with applicable reporting requirements. Furthermore, the State of Oklahoma’s Schedule Z SEFA Conversion Package states, “The amount reported as provided by the primary recipient to state agencies should be entered in the ‘*Amount Transferred to State Agencies*’ column. This amount should be included in the Federal revenue but not in expense columns of the primary recipient.”

Condition: The original SEFA submitted by the Department to the Office of Management and Enterprise Services (OMES) included the following errors:

- AL# 93.268 reported federal revenues approximately \$3,648,000 higher than its federal expenditures for a predominately reimbursement-based grant, resulting in the inability to determine completeness of the expenditure details provided for audit testing.
- 29 out of 138, or 21%, of tested federal expenditure selections for AL# 93.268 were recorded in an incorrect accounting period, which totaled approximately \$85,400.

Additionally, the department was unable to provide supporting details of recorded transactions agreeing to the federal revenues reported in Schedule Z. Furthermore, all FFR’s tested for AL# 93.323 were not timely filed within 90 days subsequent to year end, as required by the Center for Disease Control and Prevention (CDC). Supporting schedules to FFRs for AL# 93.268 were not made available for audit testing.

Cause and Effect: The Department does not have appropriate internal procedures for capturing and reporting the federal expenditures, revenues, and subrecipient payments on the SEFA in accordance with the Uniform Guidance (2 CFR 200) § 200.510.

Revenues are recorded by the department on a cash basis and deposits are not recorded in the general ledger (GL) with a unique identifier to indicate which fiscal year the matching expenditures reside. Also, batched cash deposits containing sources of revenues from differing fiscal years cannot be appropriately allocated to the year in which the

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revenue was earned. Batched deposits are recorded as a single GL transaction regardless of the year the related deposit was earned and contain revenues where the related expenditures were recorded in differing fiscal years. As a result, the Department's GL does not possess sufficient detail to accurately account for the required modified accrual basis conversions. The Department has not ensured that the transactional data recorded provides enough detail to accurately report the federal activity in Schedule Z and FFR's.

Recommendation: We recommend the Department review and document the current procedures and implement the necessary changes to ensure adequate reporting of program financial information in the SEFA and FFR's. Specifically, we recommend the Department continues to review its cash reporting and deciphers batch deposits by fiscal year, with a unique identifier recorded at the GL transaction level. Additionally, we recommend retaining evidence that adequate reviews of the SEFA and FFR's occurred. We also recommend the Department establish procedures to timely reconcile federal revenues to its federal expenditures to ensure completeness of its related federal reporting.

Views of Responsible Official(s)

Contact Person: Stefan Von Dollen

Anticipated Completion Date: 6/30/24

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

FINDING NO: 2023-207 (Repeat Finding 2022-202)

STATE AGENCY: Oklahoma Department of Health

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.323

FEDERAL PROGRAM NAME: Epidemiology and Laboratory Capacity for Infectious Diseases

FEDERAL AWARD NUMBER: NU50CK000535-02-04, NU50CK000535-02-06, NU50CK000535-01-04, NU50CK000535-01-05

FEDERAL AWARD YEAR: 2020, 2021, 2022

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: Unknown

Criteria: The *Schedule of Expenditures of Federal Awards* (SEFA – GAAP Package Schedule Z) should be accurately captured, reconciled, and reviewed by the Oklahoma State Department of Health (the “Department”). Adequate documentation of procedures performed, as well as evidence of thorough reviews, should be in place. According to GAAP, expenditures should be recognized in the period services are performed or goods are received.

In accordance with the modified accrual basis of accounting, federal grant revenues should be recognized when applicable eligibility requirements, including reimbursement, time requirements, and other eligibility requirements, are met *and* the resources are available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. In accordance with the State of Oklahoma's Annual Comprehensive Financial Report, the State considers revenues to be available if they are collected within sixty days of the end of the fiscal year.

Additionally, the Federal Financial Report (FFR), SF-425, is required on an annual basis except for awards where more frequent reporting is noted in the Notice of Award. The report also must cover any authorized extension during the reported budget period. Grant recipients submit FFRs to the U.S. Department of Health and Human Services (HHS) Payment Management System (PMS). Annual FFRs are due 90 days after the end of the budget period and final FFRs are due 90 days after the end of the period of performance.

Lastly, The Uniform Guidance (2 CFR 200) § 200.510 requires an auditee to “prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee's financial statement [that]...at a minimum shall...list individual Federal programs by Federal agency... [and] provide total Federal awards expended for each individual Federal program... [and] include the total amount provided to subrecipients for each Federal program” In accordance with Uniform Guidance, the Department is required to maintain a structure of internal control to ensure compliance with applicable reporting requirements. Furthermore, the State of Oklahoma's Schedule Z SEFA Conversion Package states, “The amount reported as provided by the primary recipient to state agencies should be entered in the ‘Amount

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Transferred to State Agencies' column. This amount should be included in the Federal revenue but not in expense columns of the primary recipient."

Condition: The original SEFA submitted by the Department to the Office of Management and Enterprise Services (OMES) included the following errors:

- AL# 93.323 reported federal revenues approximately \$25,358,000 higher than its federal expenditures for a predominately reimbursement-based grant, resulting in the inability to determine the completeness of the expenditure details provided for audit testing.
- Approximately \$9,776,000 in state transfers to the Department of Education were omitted from subrecipient payments for AL# 93.323 in accordance with the State's Schedule Z Conversion Package.
- 39 out of 138, or 28%, of tested federal expenditure selections for AL# 93.323 were recorded in an incorrect accounting period, which totaled approximately \$4,993,100.

Additionally, the department was unable to provide supporting details of recorded transactions agreeing to the federal revenues reported in Schedule Z. Furthermore, all FFR's tested for AL# 93.323 were not timely filed within 90 days subsequent to year end, as required by the Center for Disease Control and Prevention (CDC). Supporting schedules to FFRs for AL# 93.323 were not made available for audit testing.

Cause and Effect: The Department does not have appropriate internal procedures for capturing and reporting the federal expenditures, revenues, and subrecipient payments on the SEFA in accordance with the Uniform Guidance (2 CFR 200) § 200.510.

Revenues are recorded by the department on a cash basis and deposits are not recorded in the general ledger (GL) with a unique identifier to indicate which fiscal year the matching expenditures reside. Also, batched cash deposits containing sources of revenues from differing fiscal years cannot be appropriately allocated to the year in which the revenue was earned. Batched deposits are recorded as a single GL transaction regardless of the year the related deposit was earned and contain revenues where the related expenditures were recorded in differing fiscal years. As a result, the Department's GL does not possess sufficient detail to accurately account for the required modified accrual basis conversions. The Department has not ensured that the transactional data recorded provides enough detail to accurately report the federal activity in Schedule Z and FFR's.

Recommendation: We recommend the Department review and document the current procedures and implement the necessary changes to ensure adequate reporting of program financial information in the SEFA and FFR's. Specifically, we recommend the Department continues to review its cash reporting and deciphers batch deposits by fiscal year, with a unique identifier recorded at the GL transaction level. Additionally, we recommend retaining evidence that adequate reviews of the SEFA and FFR's occurred. We also recommend the Department establish procedures to timely reconcile federal revenues to its federal expenditures to ensure completeness of its related federal reporting.

Views of Responsible Official(s)

Contact Person: Stefan Von Dollen

Anticipated Completion Date: 6/30/24

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

FINDING NO: 2023-208 (Repeat Finding 2022-206)

STATE AGENCY: Oklahoma Department of Health

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.268

FEDERAL PROGRAM NAME: Immunizations Cooperative Agreements

FEDERAL AWARD NUMBER: 6 NH23IP922575-02-06, 6 NH23IP922575-02-05, 6 NH23IP922575-03-01

FEDERAL AWARD YEAR: 2021, 2022

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

QUESTIONED COSTS: Unknown

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Criteria: 7 CFR § 246.3 Administration. Delegation to the State agency states in part, “The State agency is responsible for the effective and efficient administration of the Program in accordance with the requirements of this part; the Department’s regulations governing nondiscrimination (7 CFR parts 15, 15a, and 15b); governing administration of grants (2 CFR part 200, subparts A through F...)” 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.”

Condition: The Oklahoma State Department of Health (the “Department”) entered into a contract with a vendor, which included the following clause in its statement of work for the Department: “... development and implementation of a communications strategy around OSDH legislative priorities leading up to and during the 2022 session.” In accordance with applicable law, direct lobbying communications by award recipients are prohibited. Direct lobbying includes any attempt to influence legislative or other similar deliberations at all levels of government through communications that directly express a view on proposed or pending legislation and other orders and which are directed to members, staff, or other employees of a legislative body or to government officials or employees who participate in the formulation of legislation or other orders. The amount indicated in the statement of work provided for payment of up to \$100,000 in lobbying activity.

Cause and Effect: As a result of the unallowable activities being included in the statement of work, the Department charged lobbying costs against federal funds.

Immunizations Cooperative assistance listing 93.268:

Voucher	Supplier	Date	Account	Activity	PO ID	Amount
467138	221538	9/20/2022	541130	FEES	3409024811	1,429.73

The Department’s support for the above invoices did not include an itemized detail of specific services provided. Thus, we are unable to determine how much, if any, of these charges related to possible lobbying activity.

Due to the qualitative impact of utilizing federal funds for a statement of work containing lobbying activities and not clearly being able to decipher which invoices the cited \$100,000 of lobbying activity was paid, the Department is considered noncompliant with 2 CFR §200.403.

Recommendation: We recommend a more thorough review of the statements of work occur to prevent unallowable activities when authorizing a purchase order funded by federal sources.

Views of Responsible Official(s)

Contact Person: Stefan Von Dollen

Anticipated Completion Date: 6/30/24

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

FINDING NO: 2023-209 (Repeat Finding 2022-206)

STATE AGENCY: Oklahoma Department of Health

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.323

FEDERAL PROGRAM NAME: Epidemiology and Laboratory Capacity for Infectious Diseases

FEDERAL AWARD NUMBER: NU50CK000535-02-06

FEDERAL AWARD YEAR: 2021, 2022

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

QUESTIONED COSTS: Unknown

Criteria: 7 CFR § 246.3 Administration. Delegation to the State agency states in part, “The State agency is responsible for the effective and efficient administration of the Program in accordance with the requirements of this part; the Department’s regulations governing nondiscrimination (7 CFR parts 15, 15a, and 15b); governing administration of grants (2 CFR part 200, subparts A through F...)” 2 CFR §200.403 (a) Factors affecting allowability of costs states,

Schedule of Findings And Questioned Costs

“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.”

Condition: The Oklahoma State Department of Health (the “Department”) entered into a contract with a vendor, which included the following clause in its statement of work for the Department: “... development and implementation of a communications strategy around OSDH legislative priorities leading up to and during the 2022 session.” In accordance with applicable law, direct lobbying communications by award recipients are prohibited. Direct lobbying includes any attempt to influence legislative or other similar deliberations at all levels of government through communications that directly express a view on proposed or pending legislation and other orders and which are directed to members, staff, or other employees of a legislative body or to government officials or employees who participate in the formulation of legislation or other orders. The amount indicated in the statement of work provided for payment of up to \$100,000 in lobbying activity.

Cause and Effect: As a result of the unallowable activities being included in the statement of work, the Department charged lobbying costs against federal funds. Through inspection of the invoices provided by the Department relating to this vendor, it was also discovered that voucher 463351, for \$3,000 was included in federal expenditures in duplicate, once in fiscal year 2022’s SEFA and again in fiscal year 2023’s SEFA. Due to not receiving detailed supporting schedules of related FFR’s it is not known if the Department was reimbursed twice for this single voucher.

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) assistance listing 93.323:

Voucher	Supplier	Date	Account	Activity	PO ID	Amount
465771	221538	8/29/2022	515490	FEES	3409024811	5,614.00
462826	221538	7/11/2022	515490	FEES	3409024811	18,000.50
463350	221538	7/20/2022	515490	FEES	3409024811	172,009.16
463351	221538	7/20/2022	515490	FEES	3409024811	3,000.00
465481	221538	8/24/2022	515490	FEES	3409024811	270,313.14

Voucher 465771 invoice included line items discussing campaign check ins, and it cannot be determined whether this could relate to lobbying activities. The invoice also includes various client communications and consulting. Voucher 462826’s invoice detail is similarly vague with consulting and project updates.

Vouchers 463350 and 465481 appear to be solely for radio and television advertising, thus these invoices appear allowable based on the compliance supplement stating “recruiting and enrolling providers” along with the language which identifies key activities of 93.268 to include implementing community engagement strategies to promote COVID vaccination; however, lobbying activities could exist within the invoicing that is not specifically called out.

Due to the qualitative impact of utilizing federal funds for a statement of work containing lobbying activities and not clearly being able to decipher which invoices the cited \$100,000 of lobbying activity was paid, the Department is considered noncompliant with 2 CFR §200.403.

Recommendation: We recommend a more thorough review of the statements of work occur to prevent unallowable activities when authorizing a purchase order funded by federal sources.

Views of Responsible Official(s)

Contact Person: Stefan Von Dollen

Anticipated Completion Date: 6/30/24

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

OKLAHOMA HEALTH CARE AUTHORITY

FINDING NO: 2023-003 (Repeat 2022-002)

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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

FEDERAL AWARD NUMBER: 2205OK5MAP and 2305OK5MAP

FEDERAL AWARD YEAR: 2022 and 2023

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

QUESTIONED COSTS: \$603

Criteria: 45 CFR § 75.403 *Factors affecting allowability of costs* states in part, “Costs must...(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, and (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items, and (g) Be adequately documented.”

Condition and Context: Medical payments are direct medical costs that are initiated by the provider based on services rendered through the Medicaid Management Information System (MMIS). Based on a medical professional’s review of 114 medical claims initiated by the provider for Medical Assistance Program (MAP) recipients, we noted the following:

- One claim had a payment error totaling \$768, of which \$603 (\$768 x the applicable Federal Medical Assistance Percentage (FMAP) rate (78.56% for QE 12/31/22)) is the federal questioned costs. The medical records were missing support for two procedure codes billed on the claim resulting in an overpayment. The federal portion of this claim will result in questioned costs.
- Additionally, three claims had documentation errors. Two claims reported the wrong rendering provider, and the third claim was missing a signature page for a treatment plan. None of these claims resulted in an underpayment or overpayment.

Cause: Providers submitted claims through the MMIS that did not meet MAP program requirements. In addition, since all provider claims are not scanned in the system, the only way these exceptions are detected are through audits or reviews.

Effect: The Oklahoma Health Care Authority (OHCA) may be paying for services that were not properly supported by medical records.

Recommendation: We recommend OHCA investigate the MAP medical exceptions noted and make any processing changes possible to ensure MAP claims are meeting program requirements.

Views of Responsible Official(s)

Contact Person: Kristine West, Senior Director of Program Integrity and Accountability

Anticipated Completion Date: 4/30/25

Corrective Action Planned: The Oklahoma Health Care Authority agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-004 (Repeat 2022-004)

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: 2205OK5021 and 2305OK5021

FEDERAL AWARD YEAR: 2022 and 2023

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

QUESTIONED COSTS: \$654

Criteria: 45 CFR § 75.403 *Factors affecting allowability of costs* 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

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to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items, and (g) Be adequately documented.”

Condition and Context: Medical payments are direct medical costs that are initiated by the provider based on services rendered through the Medicaid Management Information System (MMIS). Based on a medical professional’s review of 115 medical claims initiated by the provider for Children’s Health Insurance Program (CHIP) recipients, we noted the following:

Four claims had payment errors totaling \$810, of which \$654 (\$90 x the applicable Federal Medical Assistance Percentage (FMAP) rate (81.49% for QE 12/31/22 & 3/31/23) and \$720 x the applicable Federal Medical Assistance Percentage (FMAP) rate (80.65% for QE 6/30/23)) is the federal questioned costs:

- Two claims billed greater units than the medical records supported.
- One claim was for an annual evaluation that lacked supporting documentation.
- One claim was improperly billed to the wrong recipient.

Cause: Providers submitted claims through the MMIS that did not meet CHIP program requirements. In addition, since all provider claims are not scanned in the system, the only way these exceptions are detected are through audits or reviews.

Effect: The Oklahoma Health Care Authority (OHCA) may be paying for services that were not properly supported by medical records.

Recommendation: We recommend OHCA investigate the CHIP medical exceptions noted and make any processing changes possible to ensure CHIP claims are meeting program requirements.

Views of Responsible Official(s)

Contact Person: Kristine West, Senior Director of Program Integrity and Accountability

Anticipated Completion Date: 4/30/25

Corrective Action Planned: The Oklahoma Health Care Authority agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-008 (Partial Repeat 2022-020)

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

FEDERAL AWARD NUMBER: 2205OK5MAP and 2305OK5MAP

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 2 CFR §200.510(b) states, “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...”

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

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

Condition and Context: Based upon testwork performed on GAAP Package Z – Schedule of Expenditures of Federal Awards, we noted the following:

- The Medicaid Total Federal Expenditures were recorded at \$6,834,862,243 but should have been \$6,924,986,911.
- The MAP transfers to other state agencies were recorded at \$54,891,475 but should have been \$55,042,431.

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- We performed procedures to reconcile the total Federal draws made during SFY 2023 according to the Payment Management System (PMS) against the total of Federal Grants Revenue reported on CTB per Statewide Accounting System. We noted a variance of \$8,452,464. This amount represents a reimbursement from the Department of Mental Health to OHCA for disallowed federal expenditures.

Cause: We noted the following:

- Medicaid Total Federal Expenditures were incorrectly transferred from the “CAFR Package Z Federal Expenditures” worksheet to the GAAP Package Z. The variance occurred because the Medicaid Total Federal Expenditures amount failed to include the administrative portion of the Medicaid Total Federal Expenditures as well as interest received.
- MAP transfers to other state agencies were not calculated correctly on the “Schedule of Expenditures of Federal Awards – Transferred” worksheet. The variance occurred because a transfer to the Oklahoma Department of Education was not included in the total for MAP transfers.
- OHCA misinterpreted the intended use of these reimbursement funds and improperly classified them as federal funds.

Effect: Medicaid Total Federal Expenditures were understated by \$90,124,668 and the ending Federal Cash Balance was overstated by \$90,275,624.

The classification error resulted in an \$8,452,464 overstatement of Federal Revenue in the Statewide Accounting System. In addition, the overstatement carried through to GAAP Package Z for ALN # 93.778 Medical Assistance Program Revenue and Federal Expenditures.

Recommendation: We recommend OHCA continue to work to strengthen their review and reconciliation controls related to the accuracy of data reported for GAAP Pkg. Z – Schedule of Expenditures of Federal Awards.

We also recommend the Authority ensure that federal funds are properly classified in order to report total federal funds correctly in all systems.

Views of Responsible Official(s)

Contact Person: Calvin Cole, Financial Manager III

Anticipated Completion Date: 10/31/24

Corrective Action Planned: The Oklahoma Health Care Authority agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-009

STATE AGENCY: Oklahoma Health Care Authority (OHCA)

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: 2205OK5021 and 2305OK5021

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 2 CFR §200.510(b) states, “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...”

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

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

Condition and Context: Based upon testwork performed on GAAP Package Z – Schedule of Expenditures of Federal Awards, we noted the following:

Schedule of Findings And Questioned Costs

- The CHIP Total Federal Expenditures were reported at \$90,338,494 but should have been \$254,259,621.
- The CHIP (Covid) Total Federal Expenditures were reported at \$12,526,052 but should have been \$12,516,975.
- The CHIP transfers to other state agencies were reported at \$300,933 but should have been \$20,397.

Cause: We noted the following:

- The CHIP Total Federal Expenditures were incorrectly transferred from the “CAFR Package Z Federal Expenditures” worksheet to the GAAP Package Z. The variance occurred because the MAP administrative expenditure amount was carried forward from the supporting worksheet instead of the CHIP total expenditures. Additionally, we noted three errors in the CHIP supporting documentation.
- The CHIP (Covid) Total Federal Expenditures were recorded incorrectly due to an incorrect supporting figure on the CMS 21 Reconciliation worksheet.
- The CHIP transfers to other state agencies were not calculated correctly on the “Schedule of Expenditures of Federal Awards – Transferred” worksheet. The variance occurred because the “2022 CMS 21 HSI Breakout worksheet” was erroneously carried forward from the prior year instead of using the 2023 worksheet.

Effect: The errors on the GAAP Package Z resulted in the following:

- CHIP Total Federal Expenditures were understated by \$163,921,127.
- CHIP (Covid) Total Federal Expenditures were overstated by \$9,078.
- CHIP transfers to other state agencies were overstated by \$280,536.

Recommendation: We recommend OHCA continue to work to strengthen their review and reconciliation controls related to the accuracy of data reported for GAAP Pkg. Z – Schedule of Expenditures of Federal Awards.

Views of Responsible Official(s)

Contact Person: Calvin Cole, Financial Manager III

Anticipated Completion Date: 10/31/2024

Corrective Action Planned: The Oklahoma Health Care Authority agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-016 (Repeat 2022-006; Partial Repeat 2022-039)

STATE AGENCY: Oklahoma Health Care Authority (OHCA)

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster

FEDERAL AWARD NUMBER: 2205OK5MAP; 2305OK5MAP

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Special Tests and Provisions – Refunding of Federal Share of Medicaid Overpayments to Providers; Utilization Control

QUESTIONED COSTS: \$223,165

Criteria: 45 CFR §75.303 states, “The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

42 CFR § 433.304 *Definitions* states, “*Discovery* (or *discovered*) means identification by any State Medicaid agency official or other State official, the Federal Government, or the provider of an overpayment, and the communication of that overpayment finding or the initiation of a formal recoupment action without notice as described in § 433.316.”

42 CFR § 433.304 *Definitions* states, “*Final written notice* means that written communication, immediately preceding the first level of formal administrative or judicial proceedings, from a Medicaid agency official or other State official

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that notifies the provider of the State's overpayment determination and allows the provider to contest that determination, or that notifies the State Medicaid agency of the filing of a civil or criminal action.”

42 CFR § 433.312 *Basic Requirements for Refunds* states in part, “(a) Basic rules.

(1) ... the State Medicaid agency has 1 year from the date of discovery of an overpayment to a provider to recover or seek to recover the overpayment before the Federal share must be refunded to CMS.

(2) The State Medicaid agency must refund the Federal share of overpayments at the end of the 1-year period following discovery in accordance with the requirements of this subpart, whether or not the State has recovered the overpayment from the provider.

42 CFR § 433.316(a) *General rule* states, “The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.”

42 CFR § 433.316(b) *Requirements for notification* states, “Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.”

42 CFR § 433.316(c) *Overpayments resulting from situations other than fraud* states, “An overpayment resulting from a situation other than fraud is discovered on the earliest of - -

(1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;

(2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the Medicaid agency; or

(3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.”

42 CFR § 433.316(h) *Effect of administrative or judicial appeals* states, “Any appeal rights extended to a provider do not extend the date of discovery.”

42 CFR § 433.320 *Procedures for Refunds to CMS* states, “(a) Basic Requirements.

(1) The agency must refund the Federal share of overpayments that are subject to recovery to CMS through a credit on its Quarterly Statement of Expenditures (Form CMS-64).

(2) The agency must credit CMS with the Federal share of overpayments subject to recovery on the earlier of -

(i) The Form CMS-64 submission due to CMS for the quarter in which the State recovers the overpayment from the provider; or

(ii) The Form CMS-64 due to CMS for the quarter in which the 1-year period following discovery, established in accordance with § 433.316, ends.

(3) A credit on the Form CMS-64 must be made whether or not the overpayment has been recovered by the State from the provider.

(4) If the State does not refund the Federal share of such overpayment as indicated in paragraph (a)(2) of this section, the State will be liable for interest on the amount equal to the Federal share of the non-recovered, non-refunded overpayment amount. Interest during this period will be at the Current Value of Funds Rate (CVFR), and will accrue beginning on the day after the end of the 1-year period following discovery until the last day of the quarter for which the State submits a CMS-64 report refunding the Federal share of the overpayment.”

Condition and Context: Based on our review of the overpayment records, an overpayment of \$283,296, of which \$219,158 (\$283,296 x the applicable Federal Medical Assistance Percentage (FMAP) rate (77.36% for QE 06/30/23)) is the federal questioned costs, was identified by OHCA, however, the overpayment was not refunded on the CMS-64 as required.

Additionally, we noted that for 3 of 65 (4.62%) overpayments totaling \$1,223,351, the Authority did report the overpayments on the CMS 64, however, the overpayment was not properly recorded on the CMS -64.9C1 within one

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year of the discovery date as required per 42 CFR § 433.316 (c) and, the overpayment was not refunded to CMS within one year of the discovery date as required per 42 CFR § 433.320. These will not result in questioned costs.

Finally, of the 123 Service Quality Reviews performed during SFY 2023 resulting in recoupment requests totaling \$189,120.27, we sampled 13 totaling \$51,650.93 and noted the following:

- For one of 13 (7.69%) Service Quality Reviews, the number of days from when the date the supervisor spreadsheet check was performed per the audit grid to when the accounts receivable was set up was not timely. The date of the supervisor spreadsheet check was 5/17/23 and the account receivable was set up on 11/18/24, which is 551 days after the supervisor spreadsheet check. The recoupment requested totaled \$5,180, of which \$4,007 (\$5,180 x the applicable Federal Medical Assistance Percentage (FMAP) rate (77.36% for QE 06/30/23)) is the federal questioned costs., and the overpayment was not refunded on the CMS-64 as required.

Cause: The Authority's staff did properly monitor MAP overpayments to ensure they are properly recouped and/or reported on the CMS 64.

Additionally, the Authority did not send the recoupment to the Finance department to set up an accounts receivable and, did not adequately track the status of accounts receivables on the audit grid spreadsheet.

Effect: MAP overpayments were not reported in compliance with 42 CFR § 433.316. Also, when refunding overpayments past the allowable period as indicated in 42 CFR § 433.320(a)(2), the Authority could be liable for interest as outlined at 42 CFR § 433.320(a)(4).

Recommendation: We recommend the Authority develop policies and procedures to ensure identified overpayments are monitored to ensure they are properly recouped and/or reported on the CMS 64.

Views of Responsible Official(s)

Contact Person: Kristine West, Sr. Director of Program Integrity & Accountability

Anticipated Completion Date: 3/31/25

Corrective Action Planned: The Oklahoma Health Care Authority agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-020

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: Medical Assistance Program (MAP)

FEDERAL AWARD NUMBER: 2205OK5MAP and 2305OK5MAP

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Allowable Costs/Cost Principles; Level of Effort

QUESTIONED COSTS: \$0

Criteria: 45 CFR §75.303 states, "The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

American Rescue Plan Act of 2021 (ARP) § 9817 (b) states in part, "(b) State Requirements for FMAP Increase.--As conditions for receipt of the increase under subsection (a) to the Federal medical assistance percentage determined for a State, the State shall meet each of the following requirements (referred to in subsection (a) as the HCBS program requirements): (1) ... Supplement, not supplant.-- The State shall use the Federal funds attributable to the increase

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under subsection (a) to supplement, and not supplant, the level of State funds expended for home and community-based services for eligible individuals through programs in effect as of April 1, 2021. ...

State Medicaid Director Letter #21-003 states in part, ... “CMS expects states to demonstrate compliance with section 9817 of the ARP, beginning April 1, 2021, and until the state funds equivalent to the amount of federal funds attributable to the increased FMAP are fully expended. To demonstrate compliance with the requirement not to supplant existing state funds expended for Medicaid HCBS, states must:

- Not impose stricter eligibility standards, methodologies, or procedures for HCBS programs and services than were in place on April 1, 2021;
- Preserve covered HCBS, including the services themselves and the amount, duration, and scope of those services, in effect as of April 1, 2021; and
- Maintain HCBS provider payments at a rate no less than those in place as of April 1, 2021.

CMS requires participating states to submit both an initial and quarterly HCBS spending plan and narrative to CMS on the activities that the state has implemented and/or intends to implement to enhance, expand, or strengthen HCBS under the Medicaid program to demonstrate that the state is supplementing, but not supplanting, existing state funds expended for Medicaid.”

SFY 23 Compliance Supplement, ALN #93.778, Section 4, Part B, #7, states in part, ... “Discrepancies between what the state reported spending on its Spending Plan and documentation of actual spending would constitute a potential violation of the 9817 requirements that states must use the state funds equivalent to the amount of federal funds attributable to the increased FMAP to implement or supplement existing state funds expended for Medicaid HCBS.”

Condition and Context: OHCA’s revised 4th quarter 2023 spending plan reported \$31,026,692 in expenditures, a variance of \$1,788,661 from the \$32,815,353 total of the Agency’s expenditure support for SFY23, which overstates the remaining amount of available funds attributable to the increased federal medical assistance percentage (FMAP). Additionally, we noted that the first three quarterly spending plans submitted during SFY23 were not updated with any actual expenditures for the state’s activities to enhance, expand, or strengthen home and community-based services (HCBS) under the state Medicaid program.

Cause: OHCA lacked proper review and approval processes to ensure accurate information was entered on the spending plan.

Effect: OHCA may not be reporting all eligible expenditures for the state’s activities to enhance, expand, or strengthen HCBS under the state Medicaid program from April 1, 2021, and until the state funds equivalent to the funds attributable to the increased FMAP are fully expended. Also, the SFY 23 Compliance Supplement, Assistance Listing #93.778, Section 4, Part B, #7 states in part, “Discrepancies between what the state reported spending on its Spending Plan and documentation of actual spending would constitute a potential violation of the 9817 requirements that states must use the state funds equivalent to the amount of federal funds attributable to the increased FMAP to implement or supplement existing state funds expended for Medicaid HCBS.

Recommendation: We recommend OHCA continue to work to strengthen their review and reconciliation controls related to the accuracy of data reported on the ARPA Spending Plans.

Views of Responsible Official(s)

Contact Person: David Ward, Senior Director of Sooner Care Operations

Anticipated Completion Date: 10/31/24

Corrective Action Planned: The Oklahoma Health Care Authority agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-024 (Repeat 2022-054)

STATE AGENCY: Oklahoma Health Care Authority (the Authority)

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.778;93.767

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

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FEDERAL AWARD NUMBER: 2205OK5MAP and 2305OK5MAP; 2205OK5021 and 2305OK5021

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0

Criteria: 45 CFR §75.303 states, “The non-Federal entity must:(a) Establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

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

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

OAC 317:35-5-42(a)(7) states, “The individual's statement regarding the source and amount of available income must be verified at application, renewal, and when changes occur by...(B) Automated data exchange with other agencies such as Beneficiary and Earnings Data Exchange System (BENDEX); Supplemental Security Income (SSI)/State Data Exchange System (SDX), or UIB.

OAC 340:65-3-4 (4) states, “Automated data exchange provides household members' benefit status, wages, income, taxes, Social Security numbers, incarceration status, current address, and death information to OKDHS. Data matches allow eligibility staff to consult this information when making an eligibility decision during an application or renewal or to identify unreported changes.

Condition and Context: The Authority delegates OKDHS to determine eligibility for non-MAGI (modified adjusted gross income) recipients. OKDHS utilizes automated data exchange information obtained from other agencies to verify the information provided by recipients.

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

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

DATA EXCHANGE JOB/TRANSMISSION JOB	OWNER	FREQUENCY	DEVIATION FROM SCHEDULED FREQUENCY
CB077M - Process the IRS return file to IMS	IRS	Monthly	February 2023 – OKDHS received file from IRS but the job failed to run for an unknown reason.
CB397MX - Sends file to SSA	IRS	Monthly	June 2023 – Job ran but ended abnormally before it could finish.

In addition, we also determined that OKDHS did not run any data exchange jobs with the Oklahoma Lottery Commission to determine eligibility.

Cause: The Authority lacked appropriate oversight over the data exchange jobs (delegated to OKDHS and run by OMES) resulting in inadequate controls over the data exchange process to ensure jobs are ran at the frequency required.

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Effect: Non-compliance with the Code of Federal Regulations (CFRs) and The Authority's Policy OAC 317:35-5-42 and OKDHS Policy OAC 340:65-3-4 (4), which could result in payment of Medicaid benefits to ineligible recipients.

Recommendation: To comply with the CFRs and the Authority's Policy OAC 317:35-5-42 and OKDHS Policy OAC 340:65-3-4 (4), we recommend the Authority review internal control policy and procedures over data exchange jobs and update as necessary to ensure they are operating effectively so that data exchange jobs are run at the frequently required and issues noted are addressed in a timely manner.

Views of Responsible Official(s)

Contact Person: Jeff Rosenberry, OKDHS Programs Administrator; April Anonsen, Deputy State Medicaid Director; Ginger Clayton, OHCA Director of Member Audits

Anticipated Completion Date: 5/31/25

Corrective Action Planned: The Oklahoma Health Care Authority agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-030 (Partial Repeat #2022-039)

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster (MAP)

FEDERAL AWARD NUMBER: 2205OK5MAP and 2305OK5MAP

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Special Tests and Provisions –Medicaid Fraud Control Unit (MFCU)

Criteria: 45 CFR §75.303 states, “The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

42 CFR § 455.21 *Cooperation with State Medicaid fraud control units*, states in part, “In a State with a Medicaid fraud control unit established and certified under subpart C of this part...(c) The agency must enter into a written agreement with the unit under which:... (3) The agency and the unit will agree to—(i) Establish a practice of regular meetings or communication between the two entities; (ii) Establish procedures for how they will coordinate their efforts;...”

SFY 23 Compliance Supplement, ALN #93.778, Section 4, Part N6 Audit Objective states in part, “Determine whether the state has established and implemented procedures to: (1) identify suspected fraud cases; (2) investigated these cases; and (3) referred credible allegations of fraud cases to the MFCU, ...and to ensure that the state accurately reports overpayment recoveries resulting from MFCU activities on the CMS-64 in accordance with sections 1903(d)(2)(C) and (D) of the Act.

42 CFR § 433.300 *Basis* states in part, “This subpart implements - ... (b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.”

42 CFR § 433.304 *Definitions* states, “*Discovery* (or *discovered*) means identification by any State Medicaid agency official or other State official, the Federal Government, or the provider of an overpayment, and the communication of that overpayment finding or the initiation of a formal recoupment action without notice as described in § 433.316.”

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42 CFR § 433.304 *Definitions* states, “*Final written notice* means that written communication, immediately preceding the first level of formal administrative or judicial proceedings, from a Medicaid agency official or other State official that notifies the provider of the State's overpayment determination and allows the provider to contest that determination, or that notifies the State Medicaid agency of the filing of a civil or criminal action.”

42 CFR § 433.312 *Basic Requirements for Refunds* states in part, “(a) Basic rules.

(1) ... the State Medicaid agency has 1 year from the date of discovery of an overpayment to a provider to recover or seek to recover the overpayment before the Federal share must be refunded to CMS.

(2) The State Medicaid agency must refund the Federal share of overpayments at the end of the 1-year period following discovery in accordance with the requirements of this subpart, whether or not the State has recovered the overpayment from the provider.

42 CFR § 433.316(a) *General rule* states, “The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.”

42 CFR § 433.316(b) *Requirements for notification* states, “Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.”

42 CFR § 433.316(d) *Overpayments resulting from fraud* states,

(1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.”

(2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

42 CFR § 433.316(h) *Effect of administrative or judicial appeals* states, “Any appeal rights extended to a provider do not extend the date of discovery.”

42 CFR § 433.320 *Procedures for Refunds to CMS* states, “(a) Basic Requirements.

(1) The agency must refund the Federal share of overpayments that are subject to recovery to CMS through a credit on its Quarterly Statement of Expenditures (Form CMS-64).

(2) The agency must credit CMS with the Federal share of overpayments subject to recovery on the earlier of -

(i) The Form CMS-64 submission due to CMS for the quarter in which the State recovers the overpayment from the provider; or

(ii) The Form CMS-64 due to CMS for the quarter in which the 1-year period following discovery, established in accordance with § 433.316, ends.

(3) A credit on the Form CMS-64 must be made whether or not the overpayment has been recovered by the State from the provider.

(4) If the State does not refund the Federal share of such overpayment as indicated in paragraph (a)(2) of this section, the State will be liable for interest on the amount equal to the Federal share of the non-recovered, non-refunded overpayment amount. Interest during this period will be at the Current Value of Funds Rate (CVFR), and will accrue beginning on the day after the end of the 1-year period following discovery until the last day of the quarter for which the State submits a CMS-64 report refunding the Federal share of the overpayment.”

Condition and Context: Based on review of the overpayment records, it appears the Authority only reports MFCU overpayments when they receive notice of actual collections from MFCU, instead of monitoring the fraud related cases to ensure they are refunded to CMS within 1 year of discovery (Final Written Notice) or, if no final determination of the amount of the overpayment has been made within 1 year of discovery, within 30 days after the date on which a

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final judgment (including, if applicable, a final determination on an appeal) is made. Because complete data was not available to identify overpayments that have not been reported at 6/30/2023, and interest on those not reported timely, SAI was unable to calculate possible questioned costs.

In addition, the Authority did not identify and track the status of MAP overpayments referred to and adjudicated by the MFCU.

Cause: The Authority has not established adequate policies and procedures to track the status of fraud related cases reported to the MFCU.

The Authority's staff has no system in place to properly monitor MAP overpayments to ensure they are properly reported on the CMS 64.

Effect: MAP overpayments were not reported in compliance with 42 CFR § 433.316. Also, when refunding overpayments past the allowable period as indicated in 42 CFR § 433.320(a)(2), the Authority could be liable for interest as outlined at 42 CFR § 433.320(a)(4).

Recommendation: We recommend the Authority develop policies and procedures to ensure identified overpayments referred to the MFCU are monitored and tracked to ensure they are properly reported on the CMS 64.

Views of Responsible Official(s)

Contact Person: Kristine West, Senior Director of Program Integrity and Accountability

Anticipated Completion Date: 1/31/2025

Corrective Action Planned: The Oklahoma Health Care Authority agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-037 (Repeat 2022-025)

STATE AGENCY: Oklahoma Health Care Authority (the 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; Medicaid Cluster

FEDERAL AWARD NUMBER: 2205OK5021 and 2305OK5021; 2205OK5MAP and 2305OK5MAP

FEDERAL AWARD YEAR: 2022 and 2023

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

QUESTIONED COSTS: \$55

Criteria: 45 CFR §75.303 states, "The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

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

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

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Oklahoma Administrative Code (OAC) 317:35 contains the State's administrative code applicable to Medicaid eligibility. The specific OAC sections applicable to this finding are listed below.

- OAC 317:35-6-60.1 (c)
- OAC 317:35-10-26

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

Condition and Context: Medicaid MAGI (Modified Adjusted Gross Income) and CHIP MAGI eligibility are determined using the same methodology.

We tested a non-statistical sample of 73 Medicaid MAGI beneficiaries for Medicaid eligibility requirements using the documentation in the Authority's eligibility case records. The universe included 1,216,879 Medicaid MAGI beneficiaries with 22,303,031 medical claims and 19,338,791 capitation payments totaling \$5,450,469,875.09. We sampled one medical claim or capitation payment tied to a specific date of service per beneficiary tested. Tested medical claims and capitation payments for sampled beneficiaries totaled \$51,466.55.

- For one (1.37%) of 73 cases tested, unverified income previously reported by the applicant was erroneously removed from the case by a workorder designed to remove old income that has not been recently matched by the OESC data exchange. This workorder should only remove income that has previously matched through OESC but no longer matches.

We tested a non-statistical sample of 73 Medicaid Non-MAGI beneficiaries for Medicaid eligibility requirements using the documentation in the Authority's eligibility case records. The universe included 184,501 Medicaid Non-MAGI beneficiaries with 9,790,790 medical claims and 2,231,476 capitation payments totaling \$2,635,622,799.99. We sampled one medical claim or capitation payment tied to a specific date of service per beneficiary tested. Tested medical claims and capitation payments for sampled beneficiaries totaled \$14,561.85.

- For one (1.37%) of 73 cases tested, DHS did not perform the required five-year lookback for bank statement transfers.
- For 61 (83.56%) of 73 cases tested, DHS failed to notify the beneficiaries' of their most recent eligibility determination.

We tested a non-statistical sample of 73 CHIP MAGI beneficiaries for Medicaid eligibility requirements using the documentation in the Authority's eligibility case records. The universe included 258,444 Medicaid MAGI beneficiaries with 2,380,744 medical claims and 2,142,151 capitation payments totaling \$444,179,095. We sampled one medical claim or capitation payment tied to a specific date of service per beneficiary tested. Tested medical claims and capitation payments for sampled beneficiaries totaled \$10,446.75.

- Two of 73 cases tested were claims for a child on the Soon-to-be-Sooners (STBS) program, and therefore were not subject to the PHE continuous enrollment requirement. For one (50%) of two cases tested, OHCA failed to perform post enrollment verification of income during the eligibility period applicable to the claim date of service. The applicant and/or their spouse lacked a SSN or other personal identifier to compare self-reported income to a data exchange. In addition, no further evidence was obtained for verifying the income. *Since the case records did not include the required documentation to support the eligibility determination, the payments made on behalf of these recipients could be considered improper payments.*

We tested a non-statistical sample of 50 CHIP Non-MAGI (TEFRA) beneficiaries for Medicaid eligibility requirements using the documentation in the Authority's eligibility case records. The universe included 245 CHIP Non-MAGI beneficiaries with 17,127 medical claims and 540 capitation payments totaling \$5,107,358.24. We sampled one medical claim or capitation payment tied to a specific date of service per beneficiary tested. Tested medical claims and capitation payments for sampled beneficiaries totaled \$10,431.31.

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- For 35 (70%) of 50 cases tested, DHS failed to notify the beneficiaries of their most recent eligibility determination.

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

The Authority lacked adequate internal controls over initial Non-MAGI eligibility determinations.

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

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

Views of Responsible Official(s)

Contact Person: Chris Dees, Eligibility and Coverage Services Technical Director; April Anonsen, Deputy State Medicaid Director; Ginger Clayton, OHCA Director of Member Audits; Aubrey McDonald, OKDHS Medicaid Program Administrator

Anticipated Completion Date: 8/31/25

Corrective Action Planned: The Oklahoma Health Care Authority agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-071 (Repeat 2022-029)

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.778

FEDERAL PROGRAM NAME: Medicaid Cluster

FEDERAL AWARD NUMBER: 2205OK5MAP and 2305OK5MAP

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Eligibility

Criteria: 45 CFR 205.51(A) states in part, "A State plan under title I, IV-A, X, XIV or XVI (AABD) of the Social Security Act must provide that there be an Income and Eligibility Verification System in the State."

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

OAC 340:65-3-4 Instructions to Staff 18 states in part, "Data exchange information is routinely compared with OKDHS records. When discrepant information is detected, discrepancy messages post to IMS automatically. These messages are accessible by using transactions G1DX, G3, and PY. All discrepancy messages must be cleared using the DXD transaction within 45-calendar days of the error posting."

Condition and Context: We reviewed the SFY 2023 (July 1, 2022 – June 30, 2023) G1DX Exception and Clearance Reports to determine whether data exchange discrepancy (exception) messages were resolved within the required 45 calendar days of the date the message was posted on the data exchange inquiry screen. Because the method used to compile the discrepancy messages did not differentiate by program, the messages were reviewed at the error type level. Therefore, the discrepancies listed below are a culmination of multiple programs and may not apply to each program individually. We noted 23,622 of a total of 27,679 exceptions, or 85.34%, were not resolved within the required 45 calendar day period as noted in the following schedule.

Schedule of Findings And Questioned Costs

ERROR TYPE	OPEN & RESOLVED G1DX EXCEPTIONS OVER 45 DAYS	TOTAL OPEN & RESOLVED G1DX EXCEPTIONS	% OF EXCEPTIONS OVER 45 DAYS
BEN	1,547	1,894	81.68%
CSE	789	1,257	62.77%
DOD	3	4	75.00%
ENU	2,891	3,219	89.81%
IEV	785	888	88.40%
NNH	8,684	9,834	88.31%
OWG	1,474	2,045	72.08%
PRS	185	226	81.86%
SDX	2,424	2,814	86.14%
SNH	4,538	5,105	88.89%
UIB	302	393	76.84%
TOTAL	23,622	27,679	85.34%

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

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

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

Effect: Program benefits could be provided to ineligible individuals.

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

Views of Responsible Official(s):

Oklahoma Human Services recognizes the ongoing challenges and is committed to addressing them through both manual interventions and systematic improvements. We are actively working with our IT department to resolve system issues that prevent automatic loading of workflows and anticipate these corrections will greatly reduce the manual workload and potential for errors.

Contact Person:

Jennifer McSparrin, Programs Administrator of Business Intelligence; April Anonsen, Deputy State Medicaid Director; Ginger Clayton, Director of Member Audits

Anticipated Completion Date:

The backlog resolved by 06/01/2025. System queue management functionality resolved by 09/30/2025.

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

Schedule of Findings And Questioned Costs

OKLAHOMA DEPARTMENT OF HUMAN SERVICES

FINDING NO: 2023-006 (Repeat Finding 2022-018)

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.658

FEDERAL PROGRAM NAME: Foster Care – Title IV-E

FEDERAL AWARD NUMBER: 2201OKFOST and 2301OKFOST

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 45 CFR §75.303(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 §200.1 Definitions, “Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. *A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract* [emphasis added].”

2 CFR §200.332 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.

(i) Subrecipient name (which must match the name associated with its unique entity identifier);

(ii) Subrecipient's unique entity identifier;

(iii) Federal Award Identification Number (FAIN);

(iv) Federal Award Date (see the definition of *Federal award date* in [§ 200.1 of this part](#)) of award to the recipient by the Federal agency;

(v) Subaward Period of Performance Start and End Date;

(vi) Subaward Budget Period Start and End Date;

(vii) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;

(viii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;

(ix) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;

(x) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);

(xi) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;

(xii) Assistance Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;

(xiii) Identification of whether the award is R&D; and

(xiv) Indirect cost rate for the Federal award (including if the de minimis rate is charged) per [§ 200.414](#).

(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;

Schedule of Findings And Questioned Costs

(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, 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 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)."

Condition and Context: We tested 10 of the 10 subrecipient contracts and we noted the following exceptions:

- Two of ten (20%) subawards, did not contain the subrecipient's unique entity identifier, federal award identification number, and federal award date.
- One of 10 (10%) subawards, did not include the period of performance in the subaward contract.
- One of 10 (10%) subawards, did not include the AL# on the contract.
- Ten of ten (100%) subawards did not include the indirect cost rate, or if the indirect cost rate was federally recognized.
- Ten of Ten (100%) subawards, did not contain all the information required in accordance with 2CFR section 200.332(a) (1) & (2).

For a sample of 2 of the 10 subrecipients, management confirmed the subrecipient risk assessments were not completed until after the end of the fiscal year and thus were not utilized to determine the appropriate subrecipient monitoring to be performed during the fiscal year for those subrecipients.

Cause: This is a prior audit finding dating back to SFY2017; DHS Management showed some corrective action has been implemented to address identifying the award and applicable requirements or monitoring as required in 2 CFR 200.332. Management does not properly understand the program requirements.

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

Recommendation: We recommend OKDHS further modify its subrecipient agreements and related documentation to ensure all required award identification is provided. Additionally, we recommend OKDHS perform risk assessments on all subrecipients at the start of the fiscal year to determine the level of monitoring necessary.

Views of Responsible Official(s)

Contact Person: Kevin Haddock

Anticipated Completion Date: February 2025

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

Auditor Response:

During audit work, program personnel informed SAI staff, that risk assessments are completed at the fiscal year end when they have final draw amounts. There is no date on the risk assessment so we had to rely on the information provided by program personnel.

FINDING NO: 2023-007 (Repeat Finding 2022-042)

STATE AGENCY: Oklahoma Department of Human Services (DHS)

FEDERAL AGENCY: Department of Health and Human Services

ALN: 10.542

FEDERAL PROGRAM NAME: Pandemic EBT – Food Benefits

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2022 & 2023

Schedule of Findings And Questioned Costs

CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$0

Criteria: GAO Standards for Internal Control in the Federal Government (Green Book), Principle 13 – Use of Quality Information states in part, “13.05 Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary so that the information is quality information. Management uses the quality information to make informed decisions and evaluate the entity’s performance in achieving key objectives and addressing risks.

45 CFR §75.303(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).”

Condition and Context:

Based on procedures performed on 5 of 12 SFY 2023 FNS-292B reports we noted:

- For 2 of 5, or 40%, of reports no amount was entered for New Applicant Households Approved – Total Value of Issuances although report support indicates there were issuances for new applicant households. (August and September 2022)
- For 1 of 5, or 20%, of reports there was no evidence of a review by someone other than the preparer prior to submission. (September 2022)

Based on procedures performed on 5 of 12 SFY 2023 FNS-388 reports, we noted for one report, or 20%, there was no evidence of a review performed by someone other than the preparer prior to submission. (September 2022)

Cause: The process in place to ensure a documented review of the reports by someone other than the preparer to check for accuracy prior to submission was not followed.

Effect: The amount of P-EBT benefits issued and the number cases that received benefits were not correctly reported.

Recommendation: We recommend the Department develop and implement policies and procedures to ensure the PEBT Issuance reports are properly reviewed and approved by someone other than the preparer prior to submission. To ensure accurate reporting, the reviewer should confirm reported numbers are supported by the accounting records.

Views of Responsible Official(s)

Contact Person: Amy Roberts

Anticipated Completion Date: Already completed

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: 2023-023 (Repeat Finding 2022-007)

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: United States Department of Agriculture

ALN: 10.551 / 10.561

FEDERAL PROGRAM NAME: SNAP Cluster

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Special Tests & Provisions – EBT Card Security

QUESTIONED COSTS: \$0

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

7 CFR § 274.8 *Functional and Technical EBT system requirements* states in part “(a) *Functional requirements.* The State agency shall ensure that the EBT system is capable of performing the following functional requirements prior to implementation: ... (2) Providing food benefits to households. (i) Verifying the identity of authorized households or authorized household representatives at issuance terminals or POS;... .”

According to OKDHS’ Electronic Payments Handbook,

- “EBT cards are counted and recorded each and every time the EBT card inventory is accessed. For example, designated staff count and record the EBT card inventory in each of the following circumstances:
 - Upon receipt of new cards (from another office, or the vendor),
 - When removing cards from the bulk inventory in secure storage, and
 - When returning unused cards to secure storage at the end of the day.”
- “Documenting card inventory is completed on the EBT Daily Card Issuance Report ...”
- “At the completion of each day, both the designated EBT staff and their supervisor review and sign the report (the EBT Daily Card Issuance Report)”
- “Retain a copy of the email order and the confirmation reply for verification purposes”
- Returned or Damaged cards must be properly recorded, deactivated, and destroyed under the following procedures:
 - Upon receipt of the card(s), two personnel must complete this process -one staff who destroys the card, and another who witnesses the destruction. Best practice is for the witness to be supervisory level staff.

Best practice includes the security of Electronic Benefit Transaction (EBT) cards, which includes the daily reconciliation of EBT cards, and deactivation of an EBT card prior to destruction.

Condition and Context:

Based on procedures performed on 72 of 250 daily EBT Administrative Activity Reports from SFY 2023 we noted:

- One (1.39%) daily report indicated that there was “CARD PRINTED” activity by an employee who had transitioned from EPS to Childcare prior to the print date.

Based on procedures performed on 72 of 10,240 EBT cards on DHS destruction logs from SFY 2023 we noted:

- Six (8.33%) of the EBT cards were still active after the destruction process.
- One (1.39%) card was destroyed by only one staff member.

Based on procedures performed at 9 of 47 county office locations, we noted:

- Nine (100%) county offices where the cards were not reconciled daily by two staff, (EBT Daily Card Issuance Report) and reconciliations were not mathematically accurate.
- Five (55.56%) county offices where the EBT inventory did not tie to the email request due to e-mails not being retained.
- Seven (77.78%) county offices where there was no dual signature for attestation on form 10EB002E Daily Issuance form for the time period prior to the implementation of ‘the Machine’ a dynamic Microsoft List.

Cause: Internal controls are not in place to ensure OKDHS policies and procedures related to the inventory accounting, unauthorized transfer/issuance, and destruction process of EBT cards are consistently followed by field employees.

Schedule of Findings And Questioned Costs

Effect: EBT cards are at risk of improper use and possible misappropriation of Supplement Nutrition Assistance Program (SNAP) benefits.

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

Views of Responsible Official(s)

Contact Person: Amy Roberts, Deputy Director of AFS

Anticipated Completion Date: 4/18/2025

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

Auditor Response: The unauthorized person who printed a card, may have been allowed to retain access to print cards during the transition period, however the individual transferred to the new position six months prior to printing the card. Allowing an employee to retain access for an extended period of time may lead to a breakdown in internal controls.

FINDING NO: 2023-029

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G2201OKTANF and G2301OKTANF

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Special Tests and Provisions – Adult Custodial Parent of a Child Under Six when Child Care Not Available

QUESTIONED COSTS: \$0

Criteria: 45 CFR § 261.15(a) states in part, “Can a family be penalized if a parent refuses to work because he or she cannot find child care? No, the State may not reduce or terminate assistance based on an individual’s refusal to engage in required work if the individual is a single custodial parent caring for a child under age six who has a demonstrated inability to obtain needed child care.”

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

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

Condition and Context: Based on procedures performed on two TANF cases that contained a single custodial parent caring for a child under six years old and the assistance was terminated, we noted one of the two case files did not contain **Form 08AD092E, Client Contact and Information Request or Family Assistance/Client Services (FACS) case notes** documenting the efforts to contact the individual to determine the cause of the inability to participate in TANF work activity.

Cause: Designed internal controls were not implemented to ensure the efforts to contact the client about the **reasons for their failure to participate were adequately documented.**

Schedule of Findings And Questioned Costs

Effect: Families may be incorrectly penalized if a parent refuses to work because of the inability to obtain needed child care.

Recommendation: We recommend the Department implement controls in place to ensure the efforts to contact single custodial parents caring for a child under six years old to determine the cause of the inability to participate in TANF work activity is adequately documented prior to reducing or terminating assistance.

Views of Responsible Official(s)

Contact Person: Rhonda Archer

Anticipated Completion Date: Ongoing

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: 2023-032

State Agency: Oklahoma Department of Human Services

Federal Agency: Department of Health and Human Services

AL NO: 93.568

Federal Program Name: Low Income Home Energy Assistance Program (LIHEAP)

Federal Award Number: 2022G992201; 2023G992201

Federal Award Year: 2022 and 2023

Control Category: Reporting

Questioned Costs: \$0

Criteria: 2 CFR § 200.303 – *Internal Controls* states in part, “the recipient and subrecipient: (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.”

The Health and Human Services Administration for Children and Families’ *Instructions for Completion of the Quarterly Performance and Management Report for LIHEAP for FFY22* include the following,

1. Section I Total Households assisted: This question requires the recipient to report the total number of households assisted, across all program’s components, during the quarter (or quarters for Quarters 1 & 2 in FY 22).
2. Section II Performance Management: One core purpose of LIHEAP is to ensure that low-income households have access to necessary home energy services. By restoring services to clients who do not currently have access to home energy, the program is eliminating a significant risk to the health and safety of low-income households.
3. Section III Estimated Use of Funds: This section requires the recipient to report use of LIHEAP funding by funding source that has been obligated during each quarter of the current fiscal year. Grant recipients will report the total obligations for each funding source, i.e., FY 2022 LIHEAP Non-Supplemental (regular block grant) funds and the American Rescue Plan (ARP) funds. The obligated funds should be reported as a cumulative total from quarter to quarter.
4. Section IV LIHEAP Program Implementation and Support: This section asks grant recipients to provide information on program implementation and support. The structure of the sections and the questions vary by quarter.

Condition and Context: The LIHEAP Quarterly Performance and Management report was only partially supported by the source data provided for our review. Per Inquiry with the LIHEAP Program Field Representative, OKDHS was unable to provide source data to support the ARPA supplemental and OU In-flight-life-threatening numbers, which are used in the calculation to produce the total number of assisted households on the Quarterly Performance and Management Report.

Schedule of Findings And Questioned Costs

Cause: The data used to determine the ARPA supplemental and OU In-flight-life-threatening numbers on the report are produced by a live database and no snapshot was taken when the reports were created.

Effect: LIHEAP Quarterly Performance and Management reports may not properly reflect actual activity of the LIHEAP program. Because DHS could not support the amounts on the reports, we were unable to verify the number of assisted households was reported correctly.

Recommendation: We recommend OKDHS ensure the data used to calculate the LIHEAP Quarterly Performance and Management Report be saved at the time the report is created.

Views of Responsible Official(s)

Contact Person: Matthew Conley

Anticipated Completion Date: 4/30/2025

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: 2023-054 (Repeat Finding 2022-064)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G2201OKTANF, & G2301OKTANF

FEDERAL AWARD YEAR: 2022 & 2023

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$2,184

Criteria: 45 CFR 264.1(a)(1) states, “Subject to the exceptions in this section, no State may use any of its Federal TANF funds to provide assistance (as defined in §260.31 of this chapter) to a family that includes an adult head-of-household or a spouse of the head-of-household who has received Federal assistance for a total of five years (i.e., 60 cumulative months, whether or not consecutive).”

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

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

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

OAC INSTRUCTIONS TO STAFF 340:10-3-56 5.(c)(1) states, “When the client meets all other eligibility factors and requests a hardship extension, the worker and applicant complete and sign Part I of Form 08TW024E, Extension Request for Temporary Assistance for Needy Families (TANF), during the face-to-face interview.”

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

Schedule of Findings And Questioned Costs

OAC INSTRUCTIONS TO STAFF 340:10-3-56 5.(f)(1) & (2) states, (1) “When the client requests an additional extension, the worker and client complete and sign Part 1 of Form 08TW025E, Extension Review/Disposition. The worker gives Form 08AD092E to the client when additional supporting documentation is needed.” (2) “The worker emails TANF@okdhs.org to request a hardship extension, attaches Form 08TW025E, and images any supporting documentation to the case record. AFS TANF staff reviews the request, completes Part II of Form 08TW025E approving or disapproving the request, and sends Form 08TW025E and all submitted information to the worker.”

Condition and Context: When testing 7 of the 64 TANF cases receiving benefits for more than sixty months, we noted the following:

- Form 08TW025E was not present in the case file documenting approval of a hardship for extension of benefits prior to benefits being awarded for one case (14.29%).
- Form 08TW024E was not present in the case file documenting approval of a hardship for extension of benefits prior to benefits being awarded for one case (14.29%).

Cause: Controls in place are not adequate to ensure OKDHS policies and procedures that require the worker and applicant to complete and sign Part I and Part II of Form 08TW024E, Extension Request for Temporary Assistance for Needy Families or Part I and Part II of Form 08TW025E, Extension Review/Disposition are consistently followed by staff.

Effect: The Department is not in compliance with the above stated internal policies, which may allow ineligible individuals to receive TANF benefits beyond 60 months.

Recommendation: We recommend the Department strengthen internal controls designed to ensure staff follow established policy and procedures addressing the completion, approval, adequate documentation, and retention of requests for TANF hardship extensions.

Views of Responsible Official(s)

Contact Person: Rhonda Archer

Anticipated Completion Date: 04/04/2025

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: 2023-055

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G2201OKTANF

FEDERAL AWARD YEAR: 2022

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

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

Schedule of Findings And Questioned Costs

item, not 40. The State must report all eligible families that were provided the benefit or service, even if just one or two members of the eligible family actually received the benefit.”

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

(1) The name of each program and a description of the major activities provided to eligible families under each such program;

(2) Each program's statement of purpose; (3) If applicable, a description of the work activities in each separate State MOE program in which eligible families are participating; (4) For each program, both the total annual State expenditures and the total annual State expenditures claimed as MOE; (5) For each program, the average monthly total number or the total number of eligible families served for which the State claims MOE expenditures as of the end of the fiscal year; (6) The eligibility criteria for the families served under each program/activity; (7) A statement whether the program/activity had been previously authorized and allowable as of August 21, 1996, under section 403 of prior law; (8) The FY 1995 State expenditures for each program/activity not authorized and allowable as of August 21, 1996, under section 403 of prior law (see § 263.5(b) of this chapter); and (9) A certification that those families for which the State is claiming MOE expenditures met the State's criteria for “eligible families.”

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

Condition and Context: The TANF Supportive Services and TANF Non-Assistance average monthly total number of families served under the program with MOE funds (line 8.c and line 8.e) as reported on the ACF-204 (TANF and State MOE Annual Report) does not agree with supporting documentation. The ACF-204 report is overstated by 11 cases served.

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

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

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

Views of Responsible Official(s)

Contact Person: Rhonda Archer

Anticipated Completion Date: 03/28/2025

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: 2023-060 (Repeat Finding 2022-066)

STATE AGENCY: Oklahoma Department of Human Services (OKDHS)

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1901OKTANF; G2201OKTANF; G2301OKTANF

FEDERAL AWARD YEAR: 2019, 2022, 2023

CONTROL CATEGORY: Level of Effort - Maintenance of Effort

QUESTIONED COSTS: \$0

Schedule of Findings And Questioned Costs

Criteria: 45 CFR §75.303 states, “The non-Federal entity must a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

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

According to Title 45 CFR §263.2(a)(4)(ii), “Pro-family healthy marriage and responsible fatherhood activities enumerated in part IV–A of the Act, sections 403(a)(2)(A)(iii) and 403(a)(2)(C)(ii) that are consistent with the goals at §260.20(c) or (d) of this chapter, but do not constitute “assistance” as defined in §260.31(a) of this chapter.

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

According to the intergovernmental agreement between DHS and the Oklahoma State Regents for Higher Education (OSRHE), “In accordance with this agreement, a 20% match to the Block Grant funding expended by DHS for post-secondary/vocational training programs at local colleges will be provided through OSRHE or local college funds and/or in-kind contributions. In lieu of transfer of matching funds from OSRHE or Local Colleges to DHS, OSRHE will identify the specific amount of matching funds ascertained and that are available for DHS to use as the non-federal share of Block Grant expenditures.” Additionally, “the purpose of this agreement is to set forth a process designed to provide post-secondary/vocational education skills (and/or other necessary skills) needed to gain employment for eligible recipients in the DHS TANF WORK program.

Condition and Context: For a sample of 11 of 108 cases, we noted one case (9.09%) that was not recorded as being placed in a TANF Work activity on the DSD Mainframe ETE screen and/or no documentation was found in the case file for the student's attendance of education activities at one of the OSRHE colleges during SFY 2023.

Cause: Adequate review of the recipients receiving post-secondary/vocational education needed to gain employment through the OKDHS TANF Work program was not performed to ensure qualified expenditures used to meet MOE requirements were made on behalf of TANF eligible families that received the educational and training activities during SFY 2023.

Effect: OSRHE education and training expenditures reported as TANF MOE may have been made to, or on behalf of, ineligible families during SFY 2023.

Recommendation: We recommend the agency design and implement internal controls and develop written policies and procedures to ensure any OSRHE education and training expenditures utilized as TANF MOE have been made to, or on behalf of, TANF eligible families during the period the expenditures were reported.

Views of Responsible Official(s):

Contact Person: Ronda Archer

Anticipated Completion Date: June, 2025

Schedule of Findings And Questioned Costs

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: 2023-068 (Repeat Finding 2022-029)

STATE AGENCY: Oklahoma Department of Human Services (DHS)

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: TANF Program

FEDERAL AWARD NUMBER: G2201OKTANF, G2301OKTANF

FEDERAL AWARD YEAR: 2022 and 2023

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

QUESTIONED COSTS: \$0

Criteria: According to 2 CFR Part 200, Appendix XI, Part 4 applicable to the Temporary Assistance for Needy Families program, each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. Under the state plan the state is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations and adhere to standardized formats and procedures in exchanging information with other programs and agencies.

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

OAC 340:65-3-4 Instructions to Staff 18 states in part, “Data exchange information is routinely compared with OKDHS records. When discrepant information is detected, discrepancy messages post to IMS automatically. These messages are accessible by using transactions G1DX, G3, and PY. All discrepancy messages must be cleared using the DXD transaction within 45-calendar days of the error posting.”

Condition and Context: We reviewed the SFY 2023 (July 1, 2022 – June 30, 2023) G1DX Exception and Clearance Reports to determine whether data exchange discrepancy (exception) messages were resolved within the required 45 calendar days of the date the message was posted on the data exchange inquiry screen. Because the method used to compile the discrepancy messages did not differentiate by program, the messages were reviewed at the error type level. Therefore, the discrepancies listed below are a culmination of multiple programs and may not apply to each program individually. We noted 23,622 of a total of 27,679 exceptions, or 85.34%, were not resolved within the required 45 calendar day period as noted in the following schedule.

ERROR TYPE	OPEN & RESOLVED G1DX EXCEPTIONS OVER 45 DAYS	TOTAL OPEN & RESOLVED G1DX EXCEPTIONS	% OF EXCEPTIONS OVER 45 DAYS
BEN	1,547	1,894	81.68%
CSE	789	1,257	62.77%
DOD	3	4	75.00%
ENU	2,891	3,219	89.81%
IEV	785	888	88.40%
NNH	8,684	9,834	88.31%
OWG	1,474	2,045	72.08%
PRS	185	226	81.86%
SDX	2,424	2,814	86.14%

Schedule of Findings And Questioned Costs

SNH	4,538	5,105	88.89%
UIB	302	393	76.84%
TOTAL	23,622	27,679	85.34%

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

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

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

Effect: Program benefits may be provided to ineligible individuals.

Recommendation: We recommend the Department utilize the monitoring reports created for the G1DX discrepancies that summarize these discrepancies by worker, supervisor, county, and area. These reports allow management to monitor not only the type of discrepancy and length of days outstanding, but also to distinguish who is responsible for clearing the discrepancy within the 45 days allowed under current federal regulation and DHS policy. Additionally, we recommend DHS establish and follow policies and procedures that outline how the monitoring reports should be used and by whom to ensure discrepancies are followed-up on within 45 days.

Views of Responsible Official(s):

Contact Person: Jennifer McSparrin, Programs Administrator of Business Intelligence

Anticipated Completion Date: The backlog will be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.

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: 2023-069 (Repeat Finding 2022-029)

STATE AGENCY: Oklahoma Department of Human Services (DHS)

FEDERAL AGENCY: United States Department of Agriculture

ALN: 10.551

FEDERAL PROGRAM NAME: SNAP Cluster

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Special Tests and Provisions – ADP System for SNAP

QUESTIONED COSTS: \$0

Criteria: 45 CFR 205.51(A) states in part, “A State plan under title I, IV-A, X, XIV or XVI (AABD) of the Social Security Act must provide that there be an Income and Eligibility Verification System in the State.”

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

OAC 340:65-3-4 Instructions to Staff 18 states in part, “Data exchange information is routinely compared with OKDHS records. When discrepant information is detected, discrepancy messages post to IMS automatically. These messages are accessible by using transactions G1DX, G3, and PY. All discrepancy messages must be cleared using the DXD transaction within 45-calendar days of the error posting.”

Schedule of Findings And Questioned Costs

Condition and Context: We reviewed the SFY 2023 (July 1, 2022 – June 30, 2023) G1DX Exception and Clearance Reports to determine whether data exchange discrepancy (exception) messages were resolved within the required 45 calendar days of the date the message was posted on the data exchange inquiry screen. Because the method used to compile the discrepancy messages did not differentiate by program, the messages were reviewed at the error type level. Therefore, the discrepancies listed below are a culmination of multiple programs and may not apply to each program individually. We noted 23,622 of a total of 27,679 exceptions, or 85.34%, were not resolved within the required 45 calendar day period as noted in the following schedule.

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TOTAL	23,622	27,679	85.34%

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

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

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

Effect: Program benefits could be provided to ineligible individuals.

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

Views of Responsible Official(s)

Contact Person: Jennifer McSparrin, Programs Administrator of Business Intelligence

Anticipated Completion Date: The backlog will be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.

Schedule of Findings And Questioned Costs

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: 2023-070 (Repeat Finding 2022-029)

STATE AGENCY: Oklahoma Department of Human Services (DHS)

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.575, 93.596

FEDERAL PROGRAM NAME: CCDF Cluster

FEDERAL AWARD NUMBER: G2201OKCCDF; G2301OKCCDF

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0

Criteria: 45 CFR 205.51(A) states in part, “A State plan under title I, IV-A, X, XIV or XVI (AABD) of the Social Security Act must provide that there be an Income and Eligibility Verification System in the State.”

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

OAC 340:65-3-4 Instructions to Staff 18 states in part, “Data exchange information is routinely compared with OKDHS records. When discrepant information is detected, discrepancy messages post to IMS automatically. These messages are accessible by using transactions G1DX, G3, and PY. All discrepancy messages must be cleared using the DXD transaction within 45-calendar days of the error posting.”

Condition and Context: We reviewed the SFY 2023 (July 1, 2022 – June 30, 2023) G1DX Exception and Clearance Reports to determine whether data exchange discrepancy (exception) messages were resolved within the required 45 calendar days of the date the message was posted on the data exchange inquiry screen. Because the method used to compile the discrepancy messages did not differentiate by program, the messages were reviewed at the error type level. Therefore, the discrepancies listed below are a culmination of multiple programs and may not apply to each program individually. We noted 23,622 of a total of 27,679 exceptions, or 85.34%, were not resolved within the required 45 calendar day period as noted in the following schedule.

ERROR TYPE	OPEN & RESOLVED G1DX EXCEPTIONS OVER 45 DAYS	TOTAL OPEN & RESOLVED G1DX EXCEPTIONS	% OF EXCEPTIONS OVER 45 DAYS
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SNH	4,538	5,105	88.89%
UIB	302	393	76.84%
TOTAL	23,622	27,679	85.34%

Schedule of Findings And Questioned Costs

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

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

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

Effect: Program benefits could be provided to ineligible individuals.

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

Views of Responsible Official(s):

Contact Person: Jennifer McSparrin, Programs Administrator of Business Intelligence

Anticipated Completion Date: The backlog will be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.

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: 2023-072

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G2201OKTANF and G2301OKTANF

FEDERAL AWARD YEAR: 2022 and 2023

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

QUESTIONED COSTS: \$0

Criteria: 45 CFR §205.56 (a)(1)(i) states, “The State agency shall review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the applicant’s or the recipient’s eligibility or the amount of assistance.”

Condition and Context: Based on procedures performed on three of 11 IEVS data exchange jobs, we noted one job (33.33%) that was not run as scheduled (monthly) during SFY 2023. There was no job history for the CB077M job for the months of October 2022 and February 2023.

Cause: The CB077M IEVS Data Exchange job was not run as scheduled, or the job history was not maintained documenting the job was run as scheduled.

Effect: The Department may not have compared data exchange information against information in the case records: TANF benefits may have been paid to ineligible individuals.

Recommendation: We recommend the agency design and implement internal controls and develop written policies and procedures to ensure IEVS Data Exchange jobs are run as scheduled and documentation that supports when the jobs were run is maintained.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Jeff Rosebeary

Anticipated Completion Date: 4/30/2025

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: 2023-073

STATE AGENCY: Oklahoma Department of Human Services (OKDHS)

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G2201OKTANF; G2301OKTANF

FEDERAL AWARD YEAR: 2022 & 2023

CONTROL CATEGORY: Maintenance of Effort

QUESTIONED COSTS: \$2,217,692

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

Title 45 CFR §263.2(b) states, “With the exception of paragraph (a)(4)(ii) of this section, the benefits or services listed under paragraph (a) of this section count only if they have been provided to or on behalf of eligible families. An “eligible family” as defined by the State, must: (1) Be comprised of citizens or non- citizens who: (i) Are eligible for TANF assistance; (ii) Would be eligible for TANF assistance, but for the time limit on the receipt of federally funded assistance; or (iii) Are lawfully present in the United States and would be eligible for assistance, but for the application of title IV of PRWORA; (2) Include a child living with a custodial parent or other adult caretaker relative (or consist of a pregnant individual); and (3) Be financially eligible according to the appropriate income and resource (when applicable) standards established by the State and contained in its TANF plan.”

45 CFR §75.303 states, “The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Condition and Context: The amount reported as CCDF Daycare for MOE assistance does not agree with supporting documentation. The amount reported as CCDF Daycare for MOE assistance is overstated by \$2,217,691.96. The daycare monthly payments worksheet used by the Department to identify the authorized payments for childcare expenditures made to financially eligible families totaled \$6,461,452 however, the Department reported \$8,679,143.96 as CCDF Daycare for MOE assistance ($8,679,143.96 - 6,461,452 = 2,217,691.96$).

Cause: OKDHS personnel reported daycare expenditures as CCDF Daycare for MOE assistance that were provided to families who were not determined income eligible. It appears the amount reported on Line 11.a was not adequately reviewed.

Effect: Childcare expenditures reported as CCDF Daycare for MOE may not have been made to, or on behalf of, TANF eligible families causing TANF MOE to be understated.

Schedule of Findings And Questioned Costs

Recommendation: We recommend the agency design and implement internal controls and develop written policies and procedures to ensure any childcare expenditures utilized as TANF MOE have been made to, or on behalf of, TANF eligible families and are adequately reviewed.

Views of Responsible Official(s)

Contact Person: Kevin Haddock

Anticipated Completion Date: May 2025

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: 2023-074 (Repeat Finding 2022-014)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.575 , 93.596

FEDERAL PROGRAM NAME: CCDF Cluster

FEDERAL AWARD NUMBER: 2201OKCCDF and 2301OKCCDF

FEDERAL AWARD YEAR: 2022 and 2023

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

QUESTIONED COSTS: \$0

Criteria: CFR 45 §98.41 Health and safety requirements states, in part, “(a) Each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements (appropriate to provider setting and age of children served) that are designed, implemented, and enforced to protect the health and safety of children. Such requirements must be applicable to child care providers of services for which assistance is provided under this part. Such requirements, which are subject to monitoring pursuant to §98.42, shall:

(1) Include health and safety topics consisting of, at a minimum:

(i) The prevention and control of infectious diseases (including immunizations); with respect to immunizations, the following provisions apply:

(A) As part of their health and safety provisions in this area, Lead Agencies shall assure that children receiving services under the CCDF are age-appropriately immunized. Those health and safety provisions shall incorporate (by reference or otherwise) the latest recommendation for childhood immunizations of the respective State, territorial, or tribal public health agency.

(B) Notwithstanding this paragraph (a)(1)(i), Lead Agencies may exempt:

(1) Children who are cared for by relatives (defined as grandparents, great grandparents, siblings (if living in a separate residence), aunts, and uncles), provided there are no other unrelated children who are cared for in the same setting.

(2) Children who receive care in their own homes, provided there are no other unrelated children who are cared for in the home.

(3) Children whose parents object to immunization on religious grounds.

(4) Children whose medical condition contraindicates immunization.

(C) Lead Agencies shall establish a grace period that allows children experiencing homelessness and children in foster care to receive services under this part while providing their families (including foster families) a reasonable time to take any necessary action to comply with immunization and other health and safety requirements.

(1) The length of such grace period shall be established in consultation with the State, Territorial or Tribal health agency.

(2) Any payment for such child during the grace period shall not be considered an error or improper payment under subpart K of this part.

(3) The Lead Agency may also, at its option, establish grace periods for other children who are not experiencing homelessness or in foster care.

(4) Lead Agencies must coordinate with licensing agencies and other relevant State, Territorial, Tribal, and local agencies to provide referrals and support to help families of children receiving services during a grace period comply with immunization and other health and safety requirements;

(ii) Prevention of sudden infant death syndrome and use of safe sleeping practices;

(iii) Administration of medication, consistent with standards for parental consent;

Schedule of Findings And Questioned Costs

- (iv) Prevention and response to emergencies due to food and allergic reactions;
- (v) Building and physical premises safety, including identification of and protection from hazards, bodies of water, and vehicular traffic;
- (vi) Prevention of shaken baby syndrome, abusive head trauma, and child maltreatment;
- (vii) Emergency preparedness and response planning for emergencies resulting from a natural disaster, or a man-caused event (such as violence at a child care facility), within the meaning of those terms under section 602(a)(1) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5195a(a)(1)) that shall include procedures for evacuation, relocation, shelter-in-place and lock down, staff and volunteer emergency preparedness training and practice drills, communication and reunification with families, continuity of operations, and accommodation of infants and toddlers, children with disabilities, and children with chronic medical conditions;
- (viii) Handling and storage of hazardous materials and the appropriate disposal of bio contaminants;
- (ix) Appropriate precautions in transporting children, if applicable;
- (x) Pediatric first aid and cardiopulmonary resuscitation;
- (xi) Recognition and reporting of child abuse and neglect, in accordance with the requirement in paragraph (e) of this section; and”

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

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

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

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

2 CFR 200.333 states, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditures report, or for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

Condition and Context: We noted the following for a sample of 72 of 1,988 daycare centers and homes:

- 68 centers/homes (94.44%) for which we could not determine, for at least one of their monitoring checklists, that the checklists were adequately documented in relation to compliance with the health and safety requirements
- 6 centers/home (8.33%) for which the smoke detector was not tested during the visit and was not noted as non-compliance
- 8 centers/home (11.11%) for which the carbon monoxide was not tested during the visit and was not noted as non-compliance
- 6 centers/home (8.33%) for which the fire inspection was not up to date, and was not noted as non-compliance

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- 2 centers/home (2.77%) for which the physical environment checklist was not up to date and was not noted as non-compliance
- 3 centers/home (4.16%) for which the annual insurance expiration date or exception declared date was not noted in the monitoring checklist
- 6 centers/home (8.33%) for which the fire extinguisher was expired and was not noted as non-compliance
- 3 centers/home (4.16%) for which the health inspection visit was not up to date and was not noted as non-compliance
- 2 centers/home (2.77%) for which the equipment inventory completion was not up to date and was not noted as non-compliance
- 6 centers/homes (8.33%) for which the number of visits were not performed according to the Monitoring Frequency Plan (MFP).

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

In addition, we could not determine that the tracking mechanism for monitoring visits was consistently used to ensure that all daycare facilities and homes are monitored in accordance with their applicable Monitoring Frequency Plan (MFP) or that follow-up takes place when non-compliance is noted. Work plan reports are generated in the Child Care Monitoring, Administration and Safety System (CCMASS) to assist with tracking monitoring visits, pending complaints, and Star review visits to be conducted; however, these are not retained by the licensing specialist, so we were unable to verify their use.

Cause: Prior to January 30, 2023, the monitoring checklists and summary reports were not sufficiently designed to allow a reviewer to see what has been observed. Additionally, a uniform system to track monitoring visits and non-compliance follow-up has been designed, but the Agency does not require monitors to use it.

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

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

Views of Responsible Official(s)

Contact Person: Dione Smith

Anticipated Completion Date: January 30th, 2023

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: 2023-075 (Repeat Finding 2022-037)

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1801OKTANF; G1901OKTANF; G2301OKTANF

FEDERAL AWARD YEAR: 2018, 2019, & 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Schedule of Findings And Questioned Costs

Criteria: 45 CFR §75.303 states, “The Non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

ACF-199 Reporting Instructions state in part: “The State agency or Tribal grantee should collect and report data for each data element. The data must be complete (unless explicitly instructed to leave the field blank) and accurate (i.e., correct).”

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

Condition and Context: From June through early December, SAI staff made inquiry to OKDHS regarding the process followed to prepare the ACF-199 performance report. Management stated that the employee responsible for preparing the ACF-199 report had left the agency and they were working on reviewing the procedures for preparing the report and would provide that information when available. We did not receive OKDHS’s procedures for preparing the ACF-199 report. Therefore, we are unable to determine if internal controls for preparation and review of the ACF-199 have been designed and implemented or are effective.

“Critical line-item data for one line item reported on the ACF-199 report for the quarters ending 9/30/22, 12/31/22, and 6/30/23 did not trace and agree to supporting documentation for two of the 55 cases tested from a population of 4,999 cases: data reported for the “number of months countable toward federal time limit” critical line item did not trace and agree to supporting documentation for two cases.”

Cause: OKDHS could not provide, and personnel were unaware of, any written procedures used to prepare the ACF-199 performance report and the cases were not compared to the Department’s Information Management System (IMS) to ensure the accuracy of the report data.

Effect: Data collected and reported on the ACF-199 performance report may not be complete and accurate.

Recommendation: We recommend the agency develop written policies and procedures and design and implement internal controls to ensure the data collected and reported on the ACF-199 performance report is complete and accurate.

Views of Responsible Official(s):

Contact Person: Rhonda Archer

Anticipated Completion Date: N/A

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

Auditor Response: The request was directed to the OKDHS audit liaison per OKDHS management request. Furthermore, supporting documentation was not provided for the two cases in question.

FINDING NO: 2023-077

STATE AGENCY: Oklahoma Department of Human Services (OKDHS)

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1801OKTANF; G1901OKTANF

FEDERAL AWARD YEAR: 2018 & 2019

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

QUESTIONED COSTS: \$0

Schedule of Findings And Questioned Costs

Criteria: 45 CFR §75.303 states, “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

45 CFR §205.51(a)(1) states, “A State plan under Title I, IV-A, X, XIV or XVI (AABD) of the Social Security Act must provide that there be an Income and Eligibility Verification System in the State. Income and Eligibility Verification System (IEVS) means a system through which the State agency: (1) co-ordinates data exchanges with other Federally-assisted benefit programs covered by section 1137(b) of the Act.”

Condition and Context: SAI staff made inquiry to OKDHS regarding the process followed to ensure the IEVS requirements were met from OKDHS management on 6/13/2024, 10/7/2024, and again on 12/9/2024. As of 2/11/2025 we had not received the OKDHS’s procedures to ensure the IEVS requirements were met.

Cause: OKDHS personnel were unaware of procedures to ensure the IEVS requirements were met due to personnel turnover.

Effect: The income and benefit information used by the Social Services Specialist at the time of application to determine the client’s eligibility for benefits may not have been accurate, which may have resulted in payment of TANF benefits to ineligible individuals.

Recommendation: We recommend the agency develop written policies and procedures and design and implement internal controls to ensure the state coordinates data exchanges with other federally assisted benefit programs.

Views of Responsible Official(s)

Contact Person: Jeff Rosebeary and Jennifer McSparrin

Anticipated Completion Date: N/A

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

Auditor Response: OKDHS does not have control procedures in place to ensure the required IEVS Data Exchange income and benefit information is requested and obtained from other agencies or if the data exchange jobs are run at the scheduled frequency.

FINDING NO: 2023-078

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: United States Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G1701OKTANF G1801OKTANF G1901OKTANF G2001OKTANF

FEDERAL AWARD YEAR: 2017, 2018, 2019 & 2020

CONTROL CATEGORY: Reporting

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).”

Schedule of Findings And Questioned Costs

Condition and Context: An independent review of the following line-item expenditures reported on the SFY 2023 ACF-196R reports to ensure accuracy and completeness of the reported information was not performed. The TANF Reconciliation/supporting worksheet that links the ACF-196R report to accounting records does not agree to the accounting records:

- Line 6.a (TANF Cash Assistance)
- Line 6.a (Client Reimbursement)
- Line 6.b (Supported Permanency)
- Line 7.a (Child Welfare-Non IVE-Family Foster Care)
- Line 11.a (CCDF Daycare for MOE assistance)
- Line 15 (Diversion Assistance)
- Line 19 (DDSD TANF Respite)
- Line 19 (DDSD Family Support)

Cause: OKDHS does not have adequate processes in place to ensure the expenditures reported on the ACF-196R report are independently reviewed for accuracy and completeness.

Effect: Expenditures reported on these lines on the ACF-196R report are incorrect.

Recommendation: We recommend OKDHS design and implement internal controls and develop written policies and procedures to ensure an independent review for accuracy and completeness of all aspects of the ACF-196R report occurs.

Views of Responsible Official(s)

Contact Person: Kevin Haddock

Anticipated Completion Date: 9/30/2023

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: 2023-079 (Repeat Finding 2022-060)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G2201OKTANF and G2301OKTANF

FEDERAL AWARD YEAR: 2022, and 2023

CONTROL CATEGORY: Activities Allowed or Unallowed, Eligibility, and Level of Effort

QUESTIONED COSTS: \$14,928

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

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

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

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

Schedule of Findings And Questioned Costs

Oklahoma Department of Human Services (DHS) retains case records for at least three years after all benefits included in the case close... .”

OAC 340:65-3-8(e)(1) states in part, “Benefit renewal interview requirements vary depending on the program. The TANF program requires a face-to-face certification renewal interview every 12 months. The face-to-face interview may be conducted in the OKDHS office, at a home visit, or through a virtual video conference.”

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

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

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

Condition and Context: In a sample of 60 of 5,189 TANF cases, we noted the following:

- Eleven (18.33%) case files did not contain documentation of an eligibility re-determination for benefits paid during SFY 2023 and benefits were not discontinued when the period of eligibility expired (Questioned Costs \$14,344).
- One (1.67%) case file did not contain documentation of an approved hardship extension for benefits paid past the 60 month limit during SFY 2023 (Questioned Costs \$584).

Cause: Adequate internal controls are not in place to ensure redeterminations and hardship extensions are properly performed and documented and retained in the case records.

Effect: The Department is not in compliance with the above stated internal policies and federal program requirements, TANF benefits may have been paid to ineligible individuals, and maintenance of effort expenditures may be overstated.

Recommendation: We recommend the Department follow policy and complete eligibility redeterminations for all TANF recipients as required and ensure benefits are discontinued when the period of eligibility expires. Also, we recommend the Department design and implement controls to ensure the redetermination and hardship extension documentation is maintained in the case records.

Views of Responsible Official(s):

Contact Person: Rhonda Archer

Anticipated Completion Date: 11/06/2024

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: 2023-080 (Repeat Finding 2022-062)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G2201OKTANF; G2301OKTANF

FEDERAL AWARD YEAR: 2022 and 2023

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

QUESTIONED COSTS: \$0

Criteria: 2 CFR Part 200 Compliance Supplement Part 4 TANF Part N2 Compliance Requirement states in part, “Each state shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the

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Social Security Act as amended. Under the state plan the state is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations and adhere to standardized formats and procedures in exchanging information with other programs and agencies.”

DHS Policy 340:65-3-1 (e)(2)(B)&(C) states in part, “The worker is responsible for collecting information necessary for determining the applicant's initial and continuing eligibility. Information is considered verified when not questionable or inconsistent with known facts, and the information provider is the primary source of the information. Unless questionable, the worker accepts, without further verification, the unearned income information obtained through the Beneficiary and Earnings Data Exchange System, from the Social Security Administration; Supplemental Security Income /State Data Exchange System, from SSA; Unemployment Insurance Benefits (UIB), from the Oklahoma Employment Security Commission; and workers' compensation documents from the Workers' Compensation Commission; and alien status information obtained through Systematic Alien Verification for Entitlements (SAVE), from the United States Citizenship and Immigration Services (USCIS).”

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

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

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

Condition and Context: In a sample of 60 of 5,189 TANF cases, we noted eight cases (13.33%) for which no income eligibility and verification system documentation was present in the electronic case record or FACS case notes for the period tested.

Cause: Controls in place are not adequate to ensure staff consistently follow OKDHS policies and procedures that require the worker to review data exchange information at application and eligibility renewal. The initial verification of income is a manual process performed by the social worker. This process was either omitted or not documented when determining eligibility.

Effect: The income used to determine a TANF applicant’s eligibility may not be accurate which could allow for payments to ineligible recipients.

Recommendation: We recommend the Department strengthen internal controls designed to ensure staff follow established policy and procedures regarding the review of data exchange information at application and eligibility renewal. Also, we recommend the Department ensure that documentation is maintained to support income verification through data exchange was utilized in eligibility determination or re-determination.

Views of Responsible Official(s):

Contact Person: Rhonda Archer

Anticipated Completion Date: 03/29/2025

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: 2023-081 (Repeat Finding 2022-059)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.558

Schedule of Findings And Questioned Costs

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G2201OKTANF and G2301OKTANF

FEDERAL AWARD YEAR: 2022, and 2023

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

QUESTIONED COSTS: \$0

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

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

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

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

Condition and Context: For a sample of 60 of 678 case sanction or closure occurrences, we noted five occurrences (8.33% of the sample) where effort to contact the individual and their refusal/failure to participate without good cause was not made or was not documented in the case file or the Family Assistance/Client Services (FACS) case notes.

Cause: Controls in place are not adequate to ensure OKDHS policies and procedures require the worker contact individuals to determine good cause and document their efforts are consistently followed by staff.

Effect: The Department is not in compliance with the above stated internal policies and federal program requirements, which may result in denial of benefits to individuals not meeting TANF work participation requirement with good cause.

Recommendation: We recommend the Department strengthen internal controls designed to ensure staff follow established policy to 1) make every effort to contact individuals to determine good cause and document their efforts as required, and 2) ensure that documentation of their effort to contact individuals to determine good cause is maintained in the case records.

Views of Responsible Official(s)

Contact Person: Rhonda Archer

Anticipated Completion Date: 03/25/2025

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: 2023-082

STATE AGENCY: Oklahoma Department of Human Services (OKDHS)

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: TANF Cluster

FEDERAL AWARD NUMBER: G2201OKTANF; G2301OKTANF

FEDERAL AWARD YEAR: 2022& 2023

CONTROL CATEGORY: Activities Allowed or Unallowed and Level of Effort - Maintenance of Effort

QUESTIONED COSTS: \$7,768,245 (87.75% State funding utilized for MOE & 12.25% Federal TANF funding)

Criteria: Title 45 CFR §263.2(b) states, “With the exception of paragraph (a)(4)(ii) of this section, the benefits or services listed under paragraph (a) of this section count only if they have been provided to or on behalf of eligible families. An “eligible family” as defined by the State, must: (1) Be comprised of citizens or noncitizens who: (i) Are

Schedule of Findings And Questioned Costs

eligible for TANF assistance; (ii) Would be eligible for TANF assistance, but for the time limit on the receipt of federally funded assistance; or (iii) Are lawfully present in the United States and would be eligible for assistance, but for the application of title IV of PRWORA; (2) Include a child living with a custodial parent or other adult caretaker relative (or consist of a pregnant individual); and (3) Be financially eligible according to the appropriate income and resource (when applicable) standards established by the State and contained in its TANF plan.”

45 CFR §75.303 states, “The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Condition and Context: SAI staff made inquiry to OKDHS regarding the process in place over Child Welfare Services (CWS) Program Support Preservation and Prevention (PP) TANF and CWS Oklahoma Children’s Services (OCS) Contracts utilized as TANF MOE expenditures and TANF Federal expenditures to ensure the families receiving these services were income eligible for the TANF program. OKDHS was unable to provide SAI a full caseload report of all CWS Program Support PP TANF and CWS OCS Contracts records that included an income field which could be used to determine the families receiving these services were financially eligible according to the appropriate income and resource standards established by the State.

Based on this information, it does not appear OKDHS had any basis to support that the CWS Program Support PP TANF and CWS OCS Contracts costs being charged as TANF MOE and TANF Federal throughout SFY 2023 were made to, or on behalf of, TANF eligible families. Therefore, we question \$7,768,245 that consists of \$6,816,441.72 utilized as TANF MOE expenditures and \$951,803.28 utilized as TANF Federal expenditures during SFY 2023. The \$6,816,441.72 utilized as TANF MOE represents 11.90% of the required \$57,298,937 in TANF MOE.

Cause: OKDHS personnel were unaware of TANF MOE and TANF Federal funds requirements as they relate to CWS OCS Contracts expenditures.

Effect: TANF MOE funds and TANF Federal funds used for CWS OCS Contract costs may not have been made to, or on behalf of, TANF eligible families. As such, the MOE requirement would not have been met.

Recommendation: We recommend the agency design and implement internal controls and develop written policies and procedures to ensure any TANF MOE funds and/or TANF Federal funds used for CWS OCS Contract costs have been made to, or on behalf of, TANF eligible families. This should include the ability to track these costs to the individual case file level to demonstrate exactly which cases are being utilized to meet TANF MOE fund and TANF Federal fund expenditure requirements.

Views of Responsible Official(s):

Contact Person: Kevin Haddock

Anticipated Completion Date: N/A

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

Auditor Response: SAI was provided additional data however it was for SFY22. We were informed by DHS management CWS OCS data is used to create the allocation for the following fiscal year. The costs related to CWS OCS fall under TANF Purpose 1 which requires funds to be made to or on behalf of TANF eligible families. By using prior year data to create an allocation percentage in the current year, DHS is not ensuring the funds spent on CWS OCS were for income eligible TANF families in the current year.

FINDING NO: 2023-083 (Repeat Finding 2022-023)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.778

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FEDERAL PROGRAM NAME: Medicaid Cluster

FEDERAL AWARD NUMBER: 2305OK5MAP

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Allowable Costs/Cost Principles - Random Moment Time Study (RMTS)

QUESTIONED COSTS: \$0

Criteria: 45CFR95.507(b)(8)(ii) states, “The cost allocation plan shall contain a certification by a duly authorized official of the State stating that the costs are accorded consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances.”

OKDHS:2-11-60(1)(B) states, “The Finance Division oversees the collection of data necessary for allocations and distribution.”

OKDHS:2-11-60(1)(C) states, “The Finance Division uses generally accepted accounting procedures of costs as described in the cost allocation plan.”

A basic objective of generally accepted accounting principles is to provide accurate and reliable information.

Condition and Context: For the quarter ending 3/31/23, the method used to calculate the allocation percentage for Cost Pools 308 Medicaid – General Administration and 309 Medicaid – Skilled Professional Medical Personnel is not consistent. Management stated the 309 Medicaid – Skilled Professional Medical Personnel redistributed random moment time summary responses are allocated back to 308 Medicaid – General Administration. However, during the quarter ending 3/31/23 the redistributed responses were not allocated back to 308 Medicaid – General Administration causing:

- Cost Pool 308, Medicaid – General Administration to be understated by 11.37% or \$761,089.81
- Cost Pool 309, Medicaid – Skilled Professional Medical Personnel, to be overstated by 11.37% or \$761,089.81

Cause: The quarter ending 3/31/23 Interactive Voice Applications (IVA) RmsPlus Basis Summary With Late report was not properly reviewed causing the allocation percentages to be incorrect.

Effect: The Medicaid program allocation was inaccurate for the quarter end 3/31/23.

Recommendation: We recommend the Department follow established procedures to ensure allocation data is calculated accurately in the cost allocation system and implement procedures to ensure accurate allocation percentages within the Interactive Voice Applications (IVA) system. Additionally, we recommend the Department correct the quarter ending 3/31/23 allocation amounts recorded for Medicaid as soon as possible.

Views of Responsible Official(s)

Contact Person: Kevin Haddock

Anticipated Completion Date: 4/30/2025

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: 2023-084

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

AL NO: 93.568

FEDERAL PROGRAM NAME: Low-Income Home Energy Assistance Program (LIHEAP)

FEDERAL AWARD NUMBER: 2022G992201, 2023G992201

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Eligibility

Schedule of Findings And Questioned Costs

Criteria: 45 CFR §75.303 provides, in part, that, “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).”

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

340:20-1-11. Income and liquid resources (a) Income states in part, “All gross earned and unearned income that the household receives, except for income exclusions per (b) of this Section, is considered in determining financial eligibility, per Section 8624 of Title 42 of the United States Code (42 U.S.C. § 8624). Income received more than once per month from the same source is converted to a monthly amount and rounded to the nearest dollar.

1 When a household member's income is reduced due to an overpayment recoupment or a garnishment, the gross amount before the recoupment or garnishment is considered. “

Condition and Context: To perform our LIHEAP Eligibility testing for SFY 2023, we requested expenditure data recorded as either LIHEAP – Regular or LIHEAP – American Rescue Plan Act (ARPA) funds. The LIHEAP funds were to be expended on Heating, Cooling or Energy Crisis Assistance Payments (ECAP).

The State Auditor & Inspector’s Office received the first two sets of eligibility data through the Office of Management and Enterprise Services (OMES) IT division for DHS, but when we reviewed the documentation, we determined the LIHEAP expenditure data was not complete. We then asked DHS to review the LIHEAP data for completeness, prior to submitting the information to our office.

We received a third set of data after DHS had reviewed it for completeness, but we determined most of the LIHEAP cooling payments were duplicated due to a formatting issue; therefore, we were unable to rely on that third set of data. Next, we received a fourth set of data from DHS, but we were unable to tie the ARPA expenditure data to the SFY 2023 ARPA Schedule of Expenditures of Federal Awards (SEFA). In talking with DHS staff, no unique identifier was added to identify ARPA payments within the LIHEAP expenditure data. Instead, the finance division informed our office that ARPA payments were paid out on six dates during SFY 2023; however, there was no documentation to show that DHS program personnel identified eligible ARPA recipients for each of the six dates prior to payment. After filtering the fourth set of data set received based on the six dates, we were able to materially tie ARPA expenditures to the 2023 SEFA. Next, we analyzed the ARPA payments based on the six dates provided by the DHS Finance Division and determined they were paid for LIHEAP cooling and Energy Crisis Assistance Payment (ECAP) cases. Lastly, we reviewed DHS supporting documentation for the six payment dates to see if we could determine ARPA eligibility, and noted the following:

- The eligibility data file titled EN600SPR was missing most key identifiers for ECAP benefit payments that all other file types (heating, cooling, and ECAP file titled EN601R02) contained like household size, fuel type, address, and if the household contained some of the vulnerable population (aged 60+, disabled, or has a child under the age of 5). Due to missing data fields, we are unable to test the 8,381 ECAP cases to determine if households were eligible in accordance with income and household size. Further, since program personnel had no documentation of their eligibility determinations, we were unable to determine if the payments were ARPA related.
- With no unique identifier for ARPA payments, it was unclear whether the DHS LIHEAP program instituted the eligibility requirements for ARPA benefits as stated by program personnel. The requirements included:
 - A household that had someone who was aged, blind, or disabled, or had a child under the age of five, and
 - The household had received a LIHEAP benefit in the prior year, and
 - The household had an arrearage owing with their utility company.

Schedule of Findings And Questioned Costs

After further discussion with DHS staff, a sixth data file was provided (a fifth data file was not useable due to duplicates). This file contained all LIHEAP benefit payments between July 1, 2022, through June 30, 2023, and included a column created by DHS that denoted if the benefit was paid with ARPA funds. We determined this data file to be materially complete when compared to the SFY 2023 SEFA. Through these additional discussions with DHS, we also determined the eligibility requirements for ARPA supplemental benefits noted above were never actually instituted. However, according to DHS, to receive the \$250 and/or \$650 supplemental ARPA payment for September and December of 2022, the individual had to have:

- Received a LIHEAP benefit in FFY 2021
- Used the same utility company that was used in FFY 2021
- Had an arrearage with their utility company

We tested 60 of 53,251 ARPA supplemental payments totaling \$24,093,550 and noted 15, or 25%, of ARPA supplemental payments tested were paid on behalf of individuals who did not receive a LIHEAP benefit in FFY 2021; therefore, DHS would not have determined they had the same utility company as in FFY 2021. These individuals were included on their utility company's arrearage list as of September 2022, indicating at some point DHS included individuals who received a regular benefit in FFY 2022 on the list of those approved to receive ARPA supplemental benefits.

Additionally, we tested 13 of 19,593 ECAP payments totaling \$6,826,104.50 and noted 1 case or 7.69% for which we were unable to locate case notes; therefore, we were unable to ensure income was verified prior to determining eligibility.

Cause: The Oklahoma Department of Human Services failed to make system edits that would have allowed for a unique identifier to be added to properly track ARPA funds. Also, the Oklahoma Department of Human Services lacked adequate controls to ensure program personnel properly determined who was eligible for ARPA supplemental funds for SFY 2023, and that the finance division paid ARPA supplemental recipients based on program division direction. Lastly, there was a lack of understanding and communication between the two departments regarding the ARPA eligibility payments, which contributed to the breakdown in controls.

Effect: DHS failed to ensure the ARPA payments were in line with the established criteria for 16 payments per the Condition above. However, since the recipients of the ARPA supplemental payments were all eligible as of September 2022 when the arrearage report was run, we will not question the costs.

Recommendation: We recommend that OKDHS establish a set of data screening controls to ensure all relevant and required eligibility data is accurately captured and conveyed in an easily readable format. Further, we recommend OKDHS work to strengthen the communication between program and finance divisions to ensure LIHEAP funds are awarded to eligible LIHEAP recipients. Lastly, we recommend OKDHS develop and implement controls to ensure eligibility determinations are documented and retained for audit purposes.

Views of Responsible Official(s):

Contact Person: Kayla Urtz, Director of Internal Audit

Anticipated Completion Date: Ongoing

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: 2023-085

STATE AGENCY: Oklahoma Department of Human Services (OKDHS)

FEDERAL AGENCY: Department of Health and Human Services

AL NO: 93.568

FEDERAL PROGRAM NAME: Low-Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: 2022G992201, 2023G992201

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$4,676

Schedule of Findings And Questioned Costs

Criteria: OAC 340:20-1-14(6) LIHEAP payments states, “LIHEAP payment amounts are estimated and reserved for each application period based on available funding and may be adjusted as needed. Refer to OKDHS Appendix C-7-A, Estimated Low Income Home Energy Assistance Program (LIHEAP) Benefit Level for all Households, for maximum payment amounts.

- (A) Payment amounts are determined based on the household's size, income, and primary energy source.
- (B) One payment is made per approved application directly to:
 - (i) designated energy suppliers on behalf of approved households responsible for their utilities; or
 - (ii) the household when the:
 - (I) utilities are included in the rent; or
 - (II) energy supplier is not designated to receive direct payments from OKDHS.”

OAC 340:20-1-17(c) Energy Crisis Assistance Program (ECAP) Maximum Benefit Amount states, “Maximum benefit amount. When the household applies for ECAP more than once in the same fiscal year, the maximum benefit amount approved for all applications combined cannot exceed the amount allowed per fiscal year for ECAP on OKDHS Appendix C-7-A, Estimated Low Income Home Energy Assistance Program (LIHEAP) Benefit Level for All Households. An additional benefit amount may be approved when additional funds are authorized during a federally declared disaster.”

Condition and Context: We tested 46 of 266 households that received multiple benefit payments by address and benefit type (heating or Energy Crisis Assistance Program) totaling \$173,985.19 and noted the following:

- Three of 46 (6.52%) heating duplicate benefit payments were made to preauthorized households that then received a secondary payment (Questioned Costs \$729).
- Three of 46 (6.52%) ECAP duplicate benefit payments were made for Low Income Home Water Assistance Program (LIHWAP), using the ECAP payment type and LIHEAP funds, causing the household’s annual benefit amount to exceed the ECAP maximum of \$750. (Questioned Costs \$1,465)
- Nine of 46 (19.57%) ECAP duplicate benefit payments caused the households’ annual benefit amount to exceed the ECAP maximum of \$750. (Questioned Costs \$2,482)

Cause: System edits failed to detect when the same household received multiple benefits. Further, DHS did not establish a separate system to administer the LIHWAP program.

Effect: Payments to some households exceeded the allowable annual benefit amount. Additionally, LIHWAP benefits were paid out using LIHEAP funds.

Recommendation: We recommend OKDHS evaluate and revise system edits to ensure the same household does not receive multiple heating payments or ECAP benefits that exceed the established maximum. We further recommend OKDHS establish edits to ensure LIHEAP funds are not used to pay for LIHWAP claims.

Views of Responsible Official(s):

Contact Person: Caleb Turner

Anticipated Completion Date: N/A

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: 2023-099

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.575

FEDERAL PROGRAM NAME: CCDF Cluster

FEDERAL AWARD NUMBER: 2101OKCSC6

FEDERAL AWARD YEAR: 2021

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility, Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization

Schedule of Findings And Questioned Costs

QUESTIONED COSTS: \$2,110,487

Criteria: American Rescue Plan Act of 2021 (ARP) § 2202(e)(1) states in part, *USES OF FUNDS-*, "In GENERAL - A qualified child care provider that receives funds through such a subgrant shall use the funds for at least one of the following: (A) Personnel costs, including payroll and salaries or similar compensation for an employee (including any sole proprietor or independent contractor), employee benefits, premium pay, or costs for employee recruitment and retention. (B) Rent (including rent under a lease agreement) or payment on any mortgage obligation, utilities, facility maintenance or improvements, or insurance. (C) Personal protective equipment, cleaning and sanitization supplies and services, or training and professional development related to health and safety practices. (D) Purchases of or updates to equipment and supplies to respond to the COVID-19 public health emergency. (E) Goods and services necessary to maintain or resume child care services. (F) Mental health supports for children and employees."

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

2 CFR § 200.403 *Factors affecting allowability of costs* states in part, "Costs must...(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items, ... and (g) Be adequately documented."

Condition and Context: DHS (Department) began implementing a new Quality Rating and Improvement System (QRIS), also known as Stars, that became effective January 1, 2023. Under the new system, the State of Oklahoma has five levels (1-5) of quality ratings for all licensed childcare programs. All licensed programs immediately qualify as a 1 Star. In preparation of the new system, all daycares were asked to submit an updated Stars application (also called reapplication period). A Stars resource booklet, applicable to the daycare type, facility, small home, or large home, and a cover letter was e-mailed to each daycare on June 1, 2022, to provide guidance when requesting a Stars level. The Department offered a financial incentive to those daycares who submitted an application on or before November 30, 2022. The application asked each daycare to provide **Stars Level Requested**; the higher the Stars level approved the greater the grant funding and subsidy payments. For example, if you were a 1 Star facility for cycles 5 & 6 and you requested and were approved to become a 5 Star facility for cycles 7 & 8, you would receive approximately 3 times more funding for those cycles. Daycares were informed that Stars criteria reviews would not be performed during the reapplication period unless a serious non-compliance was observed during a regular monitoring visit. Also, the Stars yearly monitoring visit, and two partial visits, were waived by the Department for calendar year 2023.

The Department provided Childcare ARP Act *Stabilization* grant funding to daycare homes and centers for SFY 2023 (July 1, 2022 to June 30, 2023) based on an approved grant application per cycle. For cycles 5 & 6 (July 2022 – December 2022) the award was based on licensed capacity. Stabilization grant funding for cycles 7 & 8 (January 2023 – June 2023) were awarded based on licensed capacity and Stars rating.

When attempting to obtain the supporting documentation for discretionary stabilization benefit payments, we were informed by the Department that no financial documentation was requested from the homes or centers for the funding provided in SFY 2023. As a result, we requested the documentation directly from the homes and centers.

We tested a total of 89 daycare homes and centers that received ARP Act Discretionary stabilization funds during SFY 2023 (July 1, 2022 – June 30, 2023). The universe included 8,994 providers with \$227,904,150 in total awards. Tested awards for daycare homes and centers totaled \$8,672,400. We noted the following issues for the 89 grant recipients tested:

- For 16 (17.98%) of 89 daycare providers tested, stabilization funds were not expended on allowable activities. Expenditures for unallowable activities totaled \$633,361.47.

Schedule of Findings And Questioned Costs

- For 19 (21.35%) of 89 daycare providers tested, stabilization funds could not be supported with adequate documentation; therefore, we could not determine whether the stabilization funds were expended on allowable activities. Expenditures for unsupported activities totaled \$1,477,125.62.
- For 42 (53.84%) of 78 (excluded 11 providers that only received one cycle payment) daycare providers tested, the Stars rating increased by at least 2 from cycles 5-6 to cycles 7-8.

Cause: The Department had no process or internal controls in place to ensure they monitor stabilization funds expended by childcare providers.

Also, the Department did not have adequate controls in place to support the increase in Stars rating for homes and centers since there were no reviews and/or monitoring performed on which to quantify their assessments.

Finally, most daycare homes and centers commingled their regular and grant funds, making it difficult to determine whether homes and centers used the daycare stabilization funds for allowable activities.

Effect: Stabilization funds were not expended in compliance with Section 2202(e)(1) of the ARP Act of 2021.

Further, allowing daycares to **request** their own Star level increase dramatically increased the amount of funding most daycare homes or centers received, and the increased Star level may not have been appropriate based on the actual performance, or quality and safety level, of the daycare.

Lastly, with no Department monitoring of stabilization funds expended by providers, and most daycare providers having commingled grant funds with their regular funds, grant funds could continue to be expended on unallowable activities.

Recommendation: We recommend the Department develop and implement financial daycare controls to ensure stabilization funds are expended by daycares according to grant guidelines. Further, we recommend the Department ensure adequate Stars reviews and/or monitoring have been performed, prior to increasing grant funding and subsidy payments. Lastly, we recommend Department work with daycare homes and centers to ensure grant funds are maintained in separate bank accounts, from personal funds.

Views of Responsible Official(s)

Contact Person: Kayla Urtz

Anticipated Completion Date: N/A

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

Auditor Response: The Department of Human Services advanced all CCDF Stabilization funds without having proper controls in place to ensure the funds were spent on allowable CCDF costs. Federal regulations state the lead agency (i.e., DHS) is responsible for fiscal controls and accounting procedures sufficient to permit the tracing of funds to a level adequate to establish that CCDF funds have not been used in violation of this grant.

FINDING NO: 2023-100

STATE AGENCY: Oklahoma Department of Human Services (OKDHS)

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.568

FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program (LIHEAP)

FEDERAL AWARD NUMBER: 2022G992201, 2023G992201

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Schedule of Findings And Questioned Costs

Criteria: 2 CFR § 200.303 – *Internal Controls* states in part, “the recipient and subrecipient: (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.”

Instructions for the LIHEAP Household Report Long Form for FFY22 provide that: “The purpose of the LIHEAP Household Report is to report on the number of households assisted with all available federal LIHEAP funds during FFY 2022, including those LIHEAP funds obligated in FFY 2021 or earlier but not expended until FFY 2022. LIHEAP funding includes all federal funds allocated to LIHEAP. To separately identify the impact of supplemental federal LIHEAP funding, HHS requires grant recipients to report three pieces of information for each item in the Household Report.”

- “The first line is for grant recipients to report information for all households regardless of funding source. This is consistent with what grant recipients were required to report in the past. Grant recipients should report the total count of households, counting each household once if it received that type of assistance during FFY 2022. Report households assisted with regular LIHEAP funds, LIHEAP CARES Act funds, LIHEAP ARPA funds, or any combination of these funds.”
- “The second line is for grant recipients to report information on the subset of households that were assisted with CARES Act supplemental LIHEAP funding. Include households that received a benefit that was fully or partially funded with CARES Act funds. Exclude households that did not receive a benefit that was fully or partially funded by CARES Act funds. Important Note: This is a subset of the households reported in the first line, meaning that a household that received a benefit that was fully or partially funded with CARES Act funds should be reported in this line and in the first line as well.”
- “The third line is for grant recipients to report information on the subset of households that were assisted with American Rescue Plan Act supplemental LIHEAP funding. Include households that received a benefit that was fully or partially funded with ARPA funds. Exclude households that did not receive a benefit that was fully or partially funded by ARPA funds. Important Note: This is a subset of the households reported in the first line, meaning that a household that received a benefit that was fully or partially funded with ARPA funds should be reported in this line and in the first line as well.”

Condition and Context: The LIHEAP Household Report – Long Form is completed for a federal fiscal year, so we requested the FFY22 LIHEAP Household Report to perform testwork. We receive LIHEAP benefit data from DHS on a state fiscal year basis, therefore we requested data for both SFY22 and SFY23. The process of obtaining recipient data for SFY23 took five months and after performing various tests in Part E, we concluded our data was not complete.

Due to the time it took to provide the SFY23 data, DHS was subsequently unable to timely provide SFY22 benefit data. Therefore, we had data for only three, July through September 2022, of the twelve months of FFY22 and could not test the FFY22 LIHEAP Household Report – Long Form.

Finding 2023-084 documents the issues noted regarding the LIHEAP benefit data.

Cause: The OKDHS lacks controls to ensure the benefit data is complete and accurate. Further, OKDHS failed to make system edits to add a unique identifier to properly track ARPA.

Effect: The figures on the FFY22 LIHEAP Household Report – Long Form may not be reported accurately.

Recommendation: We recommend that OKDHS establishes a set of data screening controls to ensure all relevant and required eligibility data is accurately captured and conveyed in an easily readable format.

Views of Responsible Official(s):

Contact Person: Caleb Turner

Anticipated Completion Date: N/A

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

Schedule of Findings And Questioned Costs

Auditor Response: While DHS does not use detailed eligibility data to prepare the LIHEAP Household report, SAI uses the detailed data to test the amounts reported on the report.

FINDING NO: 2023-103

STATE AGENCY: Oklahoma Department of Human Services (DHS)

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.575

FEDERAL PROGRAM NAME: CCDF Cluster

FEDERAL AWARD NUMBER: 2101OKCDC6

FEDERAL AWARD YEAR: 2022 and 2023

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$27,167,400

Criteria: 42 USC 9858c(c)(3)(B) Child care services and related activities states, “The State shall use amounts provided to the State for each fiscal year under this subchapter for child care services on a sliding fee scale basis, activities that improve the quality or availability of such services, activities that improve access to child care services, including the use of procedures to permit enrollment (after an initial eligibility determination) of homeless children while required documentation is obtained, training and technical assistance on identifying and serving homeless children and their families, and specific outreach to homeless families, and any other activity that the State determines to be appropriate to meet the purposes of this subchapter (which may include an activity described in clause (ii)), with priority being given for services provided to children of families with very low family incomes (taking into consideration family size) and to children with special needs.”

45 CFR 98.67 Fiscal Requirements, states in part.

- (a). “Lead Agencies shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds.
- (c). Fiscal control and accounting procedures shall be sufficient to permit:
 - (2). The tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the provisions of this part.”

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

Condition and Context: DHS began implementing a new Quality Rating and Improvement System (QRIS), also known as Stars, that would become effective January 1, 2023. In preparation of the new system, all daycares were asked to submit a Stars application. DHS offered a financial incentive to those daycares who submitted an application on or before November 30, 2022. The financial incentive was based on the Stars level requested by the daycare and ranged from \$2,500 for a one Star to \$15,000 for a five Star. A Stars resource booklet applicable to the daycare type, child care center or family child care home, and a cover letter was e-mailed to each daycare on June 1, 2022, to provide guidance when requesting a Stars level. Daycares were also informed that Stars criteria reviews would not be performed during the reapplication period unless a serious non-compliance was observed during a regular monitoring visit. Also, see Stars level increases noted in finding 2023-099.

DHS did not provide guidance as to how the incentive funds should be used other than to encourage them to be spent on items that would assist *them in providing high quality learning experiences for children.*

We attempted to tested 60 of 2,218 QRIS application incentive payments totaling \$730,000 from a population of \$27,167,400; we were unable to determine the daycares spent incentive funds for an allowable activity per 42 USC 9858c(c)(3)(B).

Cause: The DHS did not obtain or review supporting documentation from the daycares indicating how the QRIS incentive funds were spent. Additionally, most of the DHS employees who were involved in the creation of the Stars application financial incentives program are no longer employed with DHS

Schedule of Findings And Questioned Costs

Effect: QRIS application incentive funds received by daycares totaling \$27,167,400, may have been spent for unallowable activities and may not have been appropriate based on the actual performance, or quality level, of the daycare. Additionally, incentive payments increased based on the Stars level requested, but DHS did not have a process in place to evaluate whether the Stars increase was justified.

Recommendation: We recommend DHS require daycares to submit supporting documentation for any funds other than subsidy payments on a yearly basis for review by program personnel. We further recommend this supporting documentation be retained and made available to internal and external auditors upon request. Lastly, training should be provided to both Child Care Services staff and daycare owners and directors regarding allowable uses of funds and proper forms of documentation.

Views of Responsible Official(s)

Contact Person: Kayla Urtz

Anticipated Completion Date: N/A

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

Auditor Response: SAI agrees the funds could be used to improve the quality and availability of child care services. SAI maintains that while childcare providers are considered beneficiaries, it is DHS's responsibility to ensure the child care providers spent funds to improve the quality and availability of child care. There are multiple ways this can be accomplished including requesting support for purchases made with Star application incentive funds, review of support during monitoring reviews, etc.

During review of Stars applications SAI noted applicants completed a box entitled, "STARS Level Requested" and in many cases that requested level was granted even when the Stars Outreach Specialist noted numerous, repeated, or serious non-compliance identified during the review of the licensing history. Further, SAI noted a substantial number of childcare providers being granted a 5 Star designation without proper justification. The 5 Star designation is the highest Stars level and comes with greater requirements of training, greater parental involvement, etc. In addition, 5 Star providers also receive the highest amount of financial assistance in the form of Stars incentive application payments, DHS subsidy payments, and, if a provider chose to apply, ARPA stabilization funds beginning in 2023.

FINDING NO: 2023-104

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.575

FEDERAL PROGRAM NAME: CCDF Cluster

FEDERAL AWARD NUMBER: 2101OKCDC6

FEDERAL AWARD YEAR: 2021

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

QUESTIONED COSTS: \$11,942,325

Condition and Context: DHS began implementing a new Childcare Desert Grant program starting in August 2022 in order to help increase accessibility to quality childcare for working families living in a county where there is not enough licensed childcare to support the needs of the residents. The grants were available for new or existing daycare homes or centers seeking to increase licensed capacity. Funds awarded under this program were intended to be used for minor construction, program materials, or technology and software for business development necessary to meet licensing requirements. For new daycares, applicants could receive a total of \$10,000 per child with an initial advance of \$5,000 per child payment made at the time of approval based on the licensed capacity, and a second \$5,000 per child payment made at 12 months based on the enrollment. For expansion/ existing daycares, applicants could receive a total of \$10,000 per child with an initial advance of \$5,000 per child payment made at the time of approval based on the number of expanded slots, and a second \$5,000 per child payment made at 12 months based on the number of children enrolled in the expanded slots.

Schedule of Findings And Questioned Costs

We tested a sample of 73 (58 new and 15 existing sites) Child Care Centers (CCC) or Family Daycare Homes (FDCH) that received American Rescue Plan (ARP) Desert grant supplemental funds during SFY 2023 (July 1, 2022 – June 30, 2023). The universe included 348 Child Care providers with \$43,725,000 in total awards. Tested awards for sampled providers totaled \$16,180,000. We noted the following Desert grant Eligibility or Activities Allowed expenditure exceptions:

ELIGIBILITY

- The eligibility criteria per the 1st round Desert Grant Application was not met and the required qualifications were not provided prior to the application approval date for the following:
 - For 2 of 58 (3.45%) new facilities, the license K8 # issuance date and application visit date were not prior to the Childcare Desert Grant Application approval date.
 - For 6 of 58 (10.34%) new facilities, the CCC/FDCH did not complete and return the Desert Grant New Program Questionnaire.
 - For 1 of 58 (1.72%) new facilities, a Physical Plant description (which shows the facility layout, square footage and any proposed re-modeling) was obtained, however, it does not agree to the DHS monitoring visit form.
 - For 1 of 58 (1.72%) new facilities, the CCC had a change in ownership without a break in operations.
- For 11 of 73 (15.07%) awards paid, the Desert grant award amount per CCC/FDCH was not calculated correctly and in compliance with program requirements: overpayments totaled \$1,945,000. We questioned these costs.
- The new/expanded CCC's/FDCH's did not comply with all post application approval eligibility criteria applicable to the SFY23 time period as follows: For 10 of 58 (17.24%) of new facilities, the permit date was not within 90 days of the grant fund payment.
- For 67 of 73 (91.78%) Desert Grant awardees, OKDHS awarded STARS under the OKDHS Quality Rating Improvement System (QRIS) without any monitoring visits to verify the program met the requirements for the STAR level awarded.
- For 18 of 73 (24.66%) Desert Grant awardees, the Program received Desert Grant Funds, Stabilization Funds and/or STARS Subsidies; however, no records were provided for review, therefore, it was not possible to ascertain if the awardee was tracking the expenditures for each grant separately, or if funds were comingled inappropriately.

ACTIVITIES ALLOWED

- For 1 of 73 (1.72%) Desert Grant CCC awardees, construction and remodeling costs significantly exceeded the \$350,000 limit for minor remodeling and, failed to meet the requirement under 45 CFR § 98.2 (2) because the facility was extensively altered such as to significantly change its function and purpose. OKDHS appears to have approved the construction plans for this provider without any review of the actual costs. We questioned the Desert Grant funds expended over the \$350,000 limit totaling \$146,122.50 which is included in the \$1,945,000 overpayments listed above.
- For 2 of 73 (2.74%) Desert Grant awardees, it appears that the program is sectarian in nature and, expenditures were made for items not necessary to meet licensing requirements or were for sectarian instruction. The questioned costs are covered in other bullets since there is an overlap in some of the exceptions.
- For 23 of 73 (31.51%) awardees paid a total \$2,515,000 (15.54% of total award amount of \$16,180,000), the CCC/FDCH did not provide any records, therefore, we are unable to verify these expenditures were allowable. We questioned these costs.
- For 50 of 73 (68.49%) Desert Grant awardees that did provide records to SAI:
 - 47 of 50 (94%) awardees reported expenditures for unallowable activities totaling \$6,413,783.04. We questioned these costs.
 - 36 of 50 (72%) awardees reported expenditures on tracking spreadsheet totaling \$1,068,542 for which adequate supporting documentation (i.e., receipts, invoices) was not present. We questioned these costs.
- For 8 of 73 (9.59%) Desert Grant awardees, it appears that possible misappropriation of funds has occurred including the following:

Schedule of Findings And Questioned Costs

- Large expenditures for non-childcare related activities
- Remodeling and/or equipment purchases for other entities or sectarian organizations
- Using funds to start up and operate other entities/nonprofits including paying employees for full-time work when they are actually working for other entities
- Excessive payroll costs and other unnecessary and unreasonable costs
- Large transfers of grant funds into personal accounts or other entities' accounts
- Comingling of grant funds with sectarian related accounts
- One awardee that received Desert Grant awards for elementary and middle school age children after school programs operated at two public schools received a combined total of \$2,165,000 in first round funding (the largest Desert Grant recipient). The award amount received was based on the potential licensing capacity of the schools (per square footage of gym/caféteria and classrooms, available restrooms, outdoor playgrounds, kitchens, etc.); however, the awardee was not the owner of the facility or renting the facility because the public school provided the space without charge and therefore was not actually running and operating an independent day care facility. The awardee also had significantly lower costs than a true day care facility would have but still received the same amount per child as facilities with significantly higher operating and start-up costs. In addition, the awardee's spouse was the Director of the CCDF program at the time the awards were made. We questioned 100% of these two awards and the questioned costs are included the exceptions noted above.

SAI noted that 20 of 73 (27.40%) Desert Grant Awardees paid a total of \$2,000,000 in 1st round awards were no longer operating (no longer listed on the DHS Child Locator site) as of the end of March 2025.

Cause: The Department did not design the Desert grant program to ensure ARP Act CCDF funds were only used to expand access to childcare assistance to more income eligible families and improve the quality and availability of childcare.

- The Department allowed programs with the least restrictive licensing requirements (i.e., out of school, after school, summer programs) to receive the same amount per child as a program offering full time infant to school age childcare.
- The Department did not award funds based on the actual costs necessary for each individual CCC or FDCH to meet licensing requirements which resulted in many providers that had large amounts of cash at their disposal even after meeting licensing requirements.
- The Department advanced Desert grant funds to awardees in one lump sum instead of on an incremental basis ensuring planned remodeling work and program equipment and materials were being completed and/or acquired appropriately and, were reasonable and necessary to meet program requirements.
- The Department awarded the first round of Desert Grant funds based solely on potential capacity and did not consider any other significant factors (i.e., business experience, number of children likely to be enrolled, ability to hire, train and retain qualified staff, etc.) essential to the operational sustainability of the new CCC or FDCH at the capacity level awarded. This contributed to many instances in which the CCC/ FDCH closed within two years of receiving the award or is currently operating at an enrollment level significantly below the awarded capacity.
- The Desert Grant Application included language that was insufficient to adequately inform the Desert grant awardees of all unallowable uses of the funds, including remodeling funding limits, limitations for sectarian organizations and, expenditures that were only allowable under other ARP CCDF stabilization grants.
- The Department did not have adequate safeguards in place to ensure Desert Grant funds were not inappropriately awarded to immediate family members of CCDF program administrators.

Many daycare homes and centers commingled their grant funds with personal accounts and/or other business accounts making it difficult to determine whether homes and centers used the daycare Desert Grant funds for allowable activities.

The Desert Grant program may not effectively increase and/or sustain the increase in total capacity of childcare centers in low-income areas as intended.

Schedule of Findings And Questioned Costs

The Department has not established adequate policies and procedures to monitor Desert Grant funds expended by childcare providers.

OKDHS CCDF did not normally create or administer new grant programs other than CCDF regular childcare subsidy program. In addition, the ARP CCDF Discretionary and supplemental funds had to be obligated by September 30, 2023, and liquidated by September 30, 2024, which reduced the timeline available to develop the new grant programs. However, OKDHS CCDF did have extensive experience with childcare licensing requirements and associated costs of operating the various types of childcare programs.

Effect: Desert grant funds were not used by majority of CCC and FDCH to expand daycare attendance within desert regions, since there were no repercussions to not meeting the licensing capacity they paid on.

The failure to monitor the use of Desert grant funds may lead to the Departments inability to recover grant funds not used in accordance with the grant requirements and/or used for non-childcare expenditures or misappropriated for other uses.

The Desert Grant program may not effectively increase and/or sustain the increase in total capacity of childcare centers in low-income areas as intended.

Recommendation: We recommend the Department develop policies and procedures to ensure Desert grant funds are monitored to ensure funds are expended properly to meet the objective of the grant.

We recommend the Department perform a review of all Desert grant funds awarded and expended, identify all funds not used for the Desert grants intended purposes, and ensure remaining funds are expended appropriately or returned. We also recommend the Department recoup all funds for the following:

- Funds awarded based on incorrect capacity counts
- Expenditures for non-childcare purposes
- Expenditures that benefited entities other than the facility awarded the desert grant
- Excessive or unreasonable expenditures
- Unexpended funds not needed to meet program requirements
- Unaccounted for funds (i.e., funds transferred out or comingled with investment accounts, personal accounts, or other business/non-profit accounts)

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.”

2 CFR § 200.403 *Factors affecting allowability of costs* states in part, “Costs must...(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, and (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items, and (g) Be adequately documented.”

The Desert grant FAQs state in part, ...“*How much are the Child Care Desert grants?*”

For New Programs: Applicants may receive a total of \$10,000 per child with an initial payment made at the time of approval based on license capacity, and a second \$5,000 per child payment made at 12 months based on enrollment. The second payment cannot exceed the amount of the first payment. For Expansion Programs: Applicants may receive a total of \$10,000 per child with an initial payment made at the time of approval based on the number of expanded slots, and a second \$5,000 per child payment made at 12 months based on the number of children enrolled in the expansion slots.

...

What are the Qualifications for grant eligibility?

...

- Must accept subsidy payments

Schedule of Findings And Questioned Costs

- Must participate in the Quality Rating Improvement System (QRIS/STARS)
- Must operate for a minimum of two years after date of initial award.
- Be located in an identified child care desert. (A list of Child Care Desert counties can be reviewed at the end of this document.)
- Make services available to families regardless of race, color, creed, religion, national origin, sex, marital status, disability, age, sexual orientation, or familial status.
- Complete grant participation agreement, located at the end of the application.
- Complete and return questionnaire that will be provided to you via email after you submit the grant application.
- Be determined eligible by Oklahoma Human Services staff who review the applications.

NOTE: Programs that have recently closed and reopen without an increase in capacity do not qualify OR Programs that have recently had a change in ownership without a break in operation do not qualify.

...

Child care providers must NOT use the funds for any of the following purposes:

- Purchase of land or property
- Major construction or renovations. Major renovation means: (1) structural changes to the foundation, roof, floor, exterior or load-bearing walls of a facility or the extension of a facility to increase its floor area; or (2) extensive alteration of a facility such as to significantly change its function and purpose, even if such renovation does not include any structural change.
- Consumable supplies (diapers, wipes, soap, paper products) or office supplies (paper, staples, pens)
- One-time field trips for children
- Child care tuition (scholarships)
- Items prohibited by licensing
- Used items
- Non-child care expenses

...

How long do I have to start operating my program after I receive the initial award?

Child care programs will have 90 days from receipt of the awarded grant funds to complete the application process and be placed on a six-month permit. Once you have a permit, you can begin serving children. If you are not on permit within 90 days, you may be required to return the initial award amount.

...

You must be approved for a 2-star level or higher within 12 months of receipt of initial award. If you do not meet this requirement, you may be required to return the initial award and will not qualify for a second award.

You must be approved for a subsidy contract within 12 months of receipt of initial award. If you do not meet this requirement, you may be required to return the initial award and will not qualify for a second award. Child care programs must participate in QRIS at two star or higher in order to receive a subsidy contract.

The Desert Grant application states in part, "By signing this application, I understand that it is my responsibility to maintain records and other documentation to support the use of funds I receive, as well as to document my compliance with the requirements. I understand I must provide these documents to Oklahoma Human Services if requested.

...

Allowable uses of Grant Funds: Grant funds can be used to cover minor construction projects or program materials per application. All materials must be new, and must be purchased from a retail store, not a private party. In the event the grant recipient wishes to have the cost of assembly and/or installation covered by a grant, the labor must be performed by a licensed and bonded contractor. The grant may be used for technology and software to create and maintain business management systems.

Provider Affirmation

The following signature affirms that I will adhere to the qualifications listed above **and will only spend the funds on allowable uses**. I understand that I may be required to re-pay grant funds if I do not adhere to all the terms of this agreement.

Schedule of Findings And Questioned Costs

42 U.S. Code § 9858 c(c)(2)(I) states in part, “In the case of a sectarian agency or organization, no funds made available under this subchapter may be used for the purposes described in paragraph (1) except to the extent that renovation or repair is necessary to bring the facility of such agency or organization into compliance with health and safety requirements...”

42 U.S. Code § 9858k(a) states, “No financial assistance provided under this subchapter, pursuant to the choice of a parent under section 9858c(c)(2)(A)(i)(I) of this title or through any other grant or contract under the State plan, shall be expended for any sectarian purpose or activity, including sectarian worship or instruction.”

42 U.S. Code § 9858k(b) states in part, “With regard to services provided to students enrolled in grades 1 through 12, no financial assistance provided under this subchapter shall be expended for—

- (1) any services provided to such students during the regular school day;
- (2) any services for which such students receive academic credit toward graduation.”

42 U.S. Code § 9858d(b) states in part, “...no funds shall be expended for the purchase or improvement of land, or for the purchase, construction, or permanent improvement (other than minor remodeling) of any building or facility.

45 CFR § 98.2, states in part, *Definitions* states in part, “*Major renovation* means any renovation that has a cost equal to or exceeding \$350,000 in [CCDF](#) funds for child care centers and \$50,000 in [CCDF](#) funds for family child care homes, which amount shall be adjusted annually for inflation and published on the Office of Child Care website. If renovation costs exceed these thresholds and do not include:

(1) Structural changes to the foundation, roof, floor, exterior or load-bearing walls of a [facility](#), or the extension of a [facility](#) to increase its floor area; or

(2) Extensive alteration of a [facility](#) such as to significantly change its function and purpose for direct child care services, even if such renovation does not include any structural change;

and improve the health, safety, and/or quality of child care, then it shall not be considered [major renovation](#).”

Views of Responsible Official(s)

Contact Person: Kayla Urtz

Anticipated Completion Date: N/A

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

Auditor Response: The Department of Human Services advanced all Supplemental Desert grant funds without having proper controls in place to ensure the funds were spent on allowable CCDF costs. Federal regulations state the lead agency (i.e., DHS) is responsible for fiscal controls and accounting procedures sufficient to permit the tracing of funds to a level adequate to establish that CCDF funds have not been used in violation of this grant. The OKDHS stated we drew our conclusions from incomplete documentation, but that is not an accurate statement. We requested support from the sampled daycares to attempt to support costs for minor construction, program materials, or technology per the grant application. For most of the costs sampled, our conclusion was validated by either lack of adequate support, costs not being allowed, or no support provided.

FINDING NO: 2023-105 (Repeat Finding 2022-041)

STATE AGENCY: Oklahoma Department of Human Services (DHS)

FEDERAL AGENCY: Department of Health and Human Services

ALN: 10.542

FEDERAL PROGRAM NAME: Pandemic EBT – Food Benefits

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2022 & 2023

CONTROL CATEGORY: Activities Allowed and Unallowed & Eligibility

QUESTIONED COSTS: \$782

Schedule of Findings And Questioned Costs

Criteria: 45 CFR §75.303(a) 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).”

2 CFR § 200.400(b) states, “The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.”

Per the State Plan for Pandemic EBT, Children in School and Child Care, 2021-2022:

4. P-EBT for School Children, A. Eligible Children,

“1. The child would be eligible for free or reduced-price meals if the National School Lunch Program and School Breakfast Program were operating normally and therefore an allowable activity. This includes children who are:

- a. directly certified or determined “other source categorically eligible” for SY 2021-2022, or
- b. certified through submission of a household application processed by the child’s school district for SY 2021-2022, or
- c. enrolled in a Community Eligibility Provision school or a school operating under Provisions 2 or 3, or
- d. on the school’s most current prior year list of directly certified children, children determined other source categorically eligible, or children certified by application *and* the school district has not made a new school meal eligibility determination for the child in SY 2021-2022.”

6. Benefit Levels. “... DHS will issue benefits based upon the actual days each month that each student attends school virtually at the rate of \$7.10 per day...”

Per the Amendment to Approved State Plan for Pandemic EBT Children in School and/or Child Care, Summer 2022: 3f. For school-aged children, “Oklahoma DHS will issue benefits based upon the May 2022 eligible child file as provided by the State Department of Education (SDE). FNS has made the simplified assumption that graduating seniors will be eligible to receive Summer PEBT and Therefore will be included in the benefit. This file would only include children who were enrolled as of May 2022 and/or graduated in May 2022.”

Per the School Year 2021-2022 State Year Plan for Child Care: “Oklahoma has a process in place that will compare the list of those 5 year olds that received school age P-EBT with that of the children that are under the age of 6, and are SNAP recipients that would be eligible for Child Care P-EBT benefits during any specified month to ensure that there is no double issuance or an ineligible issuance of the benefits.”

Condition and Context: The Pandemic Electronic Benefits Transfer (P-EBT) program provided payments to households with eligible children enrolled in school or in childcare who would have received free or reduced-price meals at school if not for virtual learning during the COVID-19 pandemic.

We tested eligibility for School age children during summer (\$19,810 sample dollars), with a population of 915,847 and benefit payments totaling \$220,805,215. We noted 1 of 72 (1.39%) school age children during summer received benefits for June 2022 although the child was flagged as not enrolled by SDE. (Questioned costs \$391)

We tested eligibility for childcare children during the summer (\$41,446 sample dollars), with a population of 64,107 and benefit payments totaling \$34,971,431. We noted 1 of 72 (1.39%) childcare children during the summer received benefits under both the school-aged plan and the childcare plan in June 2022. (Questioned costs \$391)

Cause: For the childcare plan, DHS lacks adequate internal controls to ensure a child under the age of 6 did not receive benefits under both the school-age plan and the childcare plan.

Effect: Excess benefit payments of \$782 (\$4,534,829 when projected) were provided to ineligible children or children already receiving benefits.

Schedule of Findings And Questioned Costs

Recommendation: While there was improvement from the prior year, we recommend both DHS and the State Department of Education (SDE) continue to improve internal controls to ensure only eligible people receive benefits and the benefits are accurately calculated. We recommend the SDE and DHS research what caused the mainframe system error to ensure duplicate payments or other erroneous payments are not paid on other benefit types. Although the P-EBT program has ended, the recommendations apply to any program administered by DHS and/or SDE.

Views of Responsible Official(s)

Contact Person: Sondra Shelby

Anticipated Completion Date: N/A

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: 2023-106

STATE AGENCY: Oklahoma Department of Human Services (DHS)

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.575

FEDERAL PROGRAM NAME: CCDF Cluster (Child Care and Development Block Grant (CCDBG)

FEDERAL AWARD NUMBER: 2101OKCCC5

FEDERAL AWARD YEAR: 2022 and 2023

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

QUESTIONED COSTS: \$12,396,397

Criteria: 42 USC § 601(a)(1) state, “The purpose of this part is to increase the flexibility of [States](#) in operating a program designed to - provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives.”

45 CFR 98.67 Fiscal Requirements, states in part.

- (a). “Lead Agencies shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds.
- (c). “Fiscal control and accounting procedures shall be sufficient to permit:
 - (2). The tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the provisions of this part.

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

Condition and Context: In an effort to ensure essential workers, police, fire, ambulance, and hospital staff, would be able to access childcare, DHS contracted with Gitwit, who created Kith Care, a two-sided app that allowed parents to apply for DHS funding to pay a close relative to care for their child in their home. The caretaker was paid \$25 per child per day. Essential workers were required to submit a paystub less than 60 days old from a designated essential organization. Essential workers were approved by designated administrators from their organization. After the essential worker was determined eligible, they would invite the close relative to apply. Not only did the essential worker have to be approved to receive services but the caretaker also had to be approved to provide services. Caretakers were approved by the DHS Child Care Services Division. As time passed, DHS expanded the Kith Care program to include essential workers of state agencies, post adoption parents through the DHS adoption program, foster parents for foster children only, and parents already approved for DHS childcare subsidy payments. Each category of parents required different eligibility requirements, and the caretakers had their own eligibility requirements. Eligibility of each category was performed as follows:

- Essential workers of state agencies were determined eligible by designated administrators of the agency.
- Post adoption and foster care parents were approved by program managers in the DHS foster care and adoption assistance program areas.
- Parents already approved for childcare subsidy would be approved by the same group of DHS childcare workers who approve applications for regular childcare subsidy payments.

Schedule of Findings And Questioned Costs

Each week a caretaker provided a service, they would complete a simplified “timesheet” via the app, indicating the names of the children cared for at least half the day and the days of the week they were cared for. This timesheet would then have to be approved by the parent via the app before being submitted to TLS20 LLC for payment (TLS20 LLC was an entity created by Gitwit for the sole purpose of serving as the payment management system for Kith Care). TLS20 LLC then would send a weekly invoice to DHS for payment. Each invoice contained detail showing the name of the caretaker, parent, and each child(ren), the date(s) of care, and the amount owed to the caretaker. The invoice cover page listed the total amount owed by DHS to TLS20 on behalf of the caretakers. DHS may have performed a cursory review of the invoices; however, there is no indication of a detailed review to ensure the accuracy of the number of caretakers and children listed on the invoice support was performed, nor did DHS request additional support from TLS20. Additionally, the only assurance DHS had that a child was being cared for in their home by a family member was the approval of the timesheet by the parent.

When planning tests of controls to determine whether they were designed and implemented, on March 3, 2025, we selected one parent from each parental category and requested the support required to determine eligibility and the timesheet for a specified week. We also selected a caretaker and requested the support required to determine eligibility. We initially received incomplete support and then requested the items not received. On March 25, 2025, we were told it would take two weeks to obtain and provide the information in a useable format. Because, at this point, we would still need to perform our tests of controls and then request support for an additional sample to perform substantive tests, it was apparent DHS would be unable to provide the Kith Care support in a timely manner.

Cause: DHS contracted with a third party to create and operate the Kith Care app and did not obtain and maintain the support in a usable format. DHS did not ensure they had controls in place, at the time they contracted with Gitwit, to ensure they could obtain and review the data needed to appropriately evaluate whether the parents and caretakers met the eligibility requirements and that the amounts paid to the caretakers were correct based on the timesheets approved by the parents. Additionally, most of the DHS employees who were involved in the creation of the Kith Care program are no longer employed with DHS; therefore, very little knowledge regarding the program remains at the agency.

Effect: Kith Care program payments totaling \$12,396,987, may have been paid to ineligible caretakers and/or on behalf of ineligible parents. Amounts may have also been paid when children were not cared for; therefore, these payments would have been an unallowable activity.

Recommendation: We recommend DHS obtain and maintain supporting records for all programs administered by the Agency when a third party is used to process information necessary for eligibility determination and benefit payments. We further recommend DHS obtain and review invoice detail submitted by third party contractors.

Views of Responsible Official(s)

Contact Person: Trevor Shelby, Deputy Director

Anticipated Completion Date: This award is now closed.

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

Auditor Response: SAI agrees the Kith Care program was an allowable use of funds; however, DHS used a third-party vendor to create and operate the Kith Care app without properly ensuring the supporting documentation was retained in a manner that could be easily accessible. The support indicated the eligibility of the family seeking services or the caretaker as well as documentation indicating the timesheet was approved by the parent. Due to the documentation being maintained at a third-party and having to request additional documentation multiple times, we had to question the costs for not getting support in a timely manner.

FINDING NO: 2023-107 (Repeat Finding 2022-060)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

ALN: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G2201OKTANF and G2301OKTANF

Schedule of Findings And Questioned Costs

FEDERAL AWARD YEAR: 2022, and 2023

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$14,928

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

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

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

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

OAC 340:65-3-8(e)(1) states in part, “Benefit renewal interview requirements vary depending on the program. The TANF program requires a face-to-face certification renewal interview every 12 months. The face-to-face interview may be conducted in the OKDHS office, at a home visit, or through a virtual video conference.”

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

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

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

Condition and Context: In a sample of 60 of 5,189 TANF cases, we noted the following:

- Eleven (18.33%) case files did not contain documentation of an eligibility re-determination for benefits paid during SFY 2023 and benefits were not discontinued when the period of eligibility expired (Questioned Costs \$14,344).
- One (1.67%) case file did not contain documentation of an approved hardship extension for benefits paid past the 60 month limit during SFY 2023 (Questioned Costs \$584).

Cause: Adequate internal controls are not in place to ensure redeterminations and hardship extensions are properly performed and documented and retained in the case records.

Effect: The Department is not in compliance with the above stated internal policies and federal program requirements, TANF benefits may have been paid to ineligible individuals, and maintenance of effort expenditures may be overstated.

Recommendation: We recommend the Department follow policy and complete eligibility redeterminations for all TANF recipients as required and ensure benefits are discontinued when the period of eligibility expires. Also, we recommend the Department design and implement controls to ensure the redetermination and hardship extension documentation is maintained in the case records.

Schedule of Findings And Questioned Costs

Views of Responsible Official(s):

Contact Person: Rhonda Archer

Anticipated Completion Date: 11/06/2024

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

OKLAHOMA DEPARTMENT OF REHABILITATION SERVICES

FINDING NO: 2023-200

STATE AGENCY: Oklahoma Department of Rehabilitation Services (OkDRS)

FEDERAL AGENCY: Social Security Administration

ALN: 96.001

FEDERAL PROGRAM NAME: Social Security - Disability Insurance

FEDERAL AWARD NUMBER: 04-2204OKDI00

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Special Tests and Provisions - Qualified Providers

QUESTIONED COSTS: \$0

Criteria: In accordance with Program Operations Manual System procedures for verifying and documenting medical licenses, credentials and exclusions, OkDRS verifies the consultative examination (CE) providers, CE provider's employees, medical and psychological consultants' licensures, credentials and exclusions. OkDRS should maintain records for 6 years and annotate the provider file with the date and name of the employee verifying the licenses and the source of verification.

Condition: During the audit, we reviewed 30 CE providers and 6 medical and psychological consultants medical license verification files. We noted that OkDRS maintained a master listing of CE providers with licenses and verification information. For the 30 CE providers tested, we noted that 18 CE providers' verification dates were not recorded or not accurately recorded on the master listing; however, the date and name of the employee verifying the license and the source of verification were noted in the provider verification files, but not on the master listing. For the 6 medical and psychological consultants tested, we noted that OkDRS did not maintain record of the date and the source of verification documents, such as the verification with the state medical board or check with the System of Award Managements. OkDRS did not meet the requirement for maintaining records for 6 years.

Cause and Effect: During 2019, OkDRS implemented a new document retention system. Due to the transition, the CE providers' master listing data was not complete and accurately maintained. In addition, the staff performing the verification procedures on the medical and psychological medical licenses did not maintain the date and verification documents on file due to the staff's procedures not fully implementing the program requirements.

Recommendation: We recommend that OkDRS enforce its proper licensures, credentials and exclusions procedures, and provide additional training as needed to its employees to maintain the verification records for 6 years, and annotate the provider file with the date and name of the employee verifying the licenses and the source of verification.

Views of Responsible Official(s)

Contact Person: Jennifer L. Thornton

Anticipated Completion Date: 6/6/2025

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

OKLAHOMA DEPARTMENT OF TRANSPORTATION

FINDING NO: 2023-011 (Repeat 2022-026)

Schedule of Findings And Questioned Costs

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: U.S. Department of Transportation

ALN: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Rural Areas

FEDERAL AWARD NUMBER: OK-2017-023-05, OK-2018-023-03, OK-2019-025-03, OK-2020-021-02, OK-2021-018-00, OK-2022-016-00, OK-2022-025-00, OK-2022-027-00, OK-2023-026-00

FEDERAL AWARD YEAR: 2017, 2018, 2019, 2020, 2021, 2022, 2023

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 2 CFR 1201.1 states, “Except as otherwise provided in this part, the Department of Transportation adopts the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR part 200). This part supersedes and repeals the requirements of the Department of Transportation Common Rules (49 CFR part 18 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments and 49 CFR part 19 - Uniform Administrative Requirements - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations), except that grants and cooperative agreements executed prior to December 26, 2014 shall continue to be subject to 49 CFR parts 18 and 19 as in effect on the date of such grants or agreements. New parts with terminology specific to the Department of Transportation follow.”

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 §200.502 (a), states in part, “*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.”

2 CFR §200.510 (b), states in part, “*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*]...”

- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.”

Condition and Context: During the review of GAAP Package Z - *Schedule of Expenditures of Federal Awards* (SEFA) and supporting documentation for Formula Grants for Rural Areas, AL #20.509, we noted the amounts reported as paid to subrecipients did not match the accounting system of the Oklahoma Department of Transportation. The total subrecipient payments per the SEFA subrecipient column were \$19,543,377; the Oklahoma Department of Transportation Project Funding System showed expenditures totaling \$23,039,138.46.

Cause: The Oklahoma Department of Transportation’s review process failed to identify the discrepancy between the GAAP Package Z and the accounting system.

Effect: The total of sub-recipient expenditures for AL #20.509 per SEFA were understated by a total of \$3,495,761.46: Formula Grants for Rural Areas subrecipient expenditures were understated by \$2,065,333.46 and Formula Grants for Rural Areas - CARES Act subrecipient expenditures were understated for \$1,430,428.00.

Recommendation: We recommend the Department add steps to reconcile the subrecipient expenditures during its review process to ensure subrecipient expenditure amounts reported on the GAAP Package Z SEFA are properly stated and agree with accounting software.

Views of Responsible Official(s)

Contact Person: Sam Ddamba

Schedule of Findings And Questioned Costs

Anticipated Completion Date: September 2025

Corrective Action Planned: The Oklahoma Department of Transportation agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-013 (Repeat 2022-017, 2021-024)

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: Federal Transit Authority

ALN: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Rural Areas

FEDERAL AWARD NUMBER: OK-2017-023-05, OK-2018-023-03, OK-2019-025-03, OK-2020-021-02, OK-2021-018-00, OK-2022-016-00, OK-2022-025-00, OK-2022-027-00, OK-2023-026-00

FEDERAL AWARD YEAR: 2017, 2018, 2019, 2020, 2021, 2022, 2023

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR 1201.1 states, “Except as otherwise provided in this part, the Department of Transportation adopts the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR part 200). This part supersedes and repeals the requirements of the Department of Transportation Common Rules (49 CFR part 18 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments and 49 CFR part 19 - Uniform Administrative Requirements - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations), except that grants and cooperative agreements executed prior to December 26, 2014 shall continue to be subject to 49 CFR parts 18 and 19 as in effect on the date of such grants or agreements. New parts with terminology specific to the Department of Transportation follow.”

2 CFR 200.332 states in part, “All pass-through entities must: ... (c) Evaluate each subrecipient's fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring described in paragraph (f) of this section.”

2 CFR 200.332 states in part, “All pass-through entities must: ... (e) Monitor the activities of a subrecipient as necessary to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward. The pass-through entity is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward are achieved. In monitoring a subrecipient, a pass-through entity must:

- (1) Review financial and performance reports.
- (2) Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward. Significant developments include Single Audit findings related to the subaward, other audit findings, site visits, and written notifications from a subrecipient of adverse conditions which will impact their ability to meet the milestones or the objectives of a subaward. When significant developments negatively impact the subaward, a subrecipient must provide the pass-through entity with information on their plan for corrective action and any assistance needed to resolve the situation.
- (3) Issue a management decision for audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521.
- (4) Resolve audit findings specifically related to the subaward. ...”

2 CFR 200.332 states in part, “All pass-through entities must: ... (g) Verify that a subrecipient is audited as required by subpart F of this part.”

2 CFR 200.332 states in part, “All pass-through entities must: ... (i) Consider taking enforcement action against noncompliant subrecipients as described in § 200.339 and in program regulations.”

2 CFR 200.521 states in part, “(a) **General.** The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments or take other action. If the auditee has not completed corrective action, a timetable for follow-

Schedule of Findings And Questioned Costs

up should be given. ... While not required, the Federal agency or pass-through entity may also issue a management decision on findings relating to the financial statements, which are required to be reported in accordance with GAGAS.”

2 CFR 200.521 states in part, “(d) **Time requirements.** The Federal agency or pass-through entity responsible for issuing a management decision must do so within six months of the FAC's acceptance of the audit report. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.”

Condition and Context: The Office of Mobility and Public Transit (OMPT) at the Oklahoma Department of Transportation (Department) is responsible for monitoring of subrecipients. Project managers at OMPT monitor specific subrecipients assigned to them. As part of this process, the project managers obtain subrecipients’ audit reports and forward them to the Department’s Cabinet-Wide Audit Office (CWO) for review. OMPT relies on responses received from CWO subsequent to review for identification of findings to monitor and assess the risk related to subrecipients’ compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

OMPT uses an audit tracking spreadsheet as a control to ensure the requirements described in 2 CFR 200.332 are met. OMPT’s program managers are required to update the audit tracking spreadsheet for those subrecipients assigned to them. Based on our review of the tracking spreadsheet and supporting documentation, we determined that the control process was designed but not properly implemented.

Based on inquiry and review of documentation related to financial and performance audits applicable to 23 subrecipients, we noted:

- For 10 (43.48%) of 23 subrecipients, the OMPT did not obtain an audit report.
- For 11 (47.83%) of 23 subrecipients, the OMPT was unable to provide documentation to support that a review of the subrecipients’ financial or performance audit was performed by CWO.
- The OMPT did not take timely and appropriate action on deficiencies detected through audits and did not issue a management decision on audit findings within six months of acceptance of the audit report by the Federal Audit Clearinghouse.
- The Department does not have an adequate process in place to determine whether subrecipients expended \$750,000 or more in Federal awards for the year and are, therefore, subject to a single audit.
- The OMPT does not have an established process to evaluate the risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subawards.

Cause: Internal controls have not been designed and implemented to ensure compliance with all subrecipient monitoring requirements. The Department does not have a process in place to determine the type of audit required for each subrecipient. Each program manager is responsible for updating the information for their assigned subrecipients; however there is no oversight or mechanism in place to ensure that all subrecipients’ are accurately tracked.

Effect: The Department is not in compliance with the requirements of 2 CFR 200.332. Because the OMPT is not performing adequate risk assessments, monitoring of subrecipients is not designed to account for the level of noncompliance risk the subrecipient poses. If audits are not adequately tracked, the Department cannot meet the imposed deadlines for follow-up. In addition, because information regarding Federal expenditures is not sought, subrecipients may not obtain a required Single Audit.

Lastly, because documentation supporting the review of subrecipients’ audit reports was not maintained by CWO, we were unable to determine that a review of these audits took place.

Recommendation: We recommend that the OMPT develop and implement procedures to ensure subrecipient risk assessments are performed annually and then incorporate the assessed risk in the design of its monitoring activities. We recommend the OMPT inquire after the subrecipients’ year-end as to the total Federal expenditures during the preceding fiscal year and update the Single Audit Tracking Sheet with the type of audit required. Further, we recommend the Single Audit Tracking Sheet be updated monthly to ensure all review/follow-up deadlines are met.

Schedule of Findings And Questioned Costs

Lastly, we recommend CWO implement a process to ensure that the review of subrecipients' audit reports is adequately documented, and results are communicated to OMPT in a timely manner.

Views of Responsible Official(s)

Contact Person: OMPT - Eric Rose/Bobby Parkinson & Anne Antonelli, Internal Audit – Holly Lowe

Anticipated Completion Date: 7/1/2025

Corrective Action Planned: The Oklahoma Department of Transportation agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-018

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: U.S. Department of Transportation

ALN: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Rural Areas

FEDERAL AWARD NUMBER: OK-2017-023-05, OK-2018-023-03, OK-2019-025-03, OK-2020-021-02, OK-2021-018-00, OK-2022-016-00, OK-2022-025-00, OK-2022-027-00, OK-2023-026-00

FEDERAL AWARD YEAR: 2017, 2018, 2019, 2020, 2021, 2022, 2023

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

QUESTIONED COSTS: \$0

Criteria: 2 CFR 1201.1 states, "Except as otherwise provided in this part, the Department of Transportation adopts the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR part 200). This part supersedes and repeals the requirements of the Department of Transportation Common Rules (49 CFR part 18 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments and 49 CFR part 19 - Uniform Administrative Requirements - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations), except that grants and cooperative agreements executed prior to December 26, 2014 shall continue to be subject to 49 CFR parts 18 and 19 as in effect on the date of such grants or agreements. New parts with terminology specific to the Department of Transportation follow."

2 CFR 200.302 states in part, "(a) 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 funds. All recipient and subrecipient 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 the terms and conditions; and tracking expenditures to establish that funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award. See § 200.450."

2 CFR 200.403 states, "Except where otherwise authorized by statute, costs must meet the following criteria to be allowable under Federal awards: ... (g) Be adequately documented."

45 CFR §75.303 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. 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: The Office of Mobility and Public Transit (OMPT) at the Oklahoma Department of Transportation (Department) is responsible for the administration of various grants funded by the U.S. Department of Transportation's Federal Transit Administration (FTA) in accordance with the State Management Plan (SMP). OMPT charges eligible payroll costs to job pieces which are assigned by grant. Based on review of FTA administrative expenditures reported in SFY 2023, we noted that 100% of payroll expenses totaling \$1,095,793.06 were reported and charged to job piece 2938830 which is associated with Assistance Listing (AL) # 20.509 – Formula Grants for Rural Areas. Consequently, payroll charges applicable to other FTA grants were not claimed under the appropriate AL Number.

Schedule of Findings And Questioned Costs

Cause: OMPT instructed staff to charge payroll related costs to job piece 2938830 and did not have a control process in place to ensure employees charged their time based on the actual grant worked on.

Effect: An overstatement of expenditures reported under AL # 20.509 – Formula Grants for Rural Areas and an understatement of other grants funded by the FTA.

Recommendation: We recommend that the Department strengthen internal controls to ensure payroll expenditures are charged to the appropriate grant. In addition, we recommend training be provided to staff to ensure that payroll charges are correctly distributed based on work performed.

Views of Responsible Official(s)

Contact Person: Eric Rose/Bobby Parkinson

Anticipated Completion Date: 7/1/2025

Corrective Action Planned: The Oklahoma Department of Transportation agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2023-025 (Repeat Finding 2022-079)

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: U.S. Department of Transportation

ALN: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Rural Areas

FEDERAL AWARD NUMBER: OK-2017-023-05, OK-2018-023-03, OK-2019-025-03, OK-2020-021-02, OK-2021-018-00, OK-2022-016-00, OK-2022-025-00, OK-2022-027-00, OK-2023-026-00

FEDERAL AWARD YEAR: 2017, 2018, 2019, 2020, 2021, 2022, 2023

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$0

Criteria: 2 CFR 1201.1 states, “Except as otherwise provided in this part, the Department of Transportation adopts the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR part 200). This part supersedes and repeals the requirements of the Department of Transportation Common Rules (49 CFR part 18 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments and 49 CFR part 19 - Uniform Administrative Requirements - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations), except that grants and cooperative agreements executed prior to December 26, 2014 shall continue to be subject to 49 CFR parts 18 and 19 as in effect on the date of such grants or agreements. New parts with terminology specific to the Department of Transportation follow.”

45 CFR §75.303 states, “The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Condition and Context: Federal Transit Authority (FTA) billing procedures are to be performed weekly in accordance with the *Procedures for FTA Billing* outlined by the Comptroller Division. As part of these procedures, the Oklahoma Department of Transportation (DOT) utilizes the “FTA billing excel spreadsheet” to record, reconcile, and track expenditures billed and received. The Urban Mass Transit (UMTA) Billing Summary is used to highlight all projects with billing transactions related to the billing week. Project expenditures are supported by FTA letters provided by the Office of Mobility and Public Transit (OMPT).

Based on review of a sample of 20 of 62 draws totaling \$17,258,737 performed in SFY 2023, we noted the following:

Schedule of Findings And Questioned Costs

- 19 (95%) of 20 draws totaling \$16,632,692 did not show evidence of an independent review on the UMTA Billing Summary. However, the supporting documentation was materially correct.
- 7 (35%) of 20 draws totaling \$11,517,584 showed a net variance of \$(95,506) between the total amount billed and the UMTA Billing Summary. However, the supporting documentation was materially correct.
- 13 (65%) of 20 draws totaling \$9,992,393 did not contain evidence of the review and approval of OMPT payroll piece totaling \$473,068.
- 10 (50%) of 20 draws totaling \$3,214,742 were not processed within 10 weeks.

Cause: The *Procedures for FTA Billing* were not properly followed.

Effect: Weekly FTA draws were not performed timely, consistently, and accurately which could lead to improper draw down of Federal funds.

Recommendation: We recommend the Department of Transportation (DOT) strengthen internal controls to ensure weekly billing procedures are properly followed. In addition, we recommend training be provided to staff to ensure draws are properly reviewed and approved, processed timely, and adequately supported.

Views of Responsible Official(s)

Contact Person: Sam Ddamba/Eric Rose

Anticipated Completion Date: 7/1/2025

Corrective Action Planned: The Oklahoma Department of Transportation agrees with the finding. See corrective action plan located in the corrective action plan section of this report.

OKLAHOMA MILITARY DEPARTMENT

FINDING NO: 2023-201

STATE AGENCY: Oklahoma Military Department

FEDERAL AGENCY: U.S. Department of Defense

ALN: 12.401

FEDERAL PROGRAM NAME: National Guard Military Operations and Maintenance Projects

FEDERAL AWARD NUMBER: W912L6-19-2-1000

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$3,048,084

Criteria: In accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, §200.302 Financial management, OMD must maintain records that sufficiently identify the amount, source, and expenditure of federal funds for federal awards. These records must contain information necessary to identify federal awards, authorizations, financial obligations, and unobligated balances, as well as assets, expenditures, income, and interest. All records must be supported by source documentation. In addition, in accordance with the Department of Defense Financial Management Regulation, Volume 1 Chapter 9, OMD should retain records that sufficiently identify the amount, source, and expenditure of federal funds for federal awards for a minimum of ten (10) years after the Cooperative Agreement award is closed.

Condition: During the compliance testwork, we tested the matching percentage used for calculating the amount reimbursed by the federal government. We noted that OMD used an internally generated matching percentage worksheet to document the federal and state share of the personnel salary costs for Appendix 1 maintenance employees. The internally generated matching percentages for the Appendix 1 maintenance employees salary expenses are supposed to be determined based on the Facilities Inventory and Support Plan code based on the time and effort of the personnel by the facility generating the expenditure. While the federal matching percentages used for reimbursement on the payroll system agreed to the matching percentage worksheet, OMD could not provide and did not maintain the source documents calculating how the matching percentages were generated and determined.

Schedule of Findings And Questioned Costs

Cause and Effect: Due to personnel changes and lack of training in records maintenance, OMD could not provide and did not maintain the source document for the matching percentage used in calculating the federal and state shares of Appendix 1 maintenance employees' salary expense.

Recommendation: We recommend that OMD enforce its records maintenance policy and procedures, and provide additional training as needed to its employees to maintain the source documents for the matching share percentages used in the federal fund reimbursement.

Views of Responsible Official(s)

Contact Person: Angela Tackett, CFO

Anticipated Completion Date: Beginning of new fiscal year—July 1, 2025

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

FINDING NO: 2023-210

STATE AGENCY: Oklahoma Military Department

FEDERAL AGENCY: U.S. Department of Defense

ALN: 12.401

FEDERAL PROGRAM NAME: National Guard Military Operations and Maintenance Projects

FEDERAL AWARD NUMBER: W912L6-19-2-1000

FEDERAL AWARD YEAR: 2023

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$0

Criteria: In accordance with NG Pam 420-10, Construction and Facilities Management Office Procedures, OMD should accurately record the obligations and expenses for work on real property facilities in official finance and accounting records.

Condition: During expenditure testwork, we noted total costs of \$1,914,749 of construction-in-progress costs that were recorded as engineering service costs.

Cause and Effect: The original purchase order for the construction project was started with engineering service costs. As the additional construction costs occurred, the employee did not change the expense designation to construction-in-progress costs.

Recommendation: We recommend that management review all expenses for proper account classification to ensure the accuracy of the expenditure account balances and completeness and accuracy of capital asset reporting.

Views of Responsible Official(s)

Contact Person: Angela Tackett, CFO

Anticipated Completion Date: Immediately

Corrective Action Planned: The Oklahoma Military Department agrees 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	AL 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	\$ 932,993	
Voluntary Public Access and Habitat Incentive Program	10.093		Department of Wildlife Conservation	865,231	◆
Inspection Grading and Standardization	10.162		Department of Agriculture	913,813	
Market Protection and Promotion	10.163		Department of Agriculture	21,600	
Specialty Crop Block Grant Program - Farm Bill	10.170		Department of Agriculture	685,295	
Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments	10.182		Department of Human Services	7,848	
Local Food for Schools Cooperative Agreement Program	10.185		Department of Agriculture	100,404	
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		Department of Agriculture	1,459,266	
Farm & Ranch Stress Assistance Network Competitive Grants Program	10.525		Department of Agriculture	358,451	
SNAP Employment and Training Data and Technical Assistance Grants	10.537		Department of Human Services	6,155	
Child Nutrition-Technology Innovation Grant	10.541		Department of Education	150,176	
Child Nutrition-Technology Innovation Grant	10.541		Department of Human Services	832,428	
			Program Total	982,604	-
Pandemic EBT Food Benefits	10.542		Department of Human Services	193,249,558	⊛
Supplemental Nutrition Assistance Program	10.551		Department of Human Services	1,913,958,957	⊛
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		Department of Human Services	56,888,219	⊛
COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		Department of Human Services	9,056,312	⊛
			SNAP Cluster Total	1,979,903,488	⊛ ⊛ 5,374,085
School Breakfast Program	10.553		Department of Education	63,231,362	⊛ 63,118,042
National School Lunch Program	10.555		Department of Education	214,945,768	⊛ 214,703,772
National School Lunch Program	❖ 10.555		Department of Human Services	34,512,973	⊛ 2,459,073
COVID-19 National School Lunch Program	❖ 10.555		Department of Human Services	427,683	⊛ 427,683
			Program Total	249,886,424	⊛ 217,590,528
Special Milk Program for Children	10.556		Department of Education	1,670	⊛ 1,670
Summer Food Service Program for Children	⊛ 10.559		Department of Human Services	1,184	⊛
Summer Food Service Program for Children	10.559		Department of Education	6,022,235	⊛ 5,252,829
			Program Total	6,023,419	⊛ 5,252,829
Fresh Fruit and Vegetable Program	10.582		Department of Education	3,574,593	⊛ 3,601,279
			Child Nutrition Cluster Total	322,717,468	⊛ ⊛ 294,938,433
WIC Special Supplemental Nutrition Program for Women, Infants and Children	10.557		State Department of Health	66,197,938	2,402,059
			Program Total	66,197,938	2,402,059
Child and Adult Care Food Program	10.558		Department of Education	63,145,942	62,628,974
State Administrative Expenses for Child Nutrition	10.560		Department of Education	3,451,700	746,522
State Administrative Expenses for Child Nutrition	10.560		Department of Human Services	2,050,030	
			Program Total	5,501,730	746,522
Commodity Supplemental Food Program	10.565		Department of Human Services	2,171,403	⊛ 321,717
Emergency Food Assistance Program (Administrative Costs)	10.568		Department of Human Services	1,745,694	⊛ 1,617,345
			Program Total	1,745,694	⊛ 1,617,345
Emergency Food Assistance Program (Food Commodities)	⊛ 10.569		Department of Human Services	19,017,592	⊛
			Food Distribution Cluster Total	22,934,689	⊛ 1,939,062
Farm to School Grant Program	10.575		Department of Education	950	(4,696)
Senior Farmers Market Nutrition Program	10.576		Department of Human Services	72,219	

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Child Nutrition Discretionary Grants Limited Availability	10.579		Department of Education	1,478,296	1,478,296
Pandemic EBT Administrative Costs	10.649		Office of Juvenile Affairs	628	
Pandemic EBT Administrative Costs	10.649		Department of Education	876,044	545,873
COVID-19 Pandemic EBT Administrative Costs	10.649		Department of Human Services	4,436,767	
			Program Total	5,313,439	545,873
Forestry Research	10.652		Department of Agriculture	277,491	
Cooperative Forestry Assistance	10.664		Department of Agriculture	3,062,054	
Forest Health Protection	10.680		Department of Agriculture	18,315	
State & Private Forestry Hazardous Fuel Reduction Program	10.697		Department of Agriculture	219,575	
Partnership Agreements	10.699		Department of Agriculture	3,208	
Infrastructure Investment & Jobs Act Community Wildlife Defense Grants	10.720		Department of Agriculture	996,451	
Soil and Water Conservation	10.902		Conservation Commission	249,261	
Watershed Protection and Flood Prevention	10.904		Conservation Commission	80,534	
Watershed Rehabilitation Program	10.916		Conservation Commission	40,595	
Agricultural Conservation Easement Program	10.931		Department of Wildlife Conservation	32,902	
Feral Swine Eradication and Control Pilot Program	10.934		Conservation Commission	143,001	
Cost Reimbursement Contract - McGee Creek Project	10 UNK		Department of Wildlife Conservation	260,726	
U.S. Department of Agriculture-Subtotal				2,672,233,490	\$ 364,674,523
U.S. Department of Commerce					
Direct and Pass Through Programs:					
State Digital Equity Planning & Capacity Grant	11.032		Oklahoma Broadband Office	10,464	
Cost Reimbursement Contract: Economic Adjustment Assistance	11.307		Department of Tourism and Recreation	737,777	⊗
Cost Reimbursement Contract: Economic Adjustment Assistance	11.307		Department of Commerce	640,000	⊗
			Economic Development Cluster Total	1,377,777	-
U.S. Department of Commerce-Subtotal				\$ 1,388,241	\$ -
U.S. Department of Defense					
Direct and Pass Through Programs:					
Procurement Technical Assistance For Business Firms	12.002		Department of Career & Technology Education	926,419	
Cost Reimbursement Contract: State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		Department of Environmental Quality	15,141	
Cost Reimbursement Contract - Military Construction, National Guard	12.400		Oklahoma Military Department	7,022,605	
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401		Oklahoma Military Department	36,703,921	⊗
Cost Reimbursement Contract - National Guard Challenge Program	12.404		Oklahoma Military Department	5,749,797	
Troops to Teachers grant Program	12.620		Department of Education	(14,766)	
U.S. Department of Defense-Subtotal				\$ 50,403,117	\$ -
U.S. Department of Housing and Urban Development					
Direct and Pass Through Programs:					
Community Development Block Grants/Entitlement Grants	14.218		Department of Emergency Management	110,272	⊗ 110,272
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		Mental Health and Substance Abuse Services	384,864	⊗ 408,633
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		Department of Commerce	28,658,289	⊗ ♦ 27,847,808
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		Oklahoma Water Resources Board	478,062	⊗
			Program Total	29,521,215	⊗ 28,256,441
			CDBG - Entitlement Grants Cluster	29,631,487	⊗ 28,366,713
Emergency Solutions Grant Program	14.231		Department of Commerce	5,348,436	♦ 5,063,370
Shelter Plus Care	14.238		Mental Health and Substance Abuse Services	200,500	255,852

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	14.269		Department of Commerce	19,444	
			CDBG-Disaster Recovery Grants - Pub. L. No. 113-2 Cluster Total	19,444	-
Youth Homelessness Demonstration Program	14.276		Mental Health and Substance Abuse Services	30,719	
U.S. Department of Housing and Urban Development-Subtotal				\$ 35,230,586	\$ 33,685,935
U.S. Department of the Interior					
Direct and Pass Through Programs:					
Energy Community Revitalization Program (ECRP)	15.018		Corporation Commission	2,243,110	
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		State Auditor and Inspector	486,534	
Title XVI Water Reclamation and Reuse	15.504		Department of Tourism and Recreation	34,146	(34,146)
Recreation Resources Management	15.524		Department of Agriculture	49,248	
Fish and Wildlife Management Assistance	15.608		Department of Wildlife Conservation	111,002	
Sport Fish Restoration Program	15.605		Department of Wildlife Conservation	6,814,098	109,548
Wildlife Restoration and Basic Hunter Education	15.611		Department of Wildlife Conservation	15,571,207	1,195,087
Enhanced Hunter Education and Safety	15.626		Department of Wildlife Conservation	126,391	
			Fish and Wildlife Cluster Total	22,511,696	1,304,635
Cooperative Endangered Species Conservation Fund	15.615		Department of Wildlife Conservation	87,922	52,912
Clean Vessel Act	15.616		Department of Environmental Quality	307,606	
Partners for Fish and Wildlife	15.631		Conservation Commission	32,590	
Partners for Fish and Wildlife	15.631		Department of Wildlife Conservation	472,481	
			Program Total	505,071	-
State Wildlife Grants	15.634		Department of Wildlife Conservation	775,702	560,981
Historic Preservation Fund Grants-In-Aid	15.904		Historical Society	745,248	404,498
Outdoor Recreation - Acquisition, Development and Planning	15.916		Department of Tourism and Recreation	510,162	295,345
National Ground-Water Monitoring Network	15.980		Water Resources Board	37,998	
U.S. Department of the Interior-Subtotal				\$ 28,405,445	\$ 2,584,225
U.S. Department of Justice					
Direct and Pass Through Programs:					
Sexual Assault Services Formula Program	16.017		District Attorneys Council and District Attorney Offices	175,971	373,403
COVID 19 Coronavirus Emergency Supplemental Funding Program	16.034		Office of Juvenile Affairs	150,649	
COVID 19 Coronavirus Emergency Supplemental Funding Program	16.034		District Attorneys Council and District Attorney Offices	965,074	1,642,710
COVID 19 Coronavirus Emergency Supplemental Funding Program	16.034		Attorney General	61,397	
COVID 19 Coronavirus Emergency Supplemental Funding Program	16.034		State Bureau of Investigation	52,059	
			Program Total	1,229,179	1,642,710
Services for Trafficking Victims	16.320		Mental Health and Substance Abuse Services	74,797	97,273
Juvenile Justice and Delinquency Prevention	16.540		Office of Juvenile Affairs	94,809	
Juvenile Justice and Delinquency Prevention	16.540		District Attorneys Council and District Attorney Offices	74,586	43,355
			Program Total	169,395	43,355
Missing Children's Assistance	16.543		State Bureau of Investigation	571,379	
State Justice Statistics Program for Statistical Analysis Centers	16.550		State Bureau of Investigation	46,904	
National Criminal History Improvement Program (NCHIP)	16.554		District Attorneys Council and District Attorney Offices	10,355	405,801
National Criminal History Improvement Program (NCHIP)	16.554		State Bureau of Investigation	500,000	
			Program Total	510,355	405,801
Crime Victim Assistance	16.575		District Attorneys Council and District Attorney Offices	2,928,672	14,866,170

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Crime Victim Assistance	16.575		Medicolegal Investigation Board	69,252	
Crime Victim Assistance	16.575		Attorney General	69,589	
Crime Victim Assistance	16.575		State Bureau of Investigation	63,771	
			Program Total	3,131,284	14,866,170
Crime Victim Compensation	16.576		District Attorneys Council and District Attorney Offices	(908,424)	1,509,274
Crime Victim Assistance/Discretionary Grants	16.582		District Attorneys Council and District Attorney Offices	187,759	37,686
Drug Court Discretionary Grant Program	16.585		Mental Health and Substance Abuse Services	724,336	634,748
Violence Against Women Formula Grants	16.588		District Attorneys Council and District Attorney Offices	853,067	958,350
Violence Against Women Formula Grants	16.588		Attorney General	136,652	
			Program Total	989,719	958,350
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		District Attorneys Council and District Attorney Offices	236,983	3,675
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		District Attorneys Council and District Attorney Offices	262,908	102,224
Residential Substance Abuse Treatment for State Prisoners	16.593		District Attorneys Council and District Attorney Offices	58,142	544
Residential Substance Abuse Treatment for State Prisoners	16.593		Department of Corrections	341,896	
Residential Substance Abuse Treatment for State Prisoners	16.593		Mental Health and Substance Abuse Services	96,782	
Residential Substance Abuse Treatment for State Prisoners	16.593		Office of Juvenile Affairs	61,144	
			Program Total	557,964	544
State Criminal Alien Assistance Program	16.606		Department of Corrections	1,220,655	
Bulletproof Vest Partnership Program	16.607		Department of Corrections	17,875	
Project Safe Neighborhood	16.609		District Attorneys Council and District Attorney Offices	170,826	115,834
Public Safety Partnership and Community Policing Grants	16.710		Bureau of Narcotics & Dangerous Drugs Control	807,605	
Edward Byrne Memorial Justice Assistance Grant Program	16.738		Department of Corrections	49,700	
Edward Byrne Memorial Justice Assistance Grant Program	16.738		District Attorneys Council and District Attorney Offices	2,021,503	398,662
			Program Total	2,071,203	398,662
DNA Backlog Reduction Program	16.741		State Bureau of Investigation	1,554,118	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		District Attorneys Council and District Attorney Offices	32,024	60,268
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		State Bureau of Investigation	173,899	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		Medicolegal Investigation Board	46,411	
			Program Total	252,334	60,268
Support for Adam Walsh Act Implementation Grant Program	16.750		Department of Corrections	320,424	
Harold Rogers Prescription Drug Monitoring Program	16.754		Bureau of Narcotics & Dangerous Drugs Control	1,239,967	
Second Chance Act Reentry Initiative	16.812		Mental Health and Substance Abuse Services	3,264	
Second Chance Act Reentry Initiative	16.812		Department of Career & Technology Education	152,145	
			Program Total	155,409	-
NICS Act Record Improvement Program (NARIP)	16.813		State Bureau of Investigation	869,041	
NICS Act Record Improvement Program (NARIP)	16.813		Department of Corrections	47,200	
NICS Act Record Improvement Program (NARIP)	16.813		District Attorneys Council and District Attorney Offices	(26,369)	373
			Program Total	889,872	373
John R. Justice Prosecutors and Defenders Incentive Act	16.816		District Attorneys Council and District Attorney Offices	(2,756)	40,000
Postconviction Testing of DNA Evidence	16.820		State Bureau of Investigation	59,488	
Justice Reinvestment Initiative	16.827		Mental Health and Substance Abuse Services	111,255	70,396
Swift, Certain, and Fair Supervision Program: Applying the Principles Behind Project HOPE	16.828		Department of Corrections	45,914	
National Sexual Assault Kit Initiative (SAKI)	16.833		State Bureau of Investigation	588,003	

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
National Sexual Assault Kit Initiative (SAKI)	16.833		Attorney General	1,574,373	
			Program Total	2,162,376	-
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838		Bureau of Narcotics & Dangerous Drugs Control	97,711	
STOP School Violence	16.839		Department of Education	858,625	
Combatting Contraband Cell Phone Use in Prisons	16.844		Department of Corrections	178,200	
U.S. Department of Justice-Subtotal				\$ 20,171,610	\$ 21,360,746
U.S. Department of Labor					
Direct and Pass Through Programs:					
Labor Force Statistics	17.002		Employment Security Commission	895,788	
Compensation and Working Conditions	17.005		Department of Labor	154,295	
Employment Service/Wagner-Peyser Funded Activities	17.207		Employment Security Commission	7,116,523	⊗
Employment Service/Wagner-Peyser Funded Activities	17.207		Office of Management and Enterprise Services	274	⊗
			Program Total	7,116,797	-
			Employment Service Cluster Total	7,116,797	-
Workforce Innovation and Opportunity (WIAO) Adult Programs	17.258		Department of Commerce	9,091,919	⊗ ◆ 8,246,891
Workforce Innovation and Opportunity	17.258		OK Department of Libraries	251,796	⊗
			Program Total	9,343,715	⊗
Workforce Innovation and Opportunity (WIAO) Youth Activities	17.259		Department of Commerce	9,482,656	⊗ ◆ 8,674,967
Workforce Innovation and Opportunity (WIAO) Dislocated Worker Formula Grants	17.278		Department of Commerce	6,863,174	⊗ ◆ 5,473,505
			WIOA Cluster Total	25,689,545	⊗ 22,395,363
Unemployment Insurance	17.225		Employment Security Commission	193,175,218	
COVID-19 Unemployment Insurance	17.225		Employment Security Commission	3,293,863	
			Program Total	196,469,081	⊗ -
Senior Community Service Employment Program	17.235		Department of Human Services	939,226	826,840
Trade Adjustment Assistance	17.245		Employment Security Commission	1,402,225	
Work Opportunity Tax Credit Program (WOTC)	17.271		Employment Security Commission	444,521	
Temporary Labor Certification for Foreign Workers	17.273		Employment Security Commission	106,514	
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		Employment Security Commission	40,901	
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		Department of Commerce	(44,934)	
			Program Total	(4,033)	-
Apprenticeship USA Grants	17.285		Department of Commerce	416,959	
Consultation Agreements	17.504		Department of Labor	1,390,944	
Mine Health and Safety Grants	17.600		Department of Mines	260,463	
Jobs for Veterans Stat Grants	17.801		Employment Security Commission	1,550,958	
Local Veterans' Employment Representative Program	17.804		Employment Security Commission	386,989	
U.S. Department of Labor-Subtotal				\$ 237,220,272	\$ 23,222,203
U.S. Department of Transportation					
Direct and Pass Through Programs:					
Highway Research and Development Program	20.200		Department of Transportation	728,665	21
Highway Planning and Construction	20.205		Department of Transportation	864,430,958	⊗ 6,783,433
Highway Planning and Construction	20.205	9000006077; 9000017185; 9000014190	Pass-Through from Texas Department of Transportation to Department of Transportation	5,271,582	⊗
			Program Total	869,702,540	⊗ 6,783,433
Recreational Trails Program	20.219		Department of Tourism and Recreation	1,504,413	⊗ 1,471,653
			Highway Planning and Construction Cluster Total	871,206,953	⊗ 8,255,086

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Highway Training and Education	20.215		Department of Transportation	305,708	
Motor Carrier Safety Assistance	20.218		Department of Public Safety	2,438,924	2,169,580
(Commercial Vehicle Info Systems and Networks)	20.237		Department of Transportation	276,148	
			Federal Motor Carrier Safety Assistance Cluster Total	2,715,072	2,169,580
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		Department of Transportation	3,813,171	3,076,109
			Federal Transit Cluster Total	3,813,171	3,076,109
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		Department of Transportation	902,370	818,491
Formula Grants for Rural Areas and Tribal Transit Program	20.509		Department of Transportation	22,402,811	19,379,136
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	20.509		Department of Transportation	5,300,722	3,379,878
			Program Total	27,703,533	22,759,014
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Department of Transportation	2,156,296	1,961,954
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Department of Human Services	(114)	
			Transit Services Programs Cluster Total	2,156,182	1,961,954
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528		Department of Transportation	2,437	2,437
National Highway Traffic Safety Administration Discretionary Safety Grants and Cooperative Agreements	20.614		Department of Public Safety	(38)	
E-911 Grant Program	20.615		Conservation Commission	776	
State and Community Highway Safety	20.600		Mental Health and Substance Abuse Services	12,000	
State and Community Highway Safety	20.600		Department of Public Safety	4,574,505	4,431,751
			Program Total	4,586,505	4,431,751
National Priority Safety Programs	20.616		Department of Public Safety	2,759,301	2,627,328
National Priority Safety Programs	20.616		Mental Health and Substance Abuse Services	32,000	
National Priority Safety Programs	20.616		State Bureau of Investigation	237,812	
National Priority Safety Programs	20.616		District Attorneys Council and District Attorney Offices	1,540	
			Program Total	3,030,653	2,627,328
			Highway Safety Cluster Total	7,617,158	7,350,744
Cost Reimbursement Contract - Pipeline Safety Program State Based Grant	20.700		Corporation Commission	2,167,502	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		Department of Emergency Management	537,362	537,362
National Infrastructure Investments	20.933		Department of Transportation	14,317,534	
U.S. Department of Transportation- Subtotal				\$ 934,174,385	\$ 46,639,133
U.S. Department of the Treasury					
Direct and Pass Through Programs:					
COVID-19 Coronavirus Relief Fund	21.019		State of Oklahoma	\$ 249,661	\$ 249,661
COVID-19 Coronavirus Relief Fund	21.019		Office of Management and Enterprise Services	1,178,590	
COVID-19 Coronavirus Relief Fund	21.019		Employment Security Commission	28,921,283	
COVID-19 Coronavirus Relief Fund	21.019		State Senate	72,575	
			Program Total	30,422,109	249,661
COVID 19 Emergency Rental Assistance Program	21.023		State of Oklahoma	101,989,723	101,989,723
COVID 19 Emergency Rental Assistance Program	21.023		Office of Management and Enterprise Services	23,905	
			Program Total	102,013,628	101,989,723
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Office of Juvenile Affairs	363,228	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Ctr for Advancement of Science/Tech	188,028	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Mental Health and Substance Abuse Services	965,029	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Oklahoma Water Resources Board	1,418,328	

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Department of Human Services	2,251,741	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		State Department of Health	5,315,914	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		JD McCarty Center	66,240	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Supreme Court	3,682,441	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Department of Career and Technology Education	31,048	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Office of Management and Enterprise Services	3,403,574	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Department of Commerce	9,993,557	◆
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Oklahoma Health Care Workforce Training Commission	5,128,068	4,563,847
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Oklahoma Broadband Office	802,141	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Legislative Service Bureau	270,500	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		Oklahoma Military Department	535,331	
COVID 19 Coronavirus State and Local Fiscal Recovery	21.027		University Hospital Authority & University Hospitals Trust	42,978,774	◆
			Program Total	77,393,943	⊛
				\$ 209,829,680	\$ 106,803,231
U.S. Department of the Treasury-Subtotal					
General Services Administration					
Direct and Pass Through Programs:					
Donation of Federal Surplus Personal Property	⌘ 39.003		Office of Management and Enterprise Services-DCAM	1,020,936	
General Services Administration-Subtotal				\$ 1,020,936	\$ -
National Endowment for the Humanities (NEH)					
Direct and Pass Through Programs:					
Promotion of the Arts Partnership Agreements	45.025		State Arts Council	989,992	
Grants to States	45.310		Department of Libraries	2,039,329	539,814
COVID-19 Grants to States	45.310		Department of Libraries	638,114	238,133
			Program Total	2,677,443	777,947
				\$ 3,667,435	\$ 777,947
National Foundation on the Arts and the Humanities-Subtotal					
U.S. Small Business Administration					
Direct and Pass Through Programs:					
State Trade Expansion Program	59.061		Department of Commerce	362,418	
U.S. Small Business Administration-Subtotal				\$ 362,418	\$ -
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	10,186,611	
Veterans State Nursing Home Care	64.015		Department of Veterans Affairs	100,538,132	
All-Volunteer Force Educational Assistance	64.124		Department of Veterans Affairs	308,108	
U.S. Department of Veterans Affairs-Subtotal				\$ 111,032,851	\$ -
U.S. Environmental Protection Agency					
Direct and Pass Through Programs:					
Relating to the Clean Air Act	66.034		Department of Environmental Quality	320,848	
State Clean Diesel Grant Program	66.040		Department of Environmental Quality	305,218	
Multipurpose Grants to States and Tribes	66.204	AA02F01601	Pass-Through from Sec. of Energy & Enviro. to Dept. of Enviro. Quality	92,490	
Multipurpose Grants to States and Tribes	66.204		Oklahoma Water Resources Board	27,001	
			Program Total	119,491	-
		OK292PT2928126320; OK292PT2928131618; OK292PT2928131620; OK292PT2928131718			
Water Pollution Control State, Interstate and Tribal Program Support	66.419		Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	318,002	
Water Pollution Control State, Interstate and Tribal Program Support	66.419	I-02F03301	Pass-Through from Sec. of Energy & Enviro. to Dept. of Enviro. Quality	1,108,346	
Water Pollution Control State, Interstate and Tribal Program Support	66.419		Conservation Commission	240,621	
			Program Total	1,666,969	-

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
State Underground Water Source Protection Assistance for Small and Disadvantaged Communities Drinking Water Grant Program (SDWA 1459A)	66.433		Corporation Commission	307,103	
Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d))	66.442		Department of Environmental Quality	56,880	
	66.444		Department of Environmental Quality	42,400	
Water Quality Management Planning	66.454	OK292PT2928133417; OK292PT2928139520	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	10,821	
Water Quality Management Planning	66.454		Oklahoma Conservation Commission	162	
			Program Total	10,983	-
Capitalization Grants for Clean Water State Revolving Funds	66.458		Water Resources Board	31,898,084	31,898,084
			Clean Water State Revolving Fund Cluster Total	31,898,084	31,898,084
Nonpoint Source Implementation Grants	66.460	OK292PT2928130017; OK292PT2928130019; OK292PT2928131319; OK292PT2928131320; OK292PT2928131321; OK292PT2928131420; OK292PT2928131421; OK292PT2928131520; OK292PT2928131521; OK292PT2928134018	Pass-Through from Sec. of Energy & Environment to Conservation Commissior	2,160,578	
Regional Wetland Program Development Grants	66.461	OK292PT2928133817; OK292PT2928139319 OK292PT2928137919; OK292PT2928139820	Pass-Through from Sec. of Energy & Environment to Water Resources Board	54,540	
Regional Wetland Program Development Grants	66.461		Pass-Through from Sec. of Energy & Environment to Conservation Commissior	5,051	
			Program Total	59,591	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468		Department of Environmental Quality	41,953,308	37,839,485
			Drinking Water State Revolving Fund Cluster Total	41,953,308	37,839,485
Performance Partnership Grants	66.605		Department of Environmental Quality	2,648,635	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		Department of Environmental Quality	174,297	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		Department of Agriculture	20,913	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		Water Resources Board	296,083	
			Program Total	491,293	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700		Department of Agriculture	880,273	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		Department of Labor	79,170	
Toxic Substances Control Act Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		Department of Environmental Quality	(49,455)	
Pollution Prevention Grants Program	66.708		Department of Environmental Quality	9,330	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		Department of Environmental Quality	9,133,115	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		State Department of Health	30,771	
			Program Total	9,163,886	-
Underground Storage Tank (UST) Prevention, Detection and Compliance Program	66.804		Corporation Commission	471,305	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		Corporation Commission	970,143	
State and Tribal Response Program Grants	66.817		Corporation Commission	242,373	
State and Tribal Response Program Grants	66.817		Department of Environmental Quality	228,541	

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients	
				Program Total	470,914	-
Brownfields Multipurpose, Assessment, Revolving Loan Funds, and Cleanup Cooperative Agreements	66.818		Department of Environmental Quality	233,496		
Brownfields Multipurpose, Assessment, Revolving Loan Funds, and Cleanup Cooperative Agreements	66.818		Corporation Commission	46,134		
				Program Total	279,630	-
Superfund State and Indian Tribe Combined Cooperative Agreements (Site-Specific and Core)	66.961		Department of Environmental Quality	262,601		
U.S. Environmental Protection Agency-Subtotal				\$ 94,579,178	\$	-
U.S. Department of Energy						
Direct and Pass Through Programs:						
State Energy Program	81.041		Department of Commerce	757,891		499,397
Weatherization Assistance for Low-Income Persons	81.042		Department of Commerce	2,984,057	◆	2,176,229
U.S. Department of Energy-Subtotal				\$ 3,741,948	\$	2,675,626
U.S. Department of Education						
Direct and Pass Through Programs:						
Adult Education - Basic Grants to States	84.002		Department of Corrections	497,696		
Adult Education - Basic Grants to States	84.002		Department of Career & Technology Education	7,226,307		6,089,983
				Program Total	7,724,003	6,089,983
Title I Grants to Local Educational Agencies	84.010		Department of Education	224,196,681		221,213,580
Title I Grants to Local Educational Agencies	84.010		Office of Juvenile Affairs	96,754		
				Program Total	224,293,435	⊛ 221,213,580
Migrant Education State Grant Program	84.011		Department of Education	378,972		8,984
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		Department of Education	146,608		
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		Department of Corrections	155,834		
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		Office of Juvenile Affairs	140,688		
				Program Total	443,130	-
Special Education Grants to States	84.027		Department of Corrections	490	⊛	
Special Education Grants to States	84.027		Department of Education	156,537,825	⊛	144,747,599
Special Education Grants to States	84.027		Office of Juvenile Affairs	55,648	⊛	
COVID-19 Special Education Grants to States	84.027		Department of Education	12,732,771	⊛	12,732,771
				Program Total	169,326,734	⊛ 157,480,370
Special Education Preschool Grants	84.173		Department of Education	3,366,614	⊛	3,191,941
COVID-19 Special Education Preschool Grant	84.173		Department of Education	506,399	⊛	506,399
			Special Education Cluster (IDEA) Total	173,199,747	⊛ ⊛	161,178,710
Career and Technical Education - Basic Grants to States	84.048		Department of Career & Technology Education	18,575,890		15,315,966
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		Department of Rehabilitation Services	39,874,149		
Rehabilitation Services Client Assistance Program	84.161		Office of Disability Concerns	120,783		
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		Department of Rehabilitation Services	377,803		
Special Education - Grants for Infants and Families	84.181		Department of Education	331,753		
Special Education - Grants for Infants and Families	84.181		State Department of Health	5,976,012		
COVID-19 Special Education - Grants for Infants and Families	84.181		Department of Education	731,127		
				Program Total	7,038,892	-
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184		Department of Education	1,453,011		100,402
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	1,162,498		1,078,682

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Javits Gifted and Talented Students Education	84.206		Department of Education	467,588	
Twenty-First Century Community Learning Centers	84.287		Department of Education	13,908,216	12,959,908
Indian Education - Special Programs for Indian Children	84.299		Department of Education	1,003,280	100,557
Special Education - State Personnel Development	84.323		Department of Education	661,839	
Rural Education	84.358		Department of Education	5,352,836	5,079,016
English Language Acquisition State Grants	84.365		Department of Education	6,033,079	5,690,632
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		Department of Education	21,810,836	20,343,279
Grants for State Assessments and Related Activities	84.369		Department of Education	6,211,944	
Comprehensive Literacy Development	84.371		Department of Education	81,509	78,104
School Improvement Grants	84.377		Department of Education	(1,083)	
Performance Partnership Pilots for Disconnected Youth	84.420		Department of Human Services	(5)	
Student Support and Academic Enrichment Program	84.424		Department of Education	8,676,040	6,352,621
Student Support and Academic Enrichment Program	84.424		Office of Juvenile Affairs	20,000	
			Program Total	8,696,040	6,352,621
COVID-19 Education Stabilization Fund	84.425C		Department of Education	841,266	
COVID-19 Education Stabilization Fund	84.425C		Office of Management and Enterprise Services	121,885	
COVID-19 Education Stabilization Fund	84.425D		Department of Education	81,847,356	75,152,295
COVID-19 Education Stabilization Fund	84.425D		Office of Juvenile Affairs	158,932	
COVID-19 Education Stabilization Fund	84.425R		Department of Education	7,661,894	378,083
COVID-19 Education Stabilization Fund	84.425U		Department of Education	522,426,847	499,249,824
COVID-19 Education Stabilization Fund	84.425V		Department of Education	5,545,962	468,340
COVID-19 Education Stabilization Fund	84.425W		Department of Education	2,204,982	2,204,982
			Program Total	620,809,124	577,453,524
Randolph-Sheppard - Financial Relief and Restoration Payments	84.426		Department of Rehabilitation Services	9,589	
U.S. Department of Education-Subtotal				\$ 1,159,987,105	\$ 1,033,043,948
National Archives and Records Administration					
Direct and Pass Through Programs:					
National Historical Publications and Records Grants	89.003		Department of Libraries	51,157	
National Archives and Records Administration - Subtotal				\$ 51,157	\$ -
U.S. Election Assistance Commission					
Direct and Pass Through Programs:					
Help America Vote Act Requirements Payments	90.401		State Election Board	744,591	
2018 HAVA Election Security Grants	90.404		State Election Board	841,156	
U.S. Election Assistance Commission - Subtotal				\$ 1,585,747	\$ -
U.S. Department of Health and Human Services					
Direct and Pass Through Programs:					
Medical Reserve Corp	93.008		State Department of Health	18,829	
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		Department of Human Services	60,001	60,001
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		Department of Human Services	241,851	
COVID 19 Special Programs for the Aging, Title VII, Chapter 2-COVID 19	93.042		Department of Human Services	35,803	
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		Department of Human Services	298,406	281,812
COVID-19 - Special Programs for the Aging Title III, Part D, ARP	93.043		Department of Human Services	34,000	34,000
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		Department of Human Services	5,141,857	4,219,117
COVID 19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		Department of Human Services	665,688	450,855
			Program Total	5,807,545	4,669,972

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		Department of Human Services	10,238,224	8,317,522
COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		Department of Human Services	3,774,444	3,774,264
			Program Total	14,012,668	12,091,786
Nutrition Services Incentive Program	93.053		Department of Human Services	1,047,073	997,065
			Aging Cluster Total	20,867,286	17,758,823
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048		Insurance Department	483,935	
COVID-19 Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048		Department of Human Services	244,938	
			Program Total	728,873	-
National Family Caregiver Support, Title III, Part E	93.052		Department of Human Services	1,354,732	1,020,444
COVID 19 National Family Caregiver Support, Title III, Part E	93.052		Department of Human Services	860,378	860,378
			Program Total	2,215,110	1,880,822
Public Health Emergency Preparedness	93.069		State Department of Health	3,103,420	1,827,001
Medicare Enrollment Assistance Program	93.071		Insurance Department	235,389	
Medicare Enrollment Assistance Program	93.071		Department of Human Services	397,402	
			Program Total	632,791	-
Lifespan Respite Care Program	93.072		Department of Human Services	537,306	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		State Department of Health	45,948	
Enhance Safety of Children Affected by Substance Abuse	93.087		Mental Health and Substance Abuse Services	1,361,572	272,699
Guardianship Assistance	93.090		Department of Human Services	1,939,688	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		State Department of Health	488,344	
Food and Drug Administration - Research	93.103		Department of Agriculture	264,415	
COVID-19 Food and Drug Administration - Research	93.103		State Department of Health	42,217	
			Program Total	306,632	-
Maternal and Child Health Federal Consolidated Programs	93.110		Mental Health and Substance Abuse Services	910,674	847,520
Maternal and Child Health Federal Consolidated Programs	93.110		State Department of Health	1,358,753	
			Program Total	2,269,427	847,520
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		State Department of Health	165,943	53,736
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118		State Department of Health	568	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		State Department of Health	20,379	
Injury Prevention and Control Research and State and Community Based Programs	93.136		Medicolegal Investigation Board	569,287	
Injury Prevention and Control Research and State and Community Based Programs	93.136		Bureau of Narcotics & Dangerous Drugs Control	40,296	
Injury Prevention and Control Research and State and Community Based Programs	93.136		State Department of Health	3,505,629	287,038
			Program Total	4,115,212	287,038
Projects for Assistance in Transition from Homelessness (PATH)	93.150		Mental Health and Substance Abuse Services	344,567	198,523
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		State Department of Health	40,511	
Family Planning Services	93.217		State Department of Health	1,718,707	98,068
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235		State Department of Health	363,817	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Department of Education	4,426,126	1,914,452
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		State Department of Health	1,198	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Mental Health and Substance Abuse Services	10,698,178	6,445,598
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Department of Human Services	(44)	
			Program Total	15,125,458	8,360,050

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Early Hearing Detection and Intervention	93.251		State Department of Health	85,146	
Immunization Cooperative Agreements	❖ 93.268		State Department of Health	73,262,865	472,306
COVID-19 Immunization Cooperative Agreements	❖ 93.268		State Department of Health	138,237	105,567
			Program Total	73,401,102	577,873
Viral Hepatitis Prevention and Control	93.270		State Department of Health	39,251	
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		State Department of Health	(3,072)	
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314		State Department of Health	40,771	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		State Department of Health	1,413,715	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		Office of Juvenile Affairs	369,503	
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		Mental Health and Substance Abuse Services	58,692	
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		State Department of Health	48,507,938	1,218,368
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		Department of Corrections	87,045	
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		Department of Education	29,189,120	
			Program Total	79,626,013	1,218,368
State Health Insurance Assistance Program	93.324		Insurance Department	795,869	
The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	93.334		State Department of Health	176,754	
Behavioral Risk Factor Surveillance System	93.336		State Department of Health	503,065	
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.354		State Department of Health	1,815,029	408,700
ACL Independent Living State Grants	93.369		Department of Rehabilitation Services	353,882	
National and State Tobacco Control Program	93.387		State Department of Health	1,178,859	330,888
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crisis	93.391		State Department of Health	6,983,583	3,922,418
Strengthening Public Health Systems	93.421		State Department of Health	361,905	
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426		State Department of Health	899,543	
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426		Mental Health and Substance Abuse	5,576	
			Program Total	905,119	-
Every Student Succeeds Act/Preschool Development Grants	93.434		Department of Human Services	1,860,744	1,800,000
Title IV-E Prevention Program	93.472		Department of Human Services	400,104	
Community Health Workers for Public Health Response and Resilient	93.495		State Department of Health	154,120	
Low Income Household Water Assistance program	93.499		Department of Human Services	7,644,949	
Promoting Safe and Stable Families	93.556		Department of Human Services	7,094,591	186,522
COVID-19 Promoting Safe and Stable Families	93.556		Department of Human Services	1,074,638	
Promoting Safe and Stable Families	93.556		Office of Juvenile Affairs	101,667	
			Program Total	8,270,896	186,522
Temporary Assistance for Needy Families	93.558		Department of Human Services	104,329,854	
Temporary Assistance for Needy Families	93.558		Department of Career & Technology Education	2,669,143	
Temporary Assistance for Needy Families	93.558		Department of Libraries	225,933	
			Program Total	107,224,930	-
Child Support Enforcement	93.563		Department of Human Services	40,001,372	1,193,487
Child Support Enforcement	93.563		District Attorneys Council and District Attorney Offices	3,926,989	
			Program Total	43,928,361	1,193,487

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Child Support Enforcement Research	93.564		Department of Human Services	99,701	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		Department of Human Services	8,935,323	
Low-Income Home Energy Assistance	93.568		Department of Human Services	62,426,258	
Low-Income Home Energy Assistance	93.568		Department of Commerce	668,081	630,942
COVID 19 Low-Income Home Energy Assistance	93.568		Department of Human Services	24,297,494	
			Program Total	87,391,833	630,942
Community Services Block Grant	93.569		Department of Commerce	10,448,673	10,057,425
Child Care and Development Block Grant	93.575		Department of Human Services	161,826,637	3,003,943
COVID 19 Child Care and Development Block Grant	93.575		Department of Human Services	382,643,846	
			Program Total	544,470,483	3,003,943
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		Department of Human Services	53,133,056	
COVID 19 Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		Department of Human Services	2,519,172	
			Program Total	55,652,228	-
			CCDF Cluster Total	600,122,711	3,003,943
State Court Improvement Program	93.586		Supreme Court	557,532	
COVID 19 State Court Improvement Program	93.586		Supreme Court	88,322	
			Program Total	645,854	-
Community-Based Child Abuse Prevention Grants	93.590		State Department of Health	901,007	306,608
Community-Based Child Abuse Prevention Grants	93.590		Commission on Children and Youth	(34,309)	
			Program Total	866,698	306,608
Grants to States for Access and Visitation Programs	93.597		Department of Human Services	78,773	
Chafee Education and Training Vouchers Program (ETV)	93.599		Department of Human Services	965,329	
COVID 19 Chafee Education and Training Vouchers Program (ETV)	93.599		Department of Human Services	110,924	
			Program Total	1,076,253	-
Head Start	93.600		Department of Commerce	162,811	160,525
			Head Start Cluster Total	162,811	160,525
Adoption and Legal Guardianship Incentive Payments	93.603		Department of Human Services	(1,172,864)	
Basic Center Grant	93.623		Mental Health and Substance Abuse Services	10,688	10,688
Developmental Disabilities Basic Support and Advocacy Grants	93.630		Department of Human Services	1,004,435	
COVID 19 Developmental Disabilities Basic Support and Advocacy Grants	93.630		Department of Human Services	11,294	
			Program Total	1,015,729	-
Section 9813: State Planning Grants for Qualifying Community-Based Mobile Crisis Intervention Services	93.639		Health Care Authority	237,194	
Children's Justice Grants to States	93.643		Department of Human Services	151,846	
Stephanie Tubbs Jones Child Welfare Services Program	93.645		Department of Human Services	844,591	
COVID 19 Stephanie Tubbs Jones Child Welfare Services Program	93.645		Department of Human Services	299,993	
			Program Total	1,144,584	-
Child Welfare Research Training or Demonstration	93.648		Department of Human Services	312,840	
Adoption Opportunities	93.652		Department of Human Services	(23)	
Foster Care Title IV-E	93.658		Department of Human Services	72,617,991	3,010,734
Foster Care Title IV-E	93.658		Office of Juvenile Affairs	95,112	
COVID 19 Foster Care Title IV-E	93.658		Department of Human Services	1,537,155	

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
				Program Total 74,250,258	3,010,734
Adoption Assistance	93.659		Department of Human Services	100,404,971	
COVID 19 Adoption Assistance	93.659		Department of Human Services	7,688,950	
				Program Total 108,093,921	-
COVID-19 Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665		Mental Health and Substance Abuse Services	596,977	377,322
Social Services Block Grant	93.667		Department of Human Services	29,694,992	
Child Abuse and Neglect State Grants	93.669		Department of Human Services	636,071	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		Attorney General	1,605,220	1,519,062
COVID 19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		Attorney General	2,447,871	
				Program Total 4,053,091	1,519,062
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		Department of Human Services	(52,639)	
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		Department of Human Services	3,441,988	
				Program Total 3,389,349	-
Ending the HIV Epidemic	93.686		State Department of Health	768,870	
Elder Abuse Prevention Interventions Program	93.747		Department of Human Services	138,470	
COVID-19 Elder Abuse Prevention Interventions Program	93.747		Department of Human Services	588,231	
				Program Total 726,701	-
Children's Health Insurance Program	93.767		Health Care Authority	265,777,578	
Children's Health Insurance Program	93.767		State Department of Health	17,819	
COVID-19 Children's Health Insurance Program	93.767		Health Care Authority	11,737,268	
				Program Total 277,532,665	-
State Medicaid Fraud Control Units	93.775		Attorney General	2,239,287	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		State Department of Health	1,163,817	
Medical Assistance Program	93.778		Office of Juvenile Affairs	32,019	
Medical Assistance Program	93.778		Health Care Authority	7,240,163,107	
Medical Assistance Program	93.778		State Department of Health	2,194,893	
Medical Assistance Program	93.778		Department of Human Services	48,876,494	
COVID-19 Medical Assistance Program	93.778		Health Care Authority	283,747,183	
				Program Total 7,575,013,696	-
				Medicaid Cluster Total 7,578,416,800	-
Opioid STR	93.788		Mental Health and Substance Abuse Services	17,646,466	6,360,483
Money Follows the Person Rebalancing Demonstration	93.791		Department of Human Services	818	
Money Follows the Person Rebalancing Demonstration	93.791		Health Care Authority	4,610,531	
COVID-19 Money Follows the Person Rebalancing Demonstration	93.791		Health Care Authority	197,687	
				Program Total 4,809,036	-
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796		Health Care Authority	1,756,711	
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796		State Department of Health	729,431	
				Program Total 2,486,142	-
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		Mental Health and Substance Abuse Services	1,137,024	
Maternal, Infant, and Early Childhood Home Visiting Grant	93.870		State Department of Health	5,530,622	2,595,442
National Bioterrorism Hospital Preparedness Program	93.889		State Department of Health	2,150,138	931,572
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		State Department of Health	475,530	25,000

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
HIV Care Formula Grants	93.917		State Department of Health	646,355	
HIV Care Formula Grants	93.917		Department of Human Services	215,253	
			Program Total	861,608	-
HIV Prevention Activities Health Department Based	93.940		State Department of Health	1,813,225	705,569
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		State Department of Health	56,939	-
Block Grants for Community Mental Health Services	93.958		Mental Health and Substance Abuse Services	14,102,640	5,912,822
Block Grants for Prevention and Treatment of Substance Abuse	93.959		Mental Health and Substance Abuse Services	14,551,740	6,751,439
CDC's Collaboration with Academia to Strengthen Public Health	93.967		State Department of Health	48,616	
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		State Department of Health	786,158	
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981		Department of Education	596,533	
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981		State Department of Health	45,198	
			Program Total	641,731	-
Mental Health Disaster Assistance and Emergency Mental Health	93.982		Mental Health and Substance Abuse Services	561,626	120,960
Preventive Health and Health Services Block Grant	93.991		State Department of Health	672,313	14,735
Preventive Health and Health Services Block Grant	93.991		Bureau of Narcotics & Dangerous Drugs Control	7,612	
			Program Total	679,925	14,735
Maternal and Child Health Services Block Grant to the States	93.994		Department of Human Services	2,844,113	
Maternal and Child Health Services Block Grant to the States	93.994		State Department of Health	(45,497)	103,370
			Program Total	2,798,616	103,370
Assisted Outpatient Treatment	93.997		Mental Health and Substance Abuse Services	637,361	609,328
Cost Reimbursement Contracts: Client Level Projects	93.UNK		Mental Health and Substance Abuse Services	6,516	
U.S. Department of Health and Human Services-Subtotal				\$ 9,254,297,807	\$ 84,806,318
Executive Office of the President					
Cost Reimbursement Contract: High Intensity Drug Trafficking Areas Program	95.001		Bureau of Narcotics & Dangerous Drugs Control	71,776	
Executive Office of the President-Subtotal				\$ 71,776	\$ -
Social Security Administration					
Direct and Pass Through Programs: Social Security Disability Insurance	96.001		Department of Rehabilitation Services	48,175,278	
			Disability Insurance/SSI Cluster Total	48,175,278	-
Social Security Administration-Subtotal				\$ 48,175,278	\$ -
U.S. Department of Homeland Security					
Direct and Pass Through Programs: Non-Profit Security Program	97.008		Department of Emergency Management	925,674	925,674
Boating Safety Financial Assistance	97.012		Department of Public Safety	1,514,876	1,504,460
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		Water Resource Board	206,270	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		Department of Emergency Management	63,138,851	62,964,566
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		Department of Agriculture	42,879	
			Program Total	63,181,730	62,964,566
Hazard Mitigation Grant	97.039		Department of Emergency Management	7,485,259	7,432,679
National Dam Safety Program	97.041		Water Resources Board	198,603	
Emergency Management Performance Grants	97.042		Department of Emergency Management	2,676,615	2,872,837

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Cooperating Technical Partners	97.045		Department of Emergency Management	90,620	
Cooperating Technical Partners	97.045		Water Resources Board	788,426	
			Program Total	879,046	-
Fire Management Assistance Grant	97.046		Department of Emergency Management	182,681	182,681
BRIC: Building Resilient Infrastructure and Communities	97.047		Department of Emergency Management	368,439	316,685
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050		Employment Security Commission	3,006	
Homeland Security Grant Program	97.067		Department of Emergency Management	3,048,149	3,895,777
Homeland Security Grant Program	97.067		Department of Public Safety	62,776	57,724
			Program Total	3,110,925	3,953,501
State Homeland Security Program (SHSP)	97.073		State Bureau of Investigation	186,019	
State Homeland Security Program (SHSP)	97.073		Department of Public Safety	201,005	203,762
State Homeland Security Program (SHSP)	97.073		Department of Emergency Management	60,624	(496,457)
State Homeland Security Program (SHSP)	97.073		Conservation Commission	76,266	
			Program Total	523,914	(292,695)
Earthquake Consortium	97.082		Department of Emergency Management	12,840	12,840
Disaster Assistance Projects	97.088		Department of Emergency Management	58,350	58,350
Regional Catastrophic Preparedness Grant Program	97.111		Department of Emergency Management	24,206	28,332
U.S. Department of Homeland Security-Subtotal				\$ 81,352,434	\$ 79,959,910
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	428,355	
U.S. Drug Enforcement Administration-Subtotal				\$ 428,355	\$ -
Total Federal Assistance				<u>\$ 14,949,411,251</u>	<u>\$ 1,869,971,314</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, 2023

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, 2023. 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 Annual Comprehensive Financial Report (ACFR). Component units included in the ACFR 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, 2023. The schedule reports total federal award expenditures and expenses for each federal program as identified by the Assistance Listing (AL) number in the Catalog of Federal Domestic Assistance. Federal awards without identified AL 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, supplemental nutrition benefits 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 supplemental nutrition benefits issuance amount included in the accompanying schedule is stated at the value of supplemental nutrition benefits 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 ACFR. The modified accrual basis of accounting recognizes expenditures and expenses when liquidated with current resources. The Oklahoma Department of Wildlife Conservation, Oklahoma Department of Environmental Quality and Oklahoma Water Resources Board use the accrual basis of accounting that recognizes expenditures when incurred.

Note 2. Indirect Cost Rate

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

Yes

Office of Management and Enterprise Services
Department of Mines
Office of Disability Concerns
State Auditor & Inspector
J. D. McCarty Center
Oklahoma Center for Science and Technology
Oklahoma Insurance Department
Department of Public Safety

No

State of Oklahoma	Oklahoma Historical Society	Dept. of Rehabilitation Services
Military Department	Office of Juvenile Affairs	Water Resources Board
Attorney General	Department of Libraries	Oklahoma Tax Commission
Oklahoma Arts Council	Narcotics/Dangerous Drugs Control	Oklahoma Supreme Court
Oklahoma Comm. on Children and Youth	Dept. of Agriculture	Veterans Affairs Department
Department of Corrections	Corporation Commission	Oklahoma Health Care Authority
Oklahoma Department of Commerce	Dept. of Education	Department of Human Services
District Attorney's Council	Employment Security Commission	Legislative Services Bureau
Election Board	Dept. of Environmental Quality	Oklahoma State Senate
Governor's Office	Dept. of Wildlife Conservation	University Hospitals Authority
Oklahoma State Bureau of Investigation	State Department of Health	Career Tech
Oklahoma Dept. of Emergency Mgmt.	Dept. of Labor	Conservation Commission
Medicolegal Investigation Board	Dept. of Mental Health	Transportation Department
Oklahoma Broadband Office	Health Care Workforce Training Center	Dept. of Tourism and Recreation

Notes to the Schedule of Expenditures of Federal Awards

Note 3. State Unemployment Insurance Fund

Expenditures for unemployment insurance (UI), AL #17.225, include state UI funds as well as federal UI funds. The state portion of UI funds amounted to \$166,002,113. The federal portion of UI funds amounted to \$47,698,224. Federal UI funds expended specifically in response to the coronavirus pandemic amounted to \$5,790,245.

Note 4. Cost Recovery of Federal Program Expenditures

During fiscal year 2023, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$19,305,061.53 on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children, AL #10.557. The rebate contracts are authorized by 7 CFR 246.16a as a cost containment measure. The cash rebates are treated as a credit against prior food expenditures.

The Oklahoma Department of Transportation incurred significant expenditures on construction projects that 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 \$7,152,410 were in suspense at June 30, 2023, and once the modified contracts are approved by the U.S. Department of Transportation an estimated 100% will be considered available.

Note 5. Audits Provided by Auditors Other Than Principal Auditor

Audits provided by auditors other than the principal auditor include:

- Oklahoma Department of Commerce
- Oklahoma Department of Wildlife Conservation
- Oklahoma Department of Environment Quality
- Oklahoma Water Resources Board
- Oklahoma Insurance Department

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.

The Department utilized \$57,704,823 of the soft match provision for projects billed during fiscal year 2023. These soft match dollars are applied to the approved construction projects when expenditures are incurred, based on the soft match percentage. It should be noted that the amount of soft match credit utilized on the progressive estimate billings submitted to the Federal Highway Administration for each project is an estimate during the course of the project. The actual amount of soft match utilized for a particular project is not determinable until the project is final and the final reconciliation and billing has been submitted to the Federal Highway Administration.

Notes to the Schedule of Expenditures of Federal Awards

Note 7. Department of Health HIV Care Rebates

Although federal expenditures for HIV Care Formula Grants, AL #93.917, are minimal, this program also receives drug rebates to help administer the program. These rebates are not considered federal expenditures, however, they must be restricted and spent in accordance with applicable federal grant requirements. After considering these drug rebates of \$11,443,652, the Oklahoma State Department of Health expended \$12,090,007 during 2023 for this program.

Note 8. Child Care and Development Fund Expenditures

The Child Care and Development Fund (CCDF) provides funds to increase the availability, affordability, and quality of child care services. Funds are used to subsidize child care for low-income families when the parents are working or attending training or educational programs, as well as for activities to promote overall child care quality for all children. As a response to several naturally occurring disasters during 2019 and the coronavirus pandemic in 2020 and 2021, additional federal funds were appropriated to CCDF. The Oklahoma Department of Human Services, the primary receiving agency, expended these amounts for each CCDF program during fiscal year 2023:

Program	AL #	Total Federal Expenditures
CCDF Block Grant	93.575	161,826,637
COVID 19 CCDF Block Grant	93.575	382,643,846
CCDF Manadatory and Matching	93.596	53,133,056
COVID 19 CCDF Manadatory and Matching	93.596	2,519,172

Corrective Action Plan

**STATE OF OKLAHOMA – SINGLE AUDIT
CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2023**

Finding Number	Subject Heading (Financial) or AL no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-005	ALN: 21.027 Federal Program name: Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)	<p>Management Response:</p> <p>OMES-GMO concurs with the finding that CSLFRF program funds were applied to GEER and ERA expenses. OMES-GMO specifically notes that while the applied expenditures are indeed allowable under federal programs, the application of CSLFRF to these programs was in error ostensibly due to administrative challenges experienced throughout this tumultuous period.</p> <p>During the COVID-19 pandemic, states across the country faced numerous operational and compliance challenges, including frequently changing federal guidance and first-time handling of federal funds. In response to the growing complexity of managing multiple federal funding programs, OMES established the Grants Management Office (OMES-GMO). However, in its initial phase, the OMES-GMO experienced consistent instability with a high frequency of employee turnover, understaffing, limited resources, restricted internal controls, and practiced leadership. These factors contributed to classification errors and delays with internal review.</p> <p>Since then, OMES-GMO has taken steps to stabilize operations by maintaining consistent leadership, hiring additional staff, and the uniform application of organizational processes. These improvements have strengthened internal controls and allowed for the identification of previously misapplied expenditures. Prior to the finding, OMES-GMO reviewed and flagged these expenditures and is actively working to correct the issue. To resolve the misclassification, OMES has requested state appropriations to properly adjust and reallocate these expenses to their appropriate funding sources.</p>	Controls have been put into place and will continue through the end of the Federal Period of Performance and closeout.	Parker Wise
2023-014	ALN: 21.027 Federal Program name:	<p>Management Response</p> <p>The Oklahoma Office of Management and Enterprise Services – Grants Management Office (OMES-GMO)</p>	6/30/2025	OMES: Parker Wise



	<p>Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)</p>	<p>partially agrees with the finding. OMES-GMO acknowledges the importance of robust subrecipient monitoring in accordance with 2 CFR § 200.332(d) and (f), which includes ensuring that all subrecipients expending \$750,000 or more in federal funds obtain a Single Audit, as required by 2 CFR § 200.501.</p> <p>OMES-GMO concurs with the identified inconsistency with agencies notifying subrecipients of the single audit threshold amount, despite having deficient tracking of the total of federal expenditures across all federal programs that an entity was engaged in. OMES-GMO holds a good faith belief that this deficiency on behalf of the agencies was the result of a lack of clarity; and ergo, a misinterpretation between individual program thresholds and aggregate thresholds across all programs in a fiscal year. Error may further be attributed to the limitations in tracking mechanisms, rather than a lack of awareness or intent to comply.</p> <p>OMES-GMO has followed up with each of the agencies named in the finding and has verified that, although subrecipient monitoring was in place, additional controls are needed to ensure accurate tracking of total federal expenditures and timely collection of required audits. Listed below are the corrective actions that have or will be implemented.</p> <p>Corrective Actions</p> <ul style="list-style-type: none">• Standardized Monitoring Procedures: OMES-GMO will issue updated subrecipient monitoring guidance to all state agencies administering federal funds. This guidance will include clear expectations for tracking total federal expenditures, identifying subrecipients approaching the Single Audit threshold, and documenting audit compliance.• Improved Tracking Mechanisms: OMES-GMO will work with agencies to assess their internal systems for tracking cumulative federal expenditures across funding sources, ensuring timely identification of entities requiring a Single Audit.• Ongoing Support and Oversight: OMES-GMO will incorporate further Single Audit compliance into established review processes. <p>Agency-Specific Actions</p> <ul style="list-style-type: none">• Agency 619: Single Audits through 2022 have been obtained and archived. Requests for FY2023 audits have been issued, and responses are currently being collected.		<p>619: Sara Librandi, Kami Fullingim 340: Diane Brown, Danielle Smith, Tracey Douglas 830: Jaretta Murphy, Lindsey Kanaly, Danielle Durkee, Katey Campbell</p>
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		<p>FY2024 audits will be requested no later than September 30, 2025, to allow sufficient time for completion and submission.</p> <ul style="list-style-type: none"> • Agency 340: The Finance Division will begin tracking all subrecipient expenditures, including secondary recipients. Verification of Single Audit compliance will be incorporated into the agency's annual site visits. • Agency 830: A process is already in place through the Office of Inspector General (OIG) to identify subrecipients exceeding the \$750,000 threshold. All subrecipient contracts include language requiring submission of a Single Audit if the threshold is met. These audits are collected, reviewed, and stored accordingly. <p>These corrective actions reflect OMES-GMO's and the respective agencies' commitment to strengthening internal controls, ensuring proper oversight of federal funds, and maintaining compliance with all applicable federal requirements.</p>		
2023-026	<p>ALN: 21.019</p> <p>Federal Program name: Emergency Rental Assistance Program (ERA)</p>	<p>Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:</p> <ul style="list-style-type: none"> • Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience. • To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies. See Attached – Grant Agreement Amendment. (See page 15 of attached Grant Agreement.) 	Ongoing throughout the life of the grant	Brandy Manek



		<ul style="list-style-type: none">• OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.• OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES- GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.• Risk assessments have been obtained and are attached.• Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.• OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.		
2023-027	ALN: 21.019	AUDIT BULLET POINT "Activities Allowed or Unallowed and Allowable	Ongoing throughout the life of the grant	Brandy Manek

	<p>Federal Program name: Emergency Rental Assistance Program (ERA)</p>	<p>Costs/Cost Principles and Eligibility exceptions:</p> <ul style="list-style-type: none"> For 22 of 89, or 24.72%, of items tested, the applicant was an Afghanistan refugee and not a renter who lived in Oklahoma at the time of applying for assistance; therefore, they were not eligible, and the payment was unallowable. The subrecipient, Communities Foundation of Oklahoma, paid for the applicant to be in a hotel and then subsequently paid for their rent and utilities. Since the applicants were not eligible all payments were unallowable; therefore, we did not determine if the payment was calculated correctly or if the assistance exceeded 15 months for ERA 1 or 18 months for ERA 2. However, of these unallowable costs, we noted the following: Some applicants were reimbursed for monthly lawn services as part of their monthly rental payment. Several payments were made to the applicants after the initial payment without receiving an additional application or additional funds request (AFR) form (See FAQ #10)." <p>OMES RESPONSE: The State disagrees that payments made to Afghan refugees were unallowable.</p> <p>The finding asserts that 22 applicants were ineligible for Emergency Rental Assistance (ERA) because they were Afghan refugees and were not "renters who lived in Oklahoma at the time of applying." This interpretation is inconsistent with U.S. Department of the Treasury guidance, which does not require U.S. citizenship, legal residency, or prior tenancy in Oklahoma as a condition of eligibility.</p> <ul style="list-style-type: none"> Citizenship or Legal Residency Is Not a Requirement for ERA Eligibility. It is never mentioned in the ERA statute or Treasury guidance that U.S. citizenship, lawful residency, or duration of tenancy required. <p>The U.S. Treasury's ERA FAQ #1 explicitly outlines the four criteria for eligibility:</p> <ul style="list-style-type: none"> The household must be obligated to pay rent 		
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		<p>on a residential dwelling;</p> <ul style="list-style-type: none"> • One or more individuals within the household must have experienced financial hardship due to the pandemic; • The household must demonstrate a risk of homelessness or housing instability; • Household income must be at or below 80% of area median income (AMI). <p>These Afghan households were invited by our government leaders to resettle in Oklahoma as part of the federal government’s Operation Allies Welcome initiative. When the Afghans arrived in Oklahoma, they immediately sought housing, being assisted by agencies such as Catholic Charities. Obviously, they were not homeowners. As tenants or households seeking to rent housing during the midst of a pandemic without any immediate means of securing employment, they were experiencing housing instability and fully met the ERA Program 1 and 2 criteria.</p> <p>Upon arrival:</p> <ul style="list-style-type: none"> • They were not homeowners; • They had no permanent housing; • They were working with nonprofit agencies like Catholic Charities to find housing; • Because of the pandemic, they were not able to secure work and had no or extremely low income; • They were at imminent risk of homelessness. Treasury has further emphasized in FAQ #1, “... these requirements provide for various means of documentation so that grantees may extend this emergency assistance to vulnerable populations without imposing undue documentation burdens...” <p>Again, never is the word “residence or citizen” used, even in the footnotes. This language was clearly intended to include undocumented individuals, newly arrived refugees, and others in nontraditional or transitional housing situations.</p> <p>Furthermore, as noted in the CFO/CCP ERA application for rental assistance previously provided to SAI, the eligibility requirements do not require residency but that only the applicant live in the State of Oklahoma.</p> <p>Further Support:</p> <ul style="list-style-type: none"> • September 9, 2021, Email between CCP/CFO 		
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		<p>and the Director of Tax and Housing Advocacy for the National Council of State Housing Agencies. Discusses that CCP was working with housing stability service partners, specifically Catholic Charities, to help with housing Afghans when they came to Oklahoma. Emails also clarify that the Afghan refugees would only be able to apply once they moved to Oklahoma. (See attached)</p> <ul style="list-style-type: none"> Sept 29, 2021 – Email from U.S. Dept. of State, Bureau of Populations, Refugees, and Migration (PRM), U.S. Department of State, which invited a variety of Federal Agency representatives to a call to hear from the OK Catholic Charities director to speak about the Oklahoma Catholic Charities “model of utilizing CARES Act funding to support both temporary and long term housing for Afghan arrivals and an additional hour was set aside for discussion of this model. Executive Director of the Oklahoma City Catholic Charities forwarded this email to CCP asking if she would join to assist with the discussion of this model. Listed below are the agencies that had representatives on the email. the National Security Council and Subcommittees <ul style="list-style-type: none"> ➤ The White House – Organization of the National Security Council and Subcommittees ➤ Executive Office of the President. ➤ U.S. Department ➤ Federal FEMA Office ➤ U.S. Citizenship and Immigration Services ➤ Homeland Security ➤ Catholic Charities ➤ U.S. Conference of Catholic Bishops ➤ Administration of Children & Families ➤ Governors, Biden Administration point person for Afghan Parolee Assistance. <p>(See attached)</p> <ul style="list-style-type: none"> October 3, 2021, Follow-up Email thanking people regarding the presentation and for joining the call. “The insight, creativity, and partnership is inspiring and has the potential to assist so many Afghans.” Furthermore, an email was to the attendees of the presentation clarifying ERA as the funding source for Oklahoma’s model for developing housing resource for Afghan arrival. 		
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		<p>Additionally, it was stated that “We hope that these clarifications and enclosed links will help us understand how these funds may be leveraged to house Afghans when they are resettled from the bases to other locations around the country.” (see attached)</p> <ul style="list-style-type: none"> • October 24, 2021, Email from ERA Outreach Team Leader, Emergency Housing Team, U.S. Department of the Treasury, to CCP wanting to connect them with Chicago who was looking to do some work with asylum seekers/refugees and was wanting to talk to other grantees who have worked with these populations using ERA funds. <i>Note, this is an ERA Team Leader from the Treasury wanting CCP to share CCP/CFO’s ERA model. Obviously, the Treasury would not reach out to connect CCP/CFO to speak about their Afghan refugee model if they did not approve of the use of ERA funds to assist with housing the refugees. (See attached)</i> • Treasury FAQ #37 – Addresses how grantees can promote access to assistance for all eligible households and is clear that the Guidance contemplates serving individuals from all background and nationalities, stating that grantees “should address barriers ... including by providing program documents in multiple languages.” Furthermore, the Guidance states “Grantees should also provide, whether directly or through partner organizations, culturally and linguistically relevant outreach and housing stability services to ensure access to assistance for all eligible households.” In accordance with Title VI of the Civil Rights Act of 1964 (Title VI) ERA grantees must ensure they provide meaningful access to their limited-English-proficiency (LEP) applicants and beneficiaries of their federally assisted programs, services, and activities. Finally, “Denial of an LEP person’s access to federally assisted programs, services, and activities is a form of national-origin discrimination prohibited under Title VI and Treasury’s Title VI implementing regulations at 31 CFR Part 22.” • Treasury guidance on creating applications for the ERA program with no mention of citizenship or residency requirements. Allow applicants to progress and self-attest if they 		
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		<p>cannot provide documentation - At the stage when applicants are asked to provide documents to establish COVID hardship, housing instability, income, or rental obligation, applicants should also be informed that they may self-attest and move forward in the application if they do not have those documents.</p> <ul style="list-style-type: none"> • Disaster Housing Recovery Coalition, C/O National Low Income Housing Coalition (NLIHC) – Published an information sheet for recipients of Federal awards in response to the COVID-19 pandemic which detailed which awards did not consider immigration status when providing assistance. Under the ERA Program, the NLIHC stated that “The law establishing the Emergency Rental Assistance Program does not impose restrictions based on immigration status.” <i>(Attached – labeled FAQs- Eligibility for Assistance Based on Immigration Status)</i> <p>2. Hotel Stays Are Allowable Options for Temporarily Displaced Households Treasury provided a Broader Reading of “Obligated to Pay Rent on a Residential Dwelling,” and determined the costs of staying in a hotel are eligible expenses, and rental assistance could be provided to temporarily displaced households living in hotels. The audit finding narrowly interprets the term “obligated to pay rent” in FAQ #1. However, multiple Treasury FAQs — including FAQ #7, #26, and #35 — demonstrate that the Department intended a flexible, inclusive interpretation, recognizing the emergency nature of the program and the housing challenges faced by displaced individuals and families and reinforces that the term “residential dwelling” is not limited to traditional apartments with leases but includes hotels and other temporary housing used in transition.</p> <ul style="list-style-type: none"> • FAQ #7: Permits hotel or motel costs to be covered using ERA funds when the household lacks alternative housing options, even without a formal lease. • FAQ #26: States that rental assistance may be provided to households residing temporarily in hotels or motels when they are • displaced or between housing. FAQ #27: 		
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		<p>Allows rental assistance for rent-to- own households, further demonstrating that the key is ERA CANNOT be used for homeowners (FAQ #20).</p> <ul style="list-style-type: none"> FAQ #35: Specifically authorizes relocation assistance for households who have been evicted or otherwise displaced and are attempting to secure new permanent housing. <p>These provisions explicitly contemplate support for individuals and families—such as Afghan refugees—who were temporarily displaced and used hotels as the only available rental housing (in truth, many Oklahomans are forced to do this) until suitable housing could be secured (rendered more difficult for larger families – up to 10+ children). As allowed under Treasury ERA FAQs #7 and #26, hotel stays were covered when used as transitional housing due to lack of available rental stock—especially for large families. Afghan refugees fell squarely within this provision.</p> <p>3. Lawn Services as Part of Rent This is allowable as part of the cost of the rental of the premises. For all rentals that have a yard there is lawn maintenance, and the landlord has the option to determine how to charge (or absorb) that cost. These costs were not reimbursed as separate utility costs, but as part of the monthly rental obligation agreed to in writing.</p> <p>4. Subsequent Payments Without AFR Forms</p> <ul style="list-style-type: none"> ERA guidance allows grantees to implement streamlined processes to reduce burden and deliver aid efficiently. CCP’s internal policies permitted continued rental and utility assistance without requiring new applications or additional AFR forms, so long as eligibility remained unchanged and appropriate documentation was on file. This approach is aligned with Treasury’s consistent encouragement to minimize administrative barriers in the interest of program responsiveness and urgency. Treasury guidance also stated, Only ask applicants for information that is required by the ERA statutes and Treasury’s guidance to provide them assistance. 		
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		<p>AUDIT BULLET POINT</p> <p>“Further, while summarizing the data on ‘applicant’, we noted one line item was made up of 498 individual payments made to hotels on behalf of the Afghanistan refugees, which consisted of 186 applicants. We identified 185 of these applicants had payments for Afghanistan refugees to live in hotels prior to applying to the ERA program. Since, at the time of the application, they were not obligated to pay rent on a residential dwelling per Department of Treasury FAQ 1 and established CCP ERA policy, the cost is unallowable. This resulted in \$1,727,687.64 in questioned costs (these costs do not include payments previously questioned in the first bullet).”</p> <p>OMES RESPONSE: OMES disagrees with this finding. Multiple Treasury FAQs, including #7, #26, and #35, reinforces the term “residential dwelling” is not limited to traditional apartments but may include hotels and other temporary housing used in transition.</p> <p>Also, FAQ #8 states that a beneficiary is not required to have rental arrears to receive assistance and permits enrollment “of households for only prospective benefits.” The only restriction is that for the ERA1 program, if an applicant is requesting prospective assistance and the applicant also has rental arrears, the grantee must also provide assistance to reduce those arrears (this restriction does not apply to ERA2).</p> <p>Finally, per FAQ # 13, eligible households do not have to be in their current rental home when the COVID-19 public health emergency was declared, stating, “Payments under ERA are provided to help households meet housing costs that they are unable to meet as a result of the COVID-19 pandemic. There is no requirement regarding the length of tenure in the current unit.”</p> <p>Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office’s (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by</p>		
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		<p>SAI. Beginning with FY2025, OMES has taken the following measures:</p> <ul style="list-style-type: none"> • Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience. • To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies. See Attached – Grant Agreement Amendment. • OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed. • OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before 		
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		<p>completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.</p> <ul style="list-style-type: none"> Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients. <p>OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.</p>		
2023-028	<p>ALN: 21.019</p> <p>Federal Program name: Emergency Rental Assistance Program (ERA)</p>	<p>Condition and Context: While documenting controls over subrecipient program and administrative expenditures for the ERA 1 and ERA 2 grants, we noted that OMES did not require the subrecipients to submit supporting documentation for expenditures charged to the programs. Further, we determined one subrecipient, Communities Foundation of Oklahoma (CFO) did not have sufficient internal controls over program or administrative expenditures to ensure they were for allowable costs and activities.</p> <ul style="list-style-type: none"> Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following 	Ongoing throughout the life of the grant	Brandy Manek

		<p>measures:</p> <ul style="list-style-type: none"> • Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience. • To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies. See Attached – Grant Agreement Amendment. • OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed. • OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES- GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review 		
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		<p>that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.</p> <ul style="list-style-type: none">• Depending on the level of risk, OMES- GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.• OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.• Community Foundation of Oklahoma (CFO) Due to a classification misunderstanding, CFO recently changed its financial process and is currently tracking expenditures as a subrecipient. CFO does have internal controls for expenditures and using their established process to update the tracking of their expenditures. (attachment internal controls – expenditures) CFO is reconciling the administrative expenses to capture and show the costs associated with administering the program. <p>Condition and Context: While reviewing all administrative management fees, we noted one of the subrecipients charged the ERA 1 and ERA 2 grants \$5,585,126.89 in unallowable administrative costs (management fees) that were retained by the subrecipient and were not attributable to providing financial assistance and housing stability services. The management fees the subrecipient charged to the grant do not represent actual admin expenditures, but rather an arbitrary amount retained by CFO (Questioned costs - \$5,585,126.89). See management fees referenced in finding 2023-091.</p> <ul style="list-style-type: none">• A spreadsheet showing administrative expenses for FY23 is included with the finding response.		
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		<p>CFO has used the allocable percentage of 90.33%, as provided by SAI in the finding 2023-088, to show the portion of expenditures attributed to the state ERA program. All previous and subsequent years are currently going through the same reconciliation effort. Any charges that were deemed unallowable by SAI during this audit or previous audits, such as credit card charges, will be removed from the actual expenditures spreadsheet and noted in the financial software. Transactional data from the subrecipients' financial system are included as backup for the administrative expenses. Documentation was previously not requested for CFO's expenditures. Supporting documentation is being provided at this time to substantiate the response more fully. CFO has included a sample of personnel expenses in the response to this finding as a show of good faith.</p> <p>(Attachment 2022-08 CFO Payroll Support Docs, OneDrive _1 _4 _22-2025)</p> <p>Condition and Context: In addition, during our test work for the ERA 1 program administrative limit, we noted that administrative costs charged to the program exceeded the 10% allowable limit by 5.81%, or \$1,259,429</p> <ul style="list-style-type: none"> • Being this is a multiple year grant program that was set up as earned administrative funds based upon programmatic spend, an ebb and flow of admin earned, and expended, is directly in relation to the programmatic spend. Looking at one fiscal year as a snapshot does not present the entire picture accurately. Over the course of the grant, the administrative funds earned have been at or under the cap established by Treasury. accurately. Over the course of the grant, the administrative funds earned have been at or under the cap established by Treasury. 		
2023-051	<p>ALN: 21.027</p> <p>Federal Program name: Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)</p>	<p>Management Response</p> <p>The Oklahoma Office of Management and Enterprise Services – Grants Management Office (OMES-GMO) agrees with the finding that additional internal controls were needed during FY23 to ensure accurate and complete quarterly reporting to the U.S. Department of the Treasury. OMES-GMO also acknowledges that the identified state agencies required improved segregation of duties when preparing and</p>	9/30/2025	Parker Wise

		<p>submitting FY23 Quarterly Project and Expenditure Reports to OMES-GMO.</p> <p>During the COVID-19 pandemic, states across the country faced numerous operational and compliance challenges, including frequently changing federal guidance and first-time handling of federal funds. In response to the growing complexity of managing multiple federal funding programs, OMES established the Grants Management Office (OMES-GMO). However, in its initial phase, the OMES-GMO experienced consistent instability with a high frequency of employee turnover, understaffing, limited resources, restricted internal controls, and practiced leadership.</p> <p>Since then, OMES-GMO has taken steps to stabilize operations by maintaining consistent leadership, hiring additional staff, and the uniform application of organizational processes. These improvements have strengthened internal controls and enhanced divisional processes to ensure compliance with federal reporting policies and procedures. With its expanded capacity, OMES-GMO has initiated a comprehensive review of all SLFRF reporting submitted to the U.S. Treasury since the inception of the program.</p> <p>Corrective Actions</p> <p>•Reconciliation of Treasury Reporting</p> <p>OMES-GMO is conducting a comparative analysis between expenditures recorded in PeopleSoft and those submitted by state agencies. It is actively working with each agency to reconcile any discrepancies. Moving forward, OMES-GMO will implement Standard Operating Procedures (SOPs) requiring its partner agencies and their staff to reconcile reported expenditures at least monthly—but no less than quarterly—with the State of Oklahoma’s Statewide Accounting System. Any identified variances will be reviewed and resolved prior to submission to the U.S. Department of the Treasury.</p> <p>•Process Improvements</p> <p>OMES-GMO will issue formal guidance to its partner agencies requiring a thorough review of the Summary of Receipts and Disbursements (SRD), six-digit data reports, and payroll records for class fund 497 (and fund 488 for agency 090). These data sources must be reconciled with Treasury reporting. Agencies will also be required to document their internal review and approval processes to ensure appropriate segregation of duties between the report preparer and the designated reviewer and/or approver.</p>		
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		<p>•Guidance and System Enhancements</p> <p>OMES-GMO will continue to provide guidance to further other agency staff's understanding of compliance with federal Treasury reporting requirements. Additionally, OMES-GMO is evaluating enhancements to the State of Oklahoma's grants management platform to support improved workflows for data submission, internal approvals, and the capture of audit documentation.</p> <p>These corrective actions reflect OMES-GMO's ongoing commitment to strengthening internal controls, enhancing data accuracy, and maintaining compliance with federal grant requirements.</p>		
2023-056	<p>ALN: 21.027</p> <p>Federal Program name: Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)</p>	<p>Management Response</p> <p>The Oklahoma Office of Management and Enterprise Services – Grants Management Office (OMES-GMO), in coordination with the OMES Financial Reporting Unit (FRU), agrees with the finding. OMES agrees with the finding and concurs that the implementation of additional controls, along with clarity on process, is necessary to ensure accurate preparation and reporting of expenditures on the Schedule of Expenditures of Federal Awards (SEFA).</p> <p>OMES recognizes the importance of compliance with 2 CFR § 200.303, § 200.502(a), and § 200.510(b), which require entities to maintain effective internal controls and to accurately report federal expenditures based on when the underlying activities occur. Accurate SEFA reporting ensures transparency and accountability in the use of federal funds, including Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) under Assistance Listing #21.027.</p> <p>Actions Taken and Planned Improvements:</p> <p>• FY2024 Review and Remediation:</p> <p>OMES FRU is actively working with the agencies identified in this finding to review and, if necessary, amend their FY2024 GAAP Package Z submissions. Necessary updates to FY2024 SEFA will be made to reflect accurate expenditure reporting in line with federal requirements.</p> <p>OMES FRU will review specific instances with its partner agencies identified in the findings to substantiate or refute agency assertions concerning provided assistance and approvals received.</p>	06/30/2026	<p>OMES: Parker Wise, Felicia Clark</p> <p>619: Sara Librandi, Kami Fullingim</p> <p>670: Mike Powers, Mark Chronister, Erik Paulson</p>

		<p>•GAAP Package Z Template Enhancements (Effective FY2025):</p> <p>OMES FRU will revise the GAAP Package Z template to include a new reconciliation tab. This tab will require agencies to reconcile reported federal expenditures and cash balances to SRD (Summary of Receipts and Disbursements) reports. OMES FRU will review this reconciliation against data from PeopleSoft to verify accuracy.</p> <p>•Annual SEFA Training:</p> <p>Beginning in FY2025, OMES FRU will provide annual training to all agencies involved in federal reporting. The training will focus on SEFA requirements, GAAP Package Z completion, and reconciliation procedures. This timing aligns with agency preparation for the FY2025 GAAP Package submissions.</p> <p>Noteworthy Corrections:</p> <p>Agencies 340, 423, 677, 800, and 585 made SEFA corrections at the request of the State Auditor’s Office prior to the issuance of this finding. These amendments were submitted and processed in a timely manner and reflect the agencies' commitment to compliance.</p> <p>Agency-Specific Responses</p> <p>Individual responses have been submitted by several agencies listed in the finding, outlining corrective actions, reconciliations, and improvements made to internal controls. These responses are available upon request and have been reviewed by OMES FRU for accuracy and completeness.</p> <p>In addition, several agencies have submitted their own independent responses, which document internal improvements and provide additional context to their individual reporting discrepancies. The following agencies provided the following independent responses:</p> <p>619: The 2023 SEFA was completed and submitted by OMES without the aid or approval of agency 619 and the ARPA Grant Manager. Agency 619 worked very closely with OMES on the 2024 SEFA to ensure that our internal records matched what is listed in PeopleSoft. Some edits had to be made but the SEFA was submitted with all parties in agreement. Agency 619 will continue to work closely with OMES in future reporting periods to ensure the most accurate expense totals are reported.</p>		
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		670: Agency 670 has taken corrective action by reviewing internal processes with assigned staff to ensure required forms are comprehensively reviewed for errors, omissions, and exceptions prior to filing with OMES CAR. agency 670 is willing and able to complete an updated OMES CAR form with accurate information.		
2023-062	ALN: 21.019 Federal Program name: Coronavirus Relief Fund (CRF)	The State agrees with this finding. The State is attaching OIG Financial Progress Reports. Cycle 11 accounts for the full and final amount of the grant. The State of Oklahoma agrees and has strengthened their controls over financial reporting of federal grant awards to ensure the amounts are accurately reported. Also, the State will ensure quarterly Financial Progress Reports are properly retained for the appropriate length of time by abiding by state and federal guidelines for the retention of documentation. Within OMES, oversight and management of Federal grants has been transferred to the OMES Grant Management Office (OMES-GMO) which is staffed with individuals with several years of grant experience. OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud.	September 2022	Brandy Manek
2023-088	ALN: 21.019 Federal Program name: Emergency Rental Assistance Program (ERA)	<p>Condition and Context: When reviewing SFY23 payroll administrative expenditures, we noted that Communities Foundation of Oklahoma paid \$2,372,400 in bonuses to 146 employees. Of these bonuses, 47 people received between \$10,000 - \$19,999, and 44 people received more than \$20,000. We found the expenditures to be unallowable; we found no guidance that stated ERA administrative funds could be expended on bonuses.</p> <ul style="list-style-type: none"> Community Cares Partners (CCP) was established as a temporary, emergency-response initiative tasked with administering Emergency Rental Assistance Program (ERAP) funds on behalf of the State of Oklahoma and multiple jurisdictions. Although initially conceived as a short-term project, CCP ultimately administered nearly \$150 million in federal funds over multiple years in response to a historic public health and housing crisis. 	Ongoing throughout the life of the grant	Brandy Manek

		<p>To meet U.S. Treasury mandates to rapidly disburse funds—or risk recapture—CCP had to scale quickly, adapt continuously, and deliver results under unprecedented pressure. The complexity of federal guidance, evolving compliance expectations, and intense audit scrutiny required a workforce that was agile, highly skilled, and capable of operating in a fast-paced, high-stakes environment.</p> <p>To achieve this, Communities Foundation of Oklahoma (CFO), as CCP’s fiscal sponsor, implemented an innovative staffing model in which all CCP team members—including leadership—were engaged as independent contractors. This model allowed for rapid onboarding and deployment of services without placing undue strain on CFO’s internal team or disrupting the core functions of other nonprofit and government agencies during the pandemic.</p> <p>However, because these contractors were not employees, they did not receive traditional benefits such as health insurance, paid time off, or retirement contributions. To support retention, motivation, and high performance in the absence of such benefits, CCP established a performance bonus structure, as outlined in its “Fee-for-Services Rendered” policy. Bonuses were based on merit and tied directly to both individual and team accomplishments.</p> <p>Performance Bonuses Were Structured, Purposeful, and Aligned with Program Goals</p> <p>Bonuses were awarded in recognition of critical achievements, such as the complete spend-down of ERA-1 funds before the federal deadline—a milestone that required sustained, coordinated effort well beyond routine contract deliverables. These incentives were calculated using a combination of objective factors, including:</p> <ul style="list-style-type: none"> • Tenure with the organization (recognizing long-term commitment); Recommendation of the team director (based on direct performance observations); • Average weekly hours worked (accounting for part-time vs. full-time contributions); • Pay rate and level of responsibility (reflecting role 		
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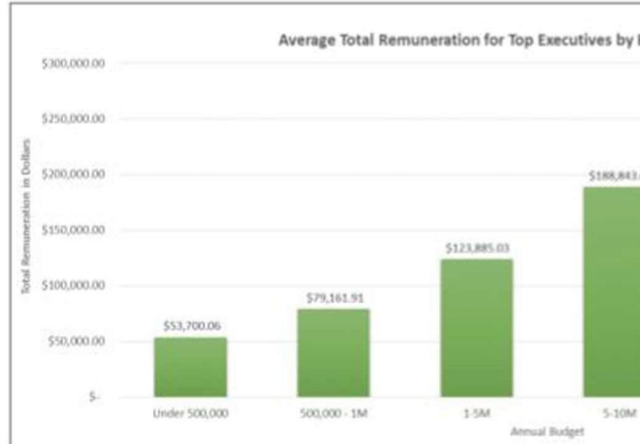
		<p>complexity and expectations);</p> <ul style="list-style-type: none">· Performance indicators such as quality of work, accuracy, initiative, leadership, teamwork, positive attitude, and contributions to process improvements. <p>Bonuses were not automatic or uniformly distributed. Rather, they were awarded based on documented performance and in alignment with the responsibilities and accomplishments of each contractor. The process involved director-level recommendations and required approvals from CCP’s Chief Operating Officer and the Executive Director of CFO, ensuring appropriate oversight and accountability.</p> <p>Allowability Under Federal Guidelines</p> <p>While the ERA guidance does not specifically address performance bonuses, U.S. Treasury FAQs instruct grantees to establish their own internal policies and procedures—consistent with the statutes—and to follow them consistently when specific guidance is not provided. CCP’s bonus practices followed this directive. Moreover, the incentive structure aligns with the principles in 2 CFR § 200.430(f), which permits incentive compensation when it is reasonable, tied to performance, and paid pursuant to a good-faith agreement established before services are rendered.</p> <p>These bonus payments were not arbitrary. They were essential tools for incentivizing high-quality performance, encouraging efficiency and innovation, and sustaining a capable team during a national emergency. Each bonus was grounded in documented policy, approved through established protocols, and tied to clearly defined.</p> <p>For 4 of 116, or 3.45% of claims tested, the contract was for an unreasonable rate and the invoices provided were not itemized and specific enough to determine if the time spent was for an allowable activity related to ERA 1 or ERA 2.</p> <ul style="list-style-type: none">• The contract rates for CCP’s executive leadership—specifically, Executive Director and		
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		<p>Chief Operating Officer were reasonable and justified given the scope of responsibility, experience, and industry standards. Both leaders operated as full-time independent contractors (a structure applied to all team members at CCP), and neither received employee benefits such as health insurance or paid time off, which materially impacts total compensation calculations.</p> <p>CCP was a high-capacity public-private partnership program of CFO. CCP/CFO was responsible for administering over \$440 million in Emergency Rental Assistance Program (ERAP) funds from the U.S. Department of the Treasury on behalf of the State of Oklahoma and multiple local jurisdictions. CCP executive leadership managed a team of more than 150 individuals and carried out complex, time- sensitive operations to deliver critical housing stability services during the COVID-19 public health emergency.</p> <p>Industry benchmarks (e.g., Guidestar / Candid data, 990 analyses) show that for nonprofits with comparable annual budgets (\$150M+), full-time executive compensation for experienced leaders often ranges from \$175,000 to over \$300,000 annually— excluding benefits. Both contractors brought more than 15 years of relevant leadership experience and operated within that reasonable range. Their rates reflected both the magnitude of the public responsibility and the demands of launching and managing a large-scale, federally funded program under emergency conditions. Regarding invoice specificity, the submitted invoices reflected agreed- upon deliverables and outcomes consistent with contract terms and allowable activities under federal guidance. While not time-stamped or broken down by hour, they were reviewed and approved based on performance milestones. Additional documentation is uploaded to further demonstrate the alignment of time spent with allowable ERAP administrative activities.</p>		
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From the 2022 Biannual Survey of Nonprofit Salaries, Oklah



Weighted Average Salaries Paid to

Job #	Job Title	Total Emps.	Under 250K	250-500K	500-750K	750K+
Executive Management						
168	Chief Administrative Officer	8	-	-	-	-
163	Chief Executive Officer (TOP EXECUTIVE)	117	49,510	65,297	89,894	72
164	Chief Financial Officer	16	-	-	-	-
167	Chief Information/Technology Officer	2	-	-	-	-
165	Chief Operations Officer	31	-	-	58,333	53
166	General Counsel	1	-	-	-	-

Invoices submitted followed the contract terms, including hours rendered. A sample calendar page was provided and redacted for PII. **§ 200.338 Restrictions on public access to records.**

For 9 of 116, or 7.76% of claims tested, the payment was for more than the contracted rate.

- PARTIALLY AGREE: overpayment of \$37
- DISAGREE: see Bonus justification below.
- 4.2.22 addendum with \$29.60/hr rate
- 4.2.22 addendum with \$29.60/hr
- 4.2.22 addendum with \$36/hr rate
- 4.2.22 addendum with \$31.25/hr rate
- 4.2.22 addendum with \$29.60/hr rate
- 4.2.22 addendum with \$38/hr rate
- 4.2.22 addendum with \$28/hr rate

Also see CCP Contractor Increases April, 2022 spreadsheet Attachments

		<p>OneDrive_1_4-22-2025</p> <p>OneDrive_3_4-22-2025- Contracts</p> <p>For 23 of 116, or 9.83% of claims tested, the subrecipient was unable to provide a contract for the period paid.</p> <ul style="list-style-type: none"> • The Independent contractors each signed contracts in 2021 which laid out specific terms and conditions under which the independent contractors would provide their services and be compensated. Although some of these contracts expired, second contracts and/or addendums were signed by those same independent contractors in 2023. The independent contractors continued to work under the same terms and conditions and continued to be paid the same remuneration in the time period between the expiration of the original contracts and when the new contracts and/or addendums were created and signed. According to 15 O.S. Section 133, an implied contract is one where the existence and terms are not explicitly stated but are inferred from the conduct of the parties. Because the original contracts contained the specific terms regarding services and payment and because these independent contractors continued to operate under those same terms and receive payment even in the interim between signed contracts, this shows that an implied contract existed under Oklahoma law. The original contracts expired in 2021 which was at the height of the Covid- 19 crisis. The entities involved were addressing more urgent matters to assist the people of Oklahoma with the objectives of the program and did not have the bandwidth to draft and sign new agreements when responding to more urgent matters. Therefore, given the surrounding circumstances and the overall intent of the parties, it can be logically deduced that an implied contract existed in the interim periods between any expiration of an original contract and the second contract and/or addendum being signed. <p>For 9 of 116, or 7.76% of claims tested, the contract was not signed by the Executive Director and was not valid.</p>		
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		<ul style="list-style-type: none"> • We partially agree the contracts for three are not currently available with the Executive Director's signature. • We disagree, fully executed contracts for two are available for review in the attachment OneDrive_3_4-22- 2025. <p>For 22 of 115, or 19.13% of claims tested, the payroll cost was allowable; however, the expense was attributable to multiple jurisdictions and only 90.33% of the cost should have been charged to the State of Oklahoma, but the subrecipient was unable to support the allocation was completed and that 100% of the cost was not charged to the State.</p> <ul style="list-style-type: none"> • See response to audit finding 2023-028 regarding the second Condition and Context. <p>Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:</p> <ul style="list-style-type: none"> • Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience. • To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies. See Attached – Grant Agreement Amendment. 		
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		<ul style="list-style-type: none"> • OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed. • OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements. • Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients. <p>OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.</p>		
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2023-089	<p>ALN: 21.019</p> <p>Federal Program name: Emergency Rental Assistance Program (ERA)</p>	<p>While documenting controls over subrecipient administrative expenditures for the ERA 1 and ERA 2 grants, we noted that OMES did not require the subrecipients to submit supporting documentation for administrative expenditures charged to the programs. Further, we determined one of the subrecipients, Communities Foundation of Oklahoma (CFO), did not have sufficient internal controls over administrative expenditures to ensure they were for allowable costs and activities.</p> <p>Community Foundation of Oklahoma</p> <p>1. For 15 of 17, or 88.24%, of credit cards tested, the included at least one expenditure for unallowable costs. These costs also included gift cards. (\$53,248.41 questioned costs)</p> <ul style="list-style-type: none">• We disagree with the finding and questioned costs as the amount for all mentioned questioned costs has been returned to the ERA program. CFO has also strengthened their internal controls and understanding to more accurately identify appropriate expenses to allocate to ERA Admin funds in the future. See attached Internal Controls. <p>2. For \$28,661 of allowable credit card administrative expenditures, the expense was attributable to multiple jurisdictions and only 90.33% of the cost should have been charged to the State of Oklahoma; however, CFO was unable to support the proper allocation was completed and that 100% of the cost was not charged to the State. We determined we would question 9.67% of the allowable expenditures (\$2,771.52 questioned costs), since the State paid for expenditures that were the responsibility of other jurisdictions. Note: all credit card transactions were ‘multi’ jurisdictions; however, the unallowable costs are questioned in the first bullet.</p> <ul style="list-style-type: none">• See response to 2023-028 - Second Condition and Context. <p>3. For 2 of 48, or 4.17%, of claims tested, the invoice was not itemized, and we were unable to determine if the administrative costs were allowable. (\$32,589.33 questioned costs)</p>	<p>Ongoing throughout the life of the grant</p>	<p>Brandy Manek</p>
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		<ul style="list-style-type: none">• We disagree with the finding. Itemized invoices have been attached in Attachment “OneDrive_1_4_22-2025.zip” <p>4. For 3 of 48, or 6.25%, of claims tested, the costs were for services to non-profit Shelterwell, which is an organization that was formed by the Executive Director of Community Cares Partners (CCP) with CCP team members after CCP stopped accepting ERA applications. Shelterwell works with tenants and landlords to provide education and mediation between tenants and landlords but is not legally part of Communities Foundation of Oklahoma (CFO)/CCP and does not directly provide rental assistance. Therefore, all payments to Shelterwell do not directly support the administration of the ERA program and are not allowable administrative costs. (\$3,847.90 questioned costs)</p> <ul style="list-style-type: none">• We partially agree in that the expenses listed for Shelterwell were incorrectly allocated to the Admin account. These expenses should have been expensed from their ERA2 Housing Stability grants. CFO has strengthened our internal controls and understanding to more accurately code and identify expenses, so they are expensed to the correct fund in the future. We partially disagree that the payments made to Shelterwell are unallowable. According to the 2024 ERA Compliance Supplement and FAQ 23, 10% of the funds under ERA1 and ERA2 may be used for housing stability services. The 2024 Compliance Supplement in describing Administrative Expenses, states, "Under ERA 1, a grantee may use up to 10 percent of the total award amount for direct and indirect administrative costs and may use up to 10 percent of the total award amount for housing stability services. Under ERA 2, a grantee may use up to 15 percent of the total award amount for direct and indirect administrative costs and may use up to 10 percent of the total award amount for housing stability services ..." This is also repeated in FAQ23. According to both 2024 Compliance Supplement and FAQ23, housing stability services include but are not limited to: eviction prevention and eviction diversion programs; mediation between landlords and tenants; housing counseling; fair housing counseling; housing navigators or promoters that help households access		
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		<p>programs or find housing; case management related to housing stability; housing-related services for survivors of domestic abuse or human trafficking; legal services or attorney's fees related to eviction proceedings and maintaining housing stability; and specialized services for individuals with disabilities or seniors that support their ability to access or maintain housing. Additionally, under FAQ 21, grantees may use ERA payments to make subawards to other entities, including non-profit organizations and local governments, to administer ERA programs on behalf of the grantees.</p> <p>Therefore, payments to Shelterwell are allowable expenses b/c these non-profits provided services that fell under the allowable uses for Housing Stability Services and CFO was able to make a subaward to these non- profits in accordance with FAQ 21.</p> <p>5. For 3 of 48, or 6.25%, of claims tested, the costs were for services for non-profit SidexSide (formerly LastMile) also created by CFO/CCP, which is an organization that provides job skills training and connects employers with participants seeking employment. SidexSide is not legally part of CFO/CCP and does not directly provide rental assistance; therefore, payments made to SidexSide do not directly support the administration of ERA program and are not allowable administrative costs. (\$8,824.00 questioned costs)</p> <ul style="list-style-type: none">• We partially agree in that the expenses listed for SidexSide were incorrectly allocated to the Admin account. These expenses should have been expensed from their ERA2 Housing Stability grants. CFO has strengthened our internal controls and understanding to more accurately code and identify expenses, so they are expensed to the correct fund in the future. We partially disagree that the payments made to SidexSide are unallowable. According to the 2024 ERA Compliance Supplement and FAQ 23, 10% of the funds under ERA1 and ERA2 may be used for housing stability services. The 2024 Compliance Supplement in describing Administrative Expenses, states, "Under ERA 1, a grantee may use up to 10 percent of the total award amount for direct and indirect		
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		<p>administrative costs and may use up to 10 percent of the total award amount for housing stability services. Under ERA 2, a grantee may use up to 15 percent of the total award amount for direct and indirect administrative costs and may use up to 10 percent of the total award amount for housing stability services ..." This is also repeated in FAQ23. According to both 2024 Compliance Supplement and FAQ23, housing stability services include but are not limited to: eviction prevention and eviction diversion programs; mediation between landlords and tenants; housing counseling; fair housing counseling; housing navigators or promoters that help households access programs or find housing; case management related to housing stability; housing-related services for survivors of domestic abuse or human trafficking; legal services or attorney's fees related to eviction proceedings and maintaining housing stability; and specialized services for individuals with disabilities or seniors that support their ability to access or maintain housing. Additionally, under FAQ 21, grantees may use ERA payments to make subawards to other entities, including non-profit organizations and local governments, to administer ERA programs on behalf of the grantees.</p> <p>Therefore, payments to SidexSide are allowable expenses b/c these non-profits provided services that fell under the allowable uses for Housing Stability Services and CFO was able to make a subaward to these non- profits in accordance with FAQ 21. See attached NON CC 3-SidexSide.program tie to housing stability.</p> <p>6. For 4 of 48, or 8.33%, of claims tested, the costs were unallowable and included items such as trainings unrelated to ERA, gift cards, alcohol, and food. (\$1,549.76 questioned costs)</p> <ul style="list-style-type: none">• We agree and the funds were returned. See Attachment "NON CC 4 Refund" <p>7. For 1 of 48, or 2.08%, of claims tested, the costs were for the Afghan Legal Network project which partnered with CFO to provide ERA funds to Afghanistan refugees; SAI determined these costs are unallowable as the refugees were not Oklahoma</p>		
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		<p>residents, and not eligible for assistance. Therefore, administrative costs related to this project were also unallowable. (\$498.00 questioned costs)</p> <ul style="list-style-type: none">• The expense listed for ALN was incorrectly allocated to the Admin account. This expense should have been expensed from their ERA2 Housing Stability grants. CFO has strengthened our internal controls and understanding to more accurately code and identify expenses, so they are expensed to the correct fund in the future. See also the response to Finding 2023-027. <p>8. For 1 of 48, or 2.08%, of claims tested, the cost was unrelated to ERA and unallowable. CFO/CCP has refunded the expense using private funds after SAI determined it was unallowable. (\$250.00 questioned costs)</p> <ul style="list-style-type: none">• We acknowledge that CFO has refunded this expense while the FY23 audit was in process. <p>9. For 27 of 48, or 56.25%, of claims tested, the cost was allowable; however, the expense was attributable to multiple jurisdictions and only 90.33% of the cost should have been charged to the State. However, CFO/CCP was unable to support the proper allocation was completed and that 100% of the cost was not charged to the State. We question 9.67% of the allowable expenditures (\$16,527.61 questioned costs)</p> <ul style="list-style-type: none">• See the response to Finding 2023-028 – Second Condition and Context. <p>Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:</p> <ul style="list-style-type: none">• Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.		
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		<ul style="list-style-type: none">• To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies. See Attached – Grant Agreement Amendment.• OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.• OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.• Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the		
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		<p>project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.</p> <ul style="list-style-type: none">• OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.		
2023-090	<p>ALN: 21.019</p> <p>Federal Program name: Emergency Rental Assistance Program (ERA)</p>	<ul style="list-style-type: none">• Condition and Context: While documenting controls over housing stability expenditures for the ERA 1 and ERA 2 programs, we noted one expenditure for payroll costs to an organization contracting with one of the subrecipients that provides employment and career resources, which is not an allowable housing stability activity.• We disagree employment and careers are an essential in creating housing stability. The 2024-ERA Compliance Supplement Section A. Activities Allowed or Unallowed; 1. Activities Allowed (c) states in part “Housing Stability Services: Under ERA 1, housing stability services includes case management and other services related to the COVID-19 outbreak intended to help keep households stably housed. Under ERA 2, housing stability services do not have to be related to the COVID-19 outbreak. For ERA 1 and ERA 2, housing stability services include those that enable households to maintain or obtain housing. Such services may include, among other things, eviction prevention and eviction diversion programs.” <p>It is apparent from the guidance and division of funds for a portion to be used for housing stability, the Treasury is supporting measures to first keep vulnerable individuals and families housed during the emergency, but secondly, provide services that will assist them for the future. Program guidance from the Treasury (Building Housing Stability Infrastructure U.S. Department of the Treasury) encourages the integration of wrap-around services, stating these services “can be particularly important for tenants who have more than a temporary hardship related to the pandemic and for whom financial assistance covering rental arrears is not enough ‘to catch up’ over the long</p>	Ongoing throughout the life of the grant	Brandy Manek



		<p>term. Having a network of support services can help households move out of a cycle of housing instability and into a pathway of financial stability.” The Treasury goes on to provide examples of those who may be served by this practice include eligible households which include those that need additional support and coaching to develop a reliable self-sufficiency plan for maintaining housing. The Treasury stresses that by implementing these services, a long-term infrastructure is built that can help break the cycle of housing instability and support a holistic community recovery.” Treasury concludes with their support of preventative programs, stating “An infrastructure of housing stability services can ensure that support for the most vulnerable will be available. Financial assistance is not the only priority, and services can be primarily focused on coaching and educating vulnerable households. When rental assistance is scarce, support services can still play a role in preventing eviction and homelessness.”</p> <p>(Attachment HAP 2-SidexSide program tie to housing stability)</p> <ul style="list-style-type: none">• For 6 of 15, or 40%, of items tested, the payment allowable activities/costs such as sick pay, moving offices, ices, non-ERA training, and general admin activities not RA. This resulted in \$21,442.50 in questioned costs.<ul style="list-style-type: none">• We agree with the finding. CFO has strengthened internal controls and understanding to identify appropriate expenses more accurately to invoice against the LASO contract.• For 2 of 15, or 13.33%, of items tested, the invoices paid between March 2023 and June 2023, included unallowable activities/costs such as management fees and moving/storing furniture. Further, there was not a valid contract in place at the time the expense was incurred or paid. The contract ended 2/28/2023 and was not renewed or modified until 7/11/2023. This resulted in \$17,648.56 in questioned costs.• We disagree with this finding. The expenses associated with the payment in question were for scaling the organization to a point where it could accommodate a larger number of clientele and more effectively serve clients. It was essential to SidexSide’s ERA program that they had enough furniture in their offices to support a full cohort of clients coming on to the program. This allowed SidexSide the ability to fully execute their program.		
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		<p>The contract in question has a one-year option to renew. The independent contractors continued to work under the same terms and conditions and continued to be paid the same remuneration in the time period between the expiration of the original contracts and the signing of the new contracts and/or addendums.</p> <p>According to 15 O.S. Section 133, an implied contract is one where the existence and terms are not explicitly stated but are inferred from the conduct of the parties. Because the original contracts contained the specific terms regarding services and payment and because these independent contractors continued to operate under those same terms and receive payment even in the interim between signed contracts, this shows that an implied contract existed under Oklahoma law.</p> <p>(Attachment ERA2 HSP Last Mile Contract)</p> <ul style="list-style-type: none">• For 1 of 15, or 6.67%, of items tested, the payment was for unallowable activities/costs such as supplies and equipment to establish the organization that did not directly go to providing housing stability services. This resulted in \$75,000 in questioned costs.• We disagree, the expenses associated with the \$75,000 payment in question were not for establishing the organization but for scaling the organization to a point where it could accommodate a larger number of clientele and more effectively serve their clients. <p>ALN was established as a Not For-Profit Corporation on March 29, 2022, filing number 2113093942, and began assisting refugees in April 2022 (documented in the Oklahoma Watch article). ALN was a fully operating organization by the time the ERA grant was received, and the expenses shown associated with the grant was essential to increase the capacity of ALN to serve their clients but the expenses were not to create the organization itself.</p> <p>Attachments</p> <p>https://oklahomawatch.org/2022/05/05/protected-for-now-the-race-to-provide-afghan-evacuees-with-legal-services/ https://www.sos.ok.gov/corp/charityInquiryFind.aspx</p>		
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		<ul style="list-style-type: none">• For 1 of 15, or 6.67%, of items tested totaling \$1,575, the payment included unallowable activities/costs that were refunded using private funds on 7/18/2023, after the SFY23 but prior to SAI's audit. Since the amounts were refunded, SAI did not question these costs.• We agree money was refunded before completion of the audit. <p>Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:</p> <ul style="list-style-type: none">• Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.• To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies. See Attached – Grant Agreement Amendment.• OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.• OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits		
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		<p>for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.</p> <ul style="list-style-type: none">• Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.• OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.		
2023-091	ALN: 21.019 Federal Program name: Emergency Rental Assistance Program (ERA)	1. Condition and Context: While documenting controls over Period of Performance for the ERA 1 grant, we noted payments made to subrecipients in the Statewide Accounting System were all put under one fund and were not distinguishable between ERA 1 and ERA 2. Therefore, OMES was unable to determine at a glance whether the funds distributed	Ongoing throughout the life of the grant	Brandy Manek

		<p>to subrecipients were attributable to ERA 1 or ERA 2. Further, we determined one of the subrecipients, Communities Foundation of Oklahoma (CFO), did not have sufficient internal controls over ERA 1 program spending to ensure all funds were expended by the end of the period of performance.</p> <ul style="list-style-type: none"> We disagree with SAI on the Statewide Accounting System separation of funds. The Statewide Accounting System did distinguish between ERA1 and ERA2. The Statewide Accounting System has funds 49400 and 49200 shows establishment of both federal funds in 2021. We disagree with SAI on CFO's internal controls. CFO did have internal controls in place to ensure funds were expended during the period of performance. Per ERA 1 Closeout Resource "The end date of the award period of performance is the last day for a grantee to obligate funds for ERA1 activities (September 30, 2022, for award funds received pursuant to the grantee's initial allocation and December 29, 2022, for reallocated funds). Per documentation provided by SAI the general ledger shows a date before December 29, 2022. (Attachment 494,492, ERA Closeout Resource) <p>2. For eight of 30, or 26.67% of adjustments tested, the adjustment was to move expenses from ERA 2 to ERA 1 to meet ERA 1 spending requirements prior to closeout of the program. CFO comingled ERA 1 and ERA 2 funds and could not directly support each recharacterization with documentation for the specific transactions involved, but stated it was recharacterized to meet ERA 1 spending limits prior to the end of the period. In addition, CFO did not go back to revise any prior monthly or quarterly reports as required by Treasury.</p> <ul style="list-style-type: none"> We partially agree. We agree that funds cannot be moved from ERA 2 to ERA 1. We disagree with SAI on comingling of funds. CFO did not comeingle funds. CFO has 31 separate accounts within C-Suite their financial software. All accounts are listed and examples provided in the ERA Fund Open 		
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		<p>Report.</p> <ul style="list-style-type: none">• We disagree with SAI’s evaluation of the Treasury reporting requirement. CFO was not required to go back and revise prior monthly and quarterly reports per federal guidance. “As of December 2022, ERA1 grantees will only be able to edit their Final Report or as applicable, their Q4 2022 report. However, grantees may submit revisions to certain financial data submitted with their past quarterly reports, specifically, subrecipient/contractor/direct payee records; subaward/contract/direct payment records; and expenditure records when completing their Final Report or as applicable, their Q4 2022 Report. <p>“While ERA1 grantees are no longer able to submit or revise any prior ERA1 quarterly reports, grantees may receive additional communications from Treasury’s compliance team to make corrections to past quarterly reports and as appropriate, the Final Report...”</p> <p>(Attachment ERA Closeout Resource pg 5)</p> <p>3. For 11 of 30, or 36.67%, the adjustment was to move expenses between jurisdictions (City, State, County), which is unallowable per FAQ #42 and ERA reporting guidance.</p> <ul style="list-style-type: none">• We disagree with SAI’s unallowable cost. Due to a misunderstanding, CFO staff misstated that funds were moved between jurisdictions. Funds were not moved between jurisdictions. If a computer error occurred due to the large volume of checks that were being sent every week (approximately 1,600), not all errors were caught immediately. However, when further reviews were conducted and it was discovered a payment was issued incorrectly, the proper accounting procedures for correcting the errors were completed. (Attachment OneDrive_2025-4-23(1))• We disagree. FAQ 42 says nothing about jurisdictions. FAQ #42 states, “May a grantee provide ERA funds to another entity for the purpose of making payments more rapidly? To speed the delivery of assistance, grantees may enter into a written agreement with a nonprofit organization to		
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		<p>establish a payment fund for the sole purpose of delivering assistance using ERA funds while a household's application remains in process. A grantee may use such a process if: The process is reserved for situations in which an expedited payment could reasonably be viewed as necessary to prevent an eviction or loss of utility services that precludes employing the grantee's standard application and payment procedures on a timely basis. The nonprofit organization has the requisite financial capacity to manage the ERA funds, such as being a certified community development financial institution. The nonprofit organization deposits and maintains the ERA funds in a separate account that is not commingled with other funds. The grantee receives all required application and eligibility documentation within six months. The nonprofit organization agrees in writing to return to the grantee any assistance that the household was ineligible for or for which the required documentation is not received within six months. Any funds not used by the nonprofit organization are ultimately returned to the grantee. If a payment made by the nonprofit organization is subsequently found to have been used for an ineligible household or an ineligible expense, or if the required application and eligibility documentation are not timely submitted, the payment will be considered an ineligible use of ERA funds by the grantee. Any administrative expenses attributable to a payment fund should be considered in accordance with FAQ 29." (Attachment ERA FAQs)</p> <p>4. When performing our testwork to determine whether ERA 1 expenditures met period of performance requirements (incurred on or before September 30, 2022), we noted 207 transactions occurred after September 30, 2022. Of the 207 transactions, we noted 40 that resulted in \$10,711,668 (of this amount \$2,313,435 is already questioned above) in questioned costs.</p> <ul style="list-style-type: none">• We disagree with SAI's questioning of expenditures incurred after September 30, 2022. Per the ERA 1 Closeout Resource, "The end date of the award period of performance is the		
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		<p>last day for a grantee to obligate funds for ERA1 activities (September 30, 2022, for award funds received pursuant to the grantee's initial allocation and December 29, 2022, for reallocated funds). Per documentation provided by SAI, the general ledger shows a date before December 29, 2022. (Attachment ERA Closeout Resource pgs 1, 4)</p> <p>5. For 13 of 207, or 6.28% of transactions tested, the adjustment was to move funds between funding jurisdictions (City, State, County), which is unallowable per FAQ #42 and ERA reporting guidance. (This resulted in \$1,594,881 in questioned costs, of which \$24,450 is questioned above)</p> <ul style="list-style-type: none"> • We disagree with SAI's questioned cost. Due to a misunderstanding CFO staff misstated that funds were moved between jurisdictions. Funds were not moved between jurisdictions. If a computer error occurred due to the large volume of checks that were being sent every week (approximately 1,600), not all errors were caught immediately. However, when further reviews were conducted and it was discovered a payment was issued incorrectly, the proper accounting procedures for correcting the errors were completed. (Attachment OneDrive_2025-4-23(1)) • We disagree. FAQ #42 says nothing about jurisdictions. FAQ #42 states "May a grantee provide ERA funds to another entity for the purpose of making payments more rapidly? To speed the delivery of assistance, grantees may enter into a written agreement with a nonprofit organization to establish a payment fund for the sole purpose of delivering assistance using ERA funds while a household's application remains in process. A grantee may use such a process if: The process is reserved for situations in which an expedited payment could reasonably be viewed as necessary to prevent an eviction or loss of utility services that precludes employing the grantee's standard application and payment procedures on a timely basis. The nonprofit organization has the requisite financial 		
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		<p>capacity to manage the ERA funds, such as being a certified community development financial institution. The nonprofit organization deposits and maintains the ERA funds in a separate account that is not commingled with other funds. The grantee receives all required application and eligibility documentation within six months. The nonprofit organization agrees in writing to return to the grantee any assistance that the household was ineligible for or for which the required documentation is not received within six months. Any funds not used by the nonprofit organization are ultimately returned to the grantee. If a payment made by the nonprofit organization is subsequently found to have been used for an ineligible household or an ineligible expense, or if the required application and eligibility documentation are not timely submitted, the payment will be considered an ineligible use of ERA funds by the grantee. Any administrative expenses attributable to a payment fund should be considered in accordance with FAQ 29.” (Attachment ERA FAQs)</p> <p>6. For 11 of 207, or 5.31%, the adjustment was to move funds between ERA 2 and ERA 1 and the adjustment was not directly supported with documentation for the specific transactions involved. It was noted as recharacterized to meet ERA 1 spending limits prior to the end of the period, and CFO did not go back to revise any prior monthly or quarterly reports as required by Treasury. (This resulted in \$7,003,715 in questioned costs, of which \$2,200,000 is questioned above)</p> <ul style="list-style-type: none"> • Partially agree. • We agree that funds cannot be moved from ERA2 to ERA1 • We disagree with SAI’s evaluation of the Treasury reporting requirement. CFO was not required to go back and revise prior monthly and quarterly reports per federal guidance. “As of December 2022, ERA1 grantees will only be able to edit their Final Report or as applicable, their Q4 2022 report. However, grantees may submit revisions to certain financial data submitted with their past quarterly reports, 		
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		<p>specifically, subrecipient/contractor/direct payee records; subaward/contract/direct payment records; and expenditure records when completing their Final Report or as applicable, their Q4 2022 Report.</p> <p>“While ERA1 grantees are no longer able to submit or revise any prior ERA1 quarterly reports, grantees may receive additional communications from Treasury’s compliance team to make corrections to past quarterly reports and as appropriate, the Final Report...”</p> <p>(Attachment ERA Closeout Resource pg 5)</p> <p>7. For 7 of 207, or 3.38% of transactions tested, the adjustment was to ‘correct accounts’ or ‘tie out accounts’; we determined these were not attributable to specific transactions but were ‘plug’ numbers to zero out the ERA 1 balance prior to the end of the period of performance to meet spend down requirements and were not supported by actual expenditures that can be determined to have been incurred on or before September 30, 2022. (This resulted in \$1,837,072 in questioned costs, of which \$88,985 is questioned above)</p> <ul style="list-style-type: none"> • We partially agree. • We agree that funds cannot be moved from ERA 1 to ERA 2 • We disagree with SAI’s questioning of expenditures incurred after September 30, 2022. Per the ERA 1 Closeout Resource, “The end date of the award period of performance is the last day for a grantee to obligate funds for ERA1 activities (September 30, 2022, for award funds received pursuant to the grantee’s initial allocation and December 29, 2022, for reallocated funds). Per documentation provided by SAI, the general ledger shows a date before December 29, 2022. <p>(Attachment ERA Closeout Resource pgs 1, 4)</p> <p>8. For 7 of 207, or 3.38% of transactions tested, the adjustment was to CFO management fees. Management fees were retained on a percentage basis; therefore, the fee is not supported by actual expenditures that can be determined to have been</p>		
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		<p>incurred on or before September 30, 2022. (This resulted in \$1,430,228 in questioned costs which were all questioned on finding 2023-028).</p> <p>We disagree with SAI’s questioning of expenditures incurred after September 30, 2022. Per the ERA 1 Closeout Resource, “The end date of the award period of performance is the last day for a grantee to obligate funds for ERA1 activities (September 30, 2022, for award funds received pursuant to the grantee’s initial allocation and December 29, 2022, for reallocated funds). Per documentation provided by SAI, the general ledger shows a date before December 29, 2022. (Attachment ERA Closeout Resource pgs 1,</p> <p>9. We noted a total of \$8,271,796 in management fees that were not expended for ERA 1 and therefore were not spent within the period of performance. Of this amount, \$6,841,568 were management fees questioned in the SFY2021 and SFY2022 State of Oklahoma Single Audit reports and the remaining \$1,430,228 is questioned on finding 2023-028.</p> <p>We disagree with SAI’s questioning of expenditures incurred after September 30, 2022. Per the ERA 1 Closeout Resource, “The end date of the award period of performance is the last day for a grantee to obligate funds for ERA1 activities (September 30, 2022, for award funds received pursuant to the grantee’s initial allocation and December 29, 2022, for reallocated funds). Per documentation provided by SAI, the general ledger shows a date before December 29, 2022. (Attachment ERA Closeout Resource pgs 1, 4)</p> <p>10. For 2 of 207, or 0.97% of transactions tested, the payment was not supported by an itemized invoice to enable a determination that all the costs were incurred prior to September 30, 2022. (This resulted in \$276,000 in questioned costs)</p> <ul style="list-style-type: none">• We disagree with SAI questioning cost and have provided supporting documentation in		
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		<p>OneDrive - 2025-04-23(2) to show questioned expenditures.</p> <ul style="list-style-type: none"> We disagree with SAI's questioning of expenditures incurred after September 30, 2022. Per the ERA 1 Closeout Resource, "The end date of the award period of performance is the last day for a grantee to obligate funds for ERA1 activities (September 30, 2022, for award funds received pursuant to the grantee's initial allocation and December 29, 2022, for reallocated funds). Per documentation provided by SAI, the general ledger shows a date before December 29, 2022. (Attachment OneDrive -2025-04-23(2), ERA Closeout Resource pgs 1, 4) <p>Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:</p> <ul style="list-style-type: none"> Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience. <p>To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies. See Attached – Grant Agreement Amendment.</p> <ul style="list-style-type: none"> OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is 		
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		<p>performed.</p> <ul style="list-style-type: none"> • OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements. • Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients. • OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations. 		
2023-092	ALN: 21.019 Federal Program name:	Oklahoma Office of Management and Enterprise Services (OMES) disagrees with the report did include the demographic section, which is a required reporting	Ongoing throughout the life of the grant	Brandy Manek

	Emergency Rental Assistance Program (ERA)	<p>element. Per the email titled 2025.03.24 Reporting download Issue OIG, page 7 of the pdf request verification the demographic data was received. On page 6 of the attachments a response states that the data for Q1, Q2 and Q3 2023 had been received.</p> <p>Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:</p> <ul style="list-style-type: none"> • Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience. • To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies. See Attached – Grant Agreement Amendment. • OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed. • OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for 		
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		<p>disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES- GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES- GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.</p> <ul style="list-style-type: none">• Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.• OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.		
2023-093	ALN: 21.019 Federal Program name: Emergency Rental Assistance Program (ERA)	<p>Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:</p> <ul style="list-style-type: none">• Oversight and management of the ERA program has been transferred to the OMES Grant Management	Ongoing throughout the life of the grant	Brandy Manek

		<p>Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.</p> <ul style="list-style-type: none"> • To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies. See Attached – Grant Agreement Amendment. • OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed. • OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements. 		
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		<ul style="list-style-type: none"> • Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients. • OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations. 		
2023-094	ALN: 21.019 Federal Program name: Coronavirus Relief Fund (CRF)	<p>The State agrees in part and the State disagrees in part. In regard to payments made to Jill Geiger Consulting in the amounts of \$39,957.00 and \$28,272.00, please see attached documentation of time and effort of services provided during FY2023 which were also paid with by CRF funds in FY2023. Please scroll down on the timesheet reports and refer to the Notes column for descriptions. Additionally, the CRF weekly update log is from JGC and gives more details for services provided.</p> <p>For the payments made to Jill Geiger Consulting for the other amounts (\$27,083.33 and \$34,650), these reimbursements occurred in FY2023 but were not for services provided in FY2023, but for FY2022. If you review the “Summary of requested vouchers Jill Geiger,” the payment of \$34,650 occurred on 8/1/2022 but was paid to cover services in May and June 2022. For invoice v00160672 in the amount of \$27,083.33, the payment was made July 5, 2022 (FY23) but covered services for April 22 (FY22). You will be able to see more instances of this in the Summary and attached invoices for that same amount. Therefore, the State requests these be taken out of the audit review and findings for FY2023 as the services were not provided in FY2023.</p> <p>The State of Oklahoma agrees in part and disagrees in part. The State agrees that a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures, will help ensure allowability, accuracy, and assist in the detection of fraud. Within OMES, oversight and management of Federal grants has been transferred to the</p>	September 2022	Brandy Manek



		OMES Grant Management Office (OMES-GMO). The OMES-GMO is staffed with individuals, who have several years of grant experience implementing these internal controls and procedures.		
2023-096	ALN: 21.019 Federal Program name: Coronavirus Relief Fund (CRF)	<p>The State agrees with this finding.</p> <p>Within OMES, oversight and management of Federal grants has been transferred to the OMES Grant Management Office (OMES-GMO) which is staffed with individuals with several years of grant experience. OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. Finally, OMES Finance has developed processes which provide for a more thorough coding of expenditures and proper review of expenditures when reporting on their GAAP Z.</p> <p>The State disagrees with the finding. The State had two Grant Award Notifications in place with the Boys and Girls Club which reflects the monies awarded to be used on the capital improvements and Club on the Go Mobile Clubhouses. This indicates the funds were obligated during the covered period. Per the email from the Keri for Jill Geiger Consulting, no signatures on the GANs were required and the Uniform Guidance does not require the GAN to be signed.</p>	September 2022	Brandy Manek
2023-098	ALN: 21.019 Federal Program name: Coronavirus Relief Fund (CRF)	<p>OMES Finance has implemented proper controls for their SEFA process to ensure costs are reported on the correct basis of accounting.</p> <p>OMES agrees with this finding and has put measures in place to correct this issue. Within OMES, oversight and management of Federal grants has been transferred to the OMES Grant Management Office (OMES-GMO) which is staffed with individuals with several years of grant experience. OMES-GMO has a multi-level system of internal controls which includes a process for reviewing funding requests to ensure expenditures are allowable under the federal guidelines.</p> <p>The State agrees. Although the delivery of the software occurred during the covered period, the invoice was paid outside of the liquidation period.</p> <p>The State agrees with this finding and has put measures in place to correct this issue. Within OMES, oversight and management of Federal grants has been transferred to the OMES Grant Management Office (OMES-GMO) which is</p>	September 2022	Brandy Manek



OKLAHOMA
Office of Management
& Enterprise Services

		staffed with individuals with several years of grant experience. OMES-GMO has a multi-level system of internal controls which includes a process for reviewing funding requests to ensure expenditures are allowable under the federal guidelines.		
2023-101	ALN: 21.027 Federal Program name: Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)	<p>The Oklahoma Office of Management and Enterprise Services – Grants Management Office (OMES-GMO) respectfully disagrees with this finding, specifically with the criteria from the Code of Federal Regulation utilized as the sole foundation for this finding, 2 CFR §200.303. This regulation states, in part that, “The Non-Federal entity must; (a) establish and maintain effective internal control over the Federal award that provides <i>reasonable assurance</i> 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.” (emphasis added). For further clarity as to the standard for reasonableness, clarity can be found in 2 CFR § 200.1 <i>Questioned cost</i>, that states in part:</p> <p><i>Questioned cost</i> means a cost that is questioned by the auditor because of an audit finding: ... (4) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.</p> <p>Findings bolstered by the reasonable prudent person standard in 2 CFR §200.303 must not rest on a perfect person standard, nor rest on an experienced auditor standard, but based on the care applied by the ordinary prudent person acting reasonably under the circumstances at the time of their review. From this perspective, the efforts of participants to obtain reasonable assurances included meetings, correspondence, and the gathering of documentation in support of work in furtherance of the program. If the determinations based on the documentation provided at the time satisfy reasonableness upon review, then subsequent documentation will not sustain the finding based on the criteria cited in 2 CFR §200.303.</p> <p>At the outset of the program, DHS was assessed as a low risk subrecipient in part due to its extensive experience with federal awards. Supporting documentation produced by the agency during the period associated with the finding reflected the breakout of the vendor’s hours and rate for the projects. Sustained communication and correspondence between the agencies and the vendor contributed to providing additional assurances that the work was consistent with the documentation in support.</p> <p>Agency-Specific Responses:</p>	N/A	<p>OMES: Parker Wise DHS: Jaretta Murphy, Lindsey Kanaly, Danielle Durkee, Katey Campbell</p>

		<p>The identified agency, DHS, provided the following independent response:</p> <p>OKDHS has the backup for each invoice submitted by its contractor, JGC, and reviews the invoices as the hours are reflected in the backup. OKDHS and the supplier keep detailed records and support for all activities related to CSLFRF.</p> <p>The Oklahoma legislation, HB 2884, effective 3/28/2023, appropriates \$65 million from ARPA pandemic relief funds to OKDHS for use on 9 projects as approved by the Joint Committee on Pandemic Relief Funds. Without separating administrative costs per project, Section 13 of the bill provides that OKDHS may retain 2% of the funds appropriated in the bill for costs associated with administering the projects in the bill as a whole, "provided that no funds shall be retained that would be disallowable under the provisions of the American Rescue Plan Act of 2021". The total administrative allowance to implement HB2884 equates to \$1,304,847.00. The American Rescue Plan Act of 2021 grant guidance for administrative fees at or lower than the accepted de minimis rate (10%) "does not require documentation to justify its use."</p>		
2023-102	<p>ALN: 21.027</p> <p>Federal Program name: Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)</p>	<p>Management Response</p> <p>The Oklahoma Office of Management and Enterprise Services – Grants Management Office (OMES-GMO), in coordination with the Oklahoma State Department of Health (OSDH), acknowledges the importance of maintaining effective internal controls and complying with federal record retention requirements, as outlined in 2 CFR § 200.303 and 2 CFR § 200.334.</p> <p>OMES-GMO and OSDH concur that improvements to the earlier implemented processes would have served to strengthen protocols designed to garner greater assurances for reimbursed expenditures. In the case identified, ongoing partnership with OMES-GMO resulted in OSDH proactively initiating an internal review, identifying the ineligible expenditures, and taking corrective steps to partially offset the unallowable amount.</p> <p>Subsequently, OSDH Finance has enhanced its internal reimbursement review procedures. As of 2023, all invoices and supporting documentation submitted by subrecipients are subject to a dual-layered review and approval by both OSDH Finance and OMES-GMO prior to reimbursement. This advancement in oversight provides additional controls</p>	5/1/2025	<p>OMES: Parker Wise OSDH: Diane Brown, Danielle Smith, Tracey Douglas</p>

		<p>to reasonably assure that agency expenditures are consistent with approved project scopes, allowable under federal cost principles, and fully documented.</p> <p>Additionally, current staff have received targeted training, and OSDH has implemented a formal onboarding process to ensure that all new staff are trained in federal grant compliance, documentation standards, and internal control requirements.</p> <p>Corrective Actions</p> <ul style="list-style-type: none"> • Strengthened Review and Approval Process: <p>All subrecipient reimbursements are now reviewed and approved in layers by both OSDH Finance and OMES-GMO staff and leadership prior to payment. This ensures supporting documentation is complete, expenditures are allowable, and spending aligns with the terms of the award.</p> <ul style="list-style-type: none"> • Ongoing Staff Training and Onboarding: <p>All existing staff participate in continued training on federal cost principles, subrecipient monitoring, and documentation standards. A structured onboarding program is now in place to ensure consistent compliance knowledge across all new hires.</p> <ul style="list-style-type: none"> • Monitoring and Recoupment Protocols: <p>Post-award monitoring procedures have been updated to support early detection of ineligible expenditures. OSDH will ensure prompt recoupment or reallocation actions are taken, when necessary, in accordance with federal guidelines. These corrective actions demonstrate OMES-GMO's and OSDH's ongoing commitment to effective stewardship of federal funds, compliance with grant regulations, and continuous improvement of internal controls.</p>		
2023-108	<p>ALN: 21.019</p> <p>Federal Program name: Coronavirus Relief Fund (CRF)</p>	<p>The State agrees with this finding.</p> <p>Within OMES, oversight and management of Federal grants has been transferred to the OMES Grant Management Office (OMES-GMO) which is staffed with individuals with several years of grant experience. OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. Finally,</p>	September 2022	Brandy Manek

		<p>OMES Finance has developed processes which provide for a more thorough coding of expenditures and proper review of expenditures when reporting on their GAAP Z.</p> <p>The State disagrees with the finding. The State had two Grant Award Notifications in place with the Boys and Girls Club which reflects the monies awarded to be used on the capital improvements and Club on the Go Mobile Clubhouses. This indicates the funds were obligated during the covered period. Per the email from the Keri for Jill Geiger Consulting, no signatures on the GANs were required and the Uniform Guidance does not require the GAN to be signed.</p> <p>Within OMES, oversight and management of Federal grants has been transferred to the OMES Grant Management Office (OMES-GMO) which is staffed with individuals with several years of grant experience. OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. OMES-GMO's internal control processes ensure subrecipient risk assessments are performed and that proper grant awarding documentation is provided to subrecipients.</p>		
2023-109	<p>ALN: Multiple</p> <p>Federal Program name: Multiple</p>	<p>The finding states two ongoing concerns: "1) there are no policies and procedures in place for the people on [the pilot program] Statewide Contracts [as is required by 2 CFR § 200.317], and 2) these vendors are not being vetted to ensure state agencies are getting contracts that are reasonable per 2 CFR 200.404."</p> <p>On the first issue, Section 200.317 of Title 2 of the Code of Federal Regulations requires states to "follow the same policies and procedures it uses for procurements with non-Federal funds" when "conducting procurement transactions under a Federal award." 2 CFR § 200.317. Our publicly available CPO training explains the process for purchasing off Statewide Contracts (See Attachment 1 and 2). Also, we provided agencies with procedures related to the pilot program to give guidance on ordering off those specific Statewide Contracts (See Attachment 3). Additionally, OMES reiterates that Recipients of federal funds are ultimately charged with ensuring and documenting compliance with specific requirements under the federal award.</p>	Sine Die	Amanda Otis, State Purchasing Director for the State of Oklahoma

		<p>However, in an attempt to assist agencies in understanding requirements of spending federal dollars, OMES issued a Procurement Information Memorandum and a new contract attachment to be utilized by agencies. (See Attachments 4 and 5). Therefore, OMES disagrees that we do not have the required policies and procedures in place to comply with Section 200.317.</p> <p>On the second issue, Section 200.404 of Title 2 of the Code of Federal Regulations explains, “A cost is reasonable if it does not exceed an amount that a prudent person would incur under the circumstances prevailing when the decision was made to incur the cost.” All our Statewide Contracts are evaluated on specific criteria, including pricing. If a bidder’s pricing appears to be unreasonable, they do not receive an award.</p> <p>Additionally, in Attachment 3 it is demonstrated that when an agency ordered from the pilot program Statewide Contracts, the Information Services Division (“ISD”) of OMES works with the agency and the supplier to develop a Scope of Work (“SOW”). The SOW is comprised of detailed deliverables and pricing for the relevant goods and/or services. ISD stakeholders are subject matter experts in the relevant work and ensure that all pricing on SOWs is fair, competitive and reasonable. Therefore, OMES also disagrees with the assertion that the vendors on contract are not vetted to ensure that state agencies are getting reasonable costs on their contract.</p> <p>OMES further reiterates that we believe the relevant solicitations were conducted pursuant to the requirements of the Statewide Contract pilot programs and meet competitive bidding requirements. The Statewide Contract pilot programs utilized the same initial procedures as all other Statewide Contracts prescribed in statute. Vendors are required to agree to standard state terms and submit competitive pricing for the goods and/or services within scope of the solicitation. OMES identifies evaluators for every solicitation to conduct an evaluation process relevant to the particular scope of services and to negotiate price when choosing responsive and responsible suppliers.</p> <p>In conclusion, OMES respectfully disagrees with the concerns of the State Auditor’s Office and invites any member of the State Auditor’s team to meet with OMES personnel to further clarify our processes and standards for ensuring fair and competitive procurement practices.</p>		
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2023-202	ALN: 21.027 Federal Program name: Coronavirus State And Local Fiscal Recovery Funds (CSLFRF)	<p>OWRB was granted approval by the legislature to use a custodial bank to ensure ARPA funds were provided quickly and efficiently to ARPA recipients. Historically, OWRB has used this successful process for securing and transacting funds for its clean and drinking water state revolving fund loans and its financial assistance programs.</p> <p>OWRB understands the issue with ARPA expenditure reporting. The posting dates for expenditures booked in PeopleSoft versus the dates ARPA project funds were released from the custodial bank for payment differed. This was because; to transfer ARPA funds to the bank, expenditures were booked using a purchase order in the PeopleSoft system. The purchase order process was then used to transfer funds to the custodial bank. This results in actual project expenditures being booked in the incorreced period for reporting standards.</p> <p>After initial transfers were made through the PeopleSoft system to the custodial bank, ARPA funds released from the bank for specified projects were on a different date. Funds were only released from the custodial bank upon approval by OWRB after review. The release dates for the ARPA project payments would only be in the custodial bank's accounting system and in OWRB's internal records but would not be reflected in the PeopleSoft accounting system.</p> <p>OWRB will meet with OMES to seek a remedy for this. The current method for the transfer and release of funds meets all necessary controls, however; it isn't adequate in reflecting the custodian's release dates without preparing a manual adjusting entry into the PeopleSoft system.</p>	06/30/2025	Cleve Pierce, Chief of Administrativ e Services/CFO Jessica Billingsley, Comptroller/F inancial Manager



RYAN WALTERS
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 2023

Finding Number	Subject Heading (Financial) or Assistance Listing and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-010	TITLE I, PART A – GRANTS TO LOCAL EDUCATIONAL AGENCIES AL #84.010	The Office of Title Services is implementing policies and procedures to demonstrate compliance. We are strengthening our policies and procedures to ensure LEAs are submitting accurate documentation for our SNS Specialist to determine that LEAs are meeting the supplement not supplant requirements. We will ensure that all policies and procedures, as well as the Title I Supplement Not Supplant Tracking Spreadsheet, are uploaded to our internal I-Drive.	May-25	Tammy Smith



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CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2023

Finding Number	Subject Heading (Financial) or Assistance Listing and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-015	CN CLUSTER – SCHOOL BREAKFAST PROGRAM; NATIONAL SCHOOL LUNCH PROGRAM, SPECIAL MILK PROGRAM FOR CHILDREN, FRESH FRUITS AND VEGETABLES PROGRAM AL #10.553, 10.555; 10.556; 10.559; 10.582	We will update our 3-month Operating Excess form we send to schools to include more information. Any schools that are going to carryover part or all of their excess funds will need to provide us an explanation of what those funds will be spent on and then comments will be made on the log so we follow-up with the school to ensure allowable items were purchased. If they are using the excess for salaries and/or the cost of serving all students free they will need to let us know that in writing as well.	June 2, 2025	Jennifer Weber



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STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2023

Finding Number	Subject Heading (Financial) or Assistance Listing and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-038	CN CLUSTER – SCHOOL BREAKFAST PROGRAM; NATIONAL SCHOOL LUNCH PROGRAM, SPECIAL MILK PROGRAM FOR CHILDREN, FRESH FRUITS AND VEGETABLES PROGRAM AL #10.553, 10.555; 10.556; 10.559; 10.582	Additional training of field-based staff will take place covering the areas of the SFSP review to ensure that meal counts and claim numbers are correct. A SFSP review will not be conducted prior to a claim being filed unless the SFSP program ends prior to a claim being filed. USDA guidance “encourages” a claim review to be conducted when an SFSP review is being conducted. If a sponsor operates for a month or less the review must take place while the program is operating therefore a claim would not be able to be validated.	May 2025 (once SFSP reviews start for summer 2025)	Jennifer Weber



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STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
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Finding Number	Subject Heading (Financial) or Assistance Listing and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-041	AL #84.425 – EDUCATION STABILIZATION FUND (ESF – 84.425V)	<p>The Office of Title Services (OTS) used the limited federal guidance available at the time to manage the Emergency Assistance to Nonpublic Schools (EANS) funds. Due to limited guidance from the US Department of Education (USDE), OSDE allocated ARP EANS funding consistent with CRRSA EANS. After funds were allocated, USDE provided guidance on the allocation of ARP EANS funding using actual low income poverty data. In the fall of 2024, the Office of Title Services (OTS) provided documentation and adjusting journal entries to re-allocate ineligible funds from ARP EANS to unspent CRSA EANS. This adjustment transferred the unallowable expenditures originally charged to ARP EANS to unspent funds under CRRSA EANS. All funds were obligated during the applicable period of availability. The United States Department of Education accepted evidence of this corrective action in an email received by OTS staff on February 5, 2025. A copy of this email was sent to the Oklahoma State Auditor and Inspector’s Office on Monday, May 19th, 2025.</p> <p>OSDE agrees with that low-income data used for EANS allocation was different than the low-income data used for Title I allocations. OSDE used Low-income counts based upon data provided by non-public schools. The Office of Title Services (OTS) used the limited federal guidance available at the time</p>	August 2025	Amber Polach



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to manage the Emergency Assistance to Nonpublic Schools (EANS) funds.

EANS Proportionality

In the fall of 2024, the Office of Title Services (OTS) provided documentation and adjusting journal entries to re-allocate ineligible funds from ARP EANS to unspent CRSA EANS. This adjustment transferred the unallowable expenditures originally charged to ARP EANS to unspent funds under CRRSA EANS. All funds were obligated during the applicable period of availability. The United States Department of Education accepted evidence of this corrective action in an email received by OTS staff on February 5, 2025. A copy of this email was sent to the Oklahoma State Auditor and Inspector's Office on Monday, May 19th, 2025. As a result, these expenditures were allowable and did not result in questioned costs.

EANS Low-Income

If low-income data for nonpublic school participants is necessary to determine eligibility, then OTS will create a written procedure to collect and verify the data.



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2023-043	TITLE I, PART A – GRANTS TO LOCAL EDUCATIONAL AGENCIES AL #84.010	We have developed policies and procedures to ensure that FFATA reports, and applicable revisions are accurate, complete, and submitted within the appropriate timeframes. The policies and procedures include the process for initial allocations and revised allocations. We will ensure that the person responsible for completing the FFATA reports, and applicable revisions, is adequately trained.	Sep-2025	Tammy Smith



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2023-044	CN CLUSTER – SCHOOL BREAKFAST PROGRAM; NATIONAL SCHOOL LUNCH PROGRAM, SPECIAL MILK PROGRAM FOR CHILDREN, FRESH FRUITS AND VEGETABLES PROGRAM AL #10.553, 10.555; 10.556; 10.559; 10.582	<p>Child Nutrition programs can modify the claim and reporting systems to pull information for all payments meeting the FFATA reporting requirements for funds paid in excess of \$30,000 cumulatively annually to a subrecipient. However, we cannot give a corrective action plan for the actual upload to US Spending.com due to the discontinuation of the FSFR website used to upload FFATA reports on March 6th, 2025.</p> <p>This is being replaced by SAM.gov utilizing an API process. There is currently no guidance to States on how this will be done once the new API process is ready to be implemented. Once we have guidance on how the information will be collected and uploaded, we can work with OMES to create an upload and reconciliation process.</p>	July 1, 2025, or when the US Spending system update is available.	Jennifer Weber



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2023-045	AL #84.425 – EDUCATION STABILIZATION FUND (ESF - AL #84.425D; #84.425U)	<p>The Office of Title Services (OTS) has reviewed the inventories in question that were submitted in the FY23 ESEA Grant Performance Review and agree there were several items above a \$5000.00 unit cost that were not properly recorded on the inventories reviewed. The expectations for inventory compliance were not followed for two districts.</p> <p>The Office of Title Services (OTS) program director will continue to address the expectations of inventory compliance during the ESEA Grant Performance Review internal training process with the project managers to ensure accuracy during the review process. OTS has included an attachment of the current OTS training presentation that includes several slides of the inventory expectations.</p> <ul style="list-style-type: none">• For materials and supply items, the Office of Title Services (OTS) staff will review the district's inventory procedures for compliance with 2 C.F.R. 200.302(b)(4).• For equipment items (\$5,000 later \$10,000 or greater unit cost) OTS staff will review the district's inventory procedures for compliance with the requirements of 2 C.F. R. 200.313 (d)(1)	August 2025	Amber Polach



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2023-046	AL #84.425 – EDUCATION STABILIZATION FUND (ESF - AL #84.425D; 84.425R; 84.425V)	<p>OSDE does not agree with the finding regarding \$802,414.82 of claims for a non-public school that used unallowable proportionality data in their ARP EANS application. The Office of Title Services (OTS) used the limited federal guidance available at the time to manage the Emergency Assistance to Nonpublic Schools (EANS) funds. Due to limited guidance from the US Department of Education (USDE), OSDE allocated ARP EANS funding consistent with CRRSA EANS. After funds were allocated, USDE provided guidance on the allocation of ARP EANS funding using actual low income poverty data. As a result, OSDE’s reviewed the allocation of ARP EANS funding and determine that certain expenditures totaling \$802,414 were ineligible under ARP EANS but eligible under CRSA EANS. In the fall of 2024, the Office of Title Services (OTS) provided documentation and adjusting journal entries to re-allocate ineligible funds from ARP EANS to unspent CRSA EANS. This adjustment transferred the unallowable expenditures originally charged to ARP EANS to unspent funds under CRRSA EANS. All funds were obligated during the applicable period of availability. The United States Department of Education accepted evidence of this corrective action in an email received by OTS staff on February 5, 2025. A copy of this email was sent to the Oklahoma State Auditor and Inspector’s Office on Monday, May 19th, 2025. As a result, these expenditures were allowable and did not result in questioned costs.</p> <p>OSDE agrees with that low-income data used for EANS allocation was different than the low-income data used for Title I allocations. OSDE used Low-income counts based upon data provided by non-public schools. The Office of Title Services (OTS) used the limited</p>		Tammy Smith



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federal guidance available at the time to manage the Emergency Assistance to Nonpublic Schools (EANS) funds.

OSDE is not aware of expenditures that lacked supporting documentation.

OSDE agrees with the finding on a duplicate Payment. Duplicate payments were erroneously made to Complete Book and Media Supply LLC. OSDE is working to resolve this matter.

EANS Proportionality

In the fall of 2024, the Office of Title Services (OTS) provided documentation and adjusting journal entries to re-allocate ineligible funds from ARP EANS to unspent CRSA EANS. This adjustment transferred the unallowable expenditures originally charged to ARP EANS to unspent funds under CRRSA EANS. All funds were obligated during the applicable period of availability. The United States Department of Education accepted evidence of this corrective action in an email received by OTS staff on February 5, 2025. A copy of this email was sent to the Oklahoma State Auditor and Inspector's Office on Monday, May 19th, 2025. As a result, these expenditures were allowable and did not result in questioned costs.

EANS Low-Income

If low-income data for nonpublic school participants is necessary to determine eligibility, then OTS will create a written procedure to collect and verify the data.

EANS Procurement

To avoid duplicate payments only the Senior Director of Federal Programs will have approval on any invoice submitted for payment. Invoices will be tracked and documented by the Office of Title Services.

In the future should it be necessary to allocate to non-LEA entities, the Office of Title Services will create written procedures to ensure any necessary supporting documentation be submitted prior to approving payment on an invoice.



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2023-047	TITLE I, PART A – GRANTS TO LOCAL EDUCATIONAL AGENCIES AL #84.010 SPECIAL EDUCATION IDEA PART B & PRESCHOOL AL #84.027; 84.173 AL #84.425 – EDUCATION STABILIZATION FUND (ESF - AL #84.425D; 84.425U)	The Office of Title Services will ensure that our department completes and collects Time and Effort records semi-annually. The Office of Special Education Services will ensure that this department completes and collects Time and Effort records semi-annually.	Jan-2024 June-2025	Tammy Smith Sherri Coats

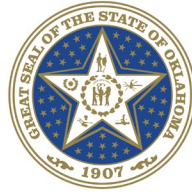


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2023-048	TITLE I, PART A – GRANTS TO LOCAL EDUCATIONAL AGENCIES AL #84.010	The Office of Title Services will write procedures to ensure that adjustments to Title I, Part A allocations for new and expanded charter schools are accurately made once actual eligibility and enrollment data becomes available. We will strengthen the controls over the review and approval of allocations and identify significantly expanding charter schools.	Aug-2025	Tammy Smith



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2023-050	AL #84.425 – EDUCATION STABILIZATION FUND (ESF - AL #84.425D; 84.425R; 84.425V)	<p>OSDE does not agree with the finding. During monitoring reviews, OSDE's policy for monitoring of Davis-Bacon was the following:</p> <ol style="list-style-type: none"> 1) Review relevant RFP and competitive bidding documents, including terms and conditions 2) Copies of relevant contracts showing wage-requirements (Davis-Bacon). Written statements from contractors and accompanying documentation to demonstrate prevailing wages have been researched and subcontracts are compliant. 3) Local written policies or procedures that summarizes the LEA's process for ensuring compliance with statutory and requirement requirements for paying prevailing wage. 4) During onsite monitoring OSDE will sample construction payroll wage reports and test individual contractor payroll for prevailing wage rates. <p>Throughout the process of administering ESSER funding guidance and flowcharts were provided to LEAs to inform LEAs of the Davis-Bacon prevailing wage requirements for construction projects and how to maintain compliance. OSDE's monitoring of subrecipients includes reviewing individual payroll registers from contractors. Further, the results of monitoring procedures are reviewed and approved by The Office of Title Services (OTS) managers / supervisor. If OSDE becomes aware of non-compliance, then these matters are addressed with LEAs during corrective actions.</p> <p>OSDE believes the current monitoring procedures are sufficient to ensure LEAs are meeting the requirements of 34 CFR §§ 75.600-75.618. Finally,</p>	N/A	Amber Polach



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		OSDE has not been provided with the details of the two non-compliant consolidated monitoring reviews identified by the State Auditor.		
		OSDE believes the current monitoring procedures are appropriate. We're not aware of instances of consolidating monitoring visits that are not compliant with OSDE's current policies and procedures.		



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2023-053	TITLE I, PART A – GRANTS TO LOCAL EDUCATIONAL AGENCIES AL #84.010	The Oklahoma State Department of Education (OSDE) will revise the risk assessment procedures to include a second review of data sourced for the risk assessment. Assigning a second reviewer will reduce the likelihood of errors and will confirm the risk assessment scoring is accurate.	July-2025	Tammy Smith



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2023-059	AL #84.425 – EDUCATION STABILIZATION FUND (ESF - AL #84.425D; 84.425R; 84.425U)	Beginning with FY23, the ESSER Performance Report (formerly known as the ESSER Annual Reporting) data from LEAs has been collected in our Grants Management System (GMS). This has increased the accuracy of data reported annually to USDE.	March-2024	Tammy Smith



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2023-061	AL #84.425 – EDUCATION STABILIZATION FUND (ESF - AL #84.425U)	The Office of Title Services will continue to provide additional training to all reviewers to strengthen the claims review process.	August-2025	Tammy Smith



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Finding Number	Subject Heading (Financial) or Assistance Listing and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-211	93.323: Epidemiology and Laboratory Capacity for Infectious Diseases	<p>Action planned/taken in response to finding: For the year ending June 30, 2024 OSDE implemented a robust reconciliation process over the SEFA. With the new process, all federal expenditures and drawdowns reported on the SEFA / Schedule Z are reconciled to expenditure transactions and drawdown detail from the Statewide Accounting Software (PeopleSoft). The new process will ensure the SEFA / Schedule Z is appropriately supported by individual transactions and sufficient review is performed. The reconciliation is prepared by an OSDE contractor and reviewed and approved by the Comptroller before finalizing. The Oklahoma State Department of Education (OSDE) is committed to strengthening its subgrant management processes in response to the audit findings. To address the identified issues, OSDE will implement a more robust and clearly defined application procedure for Local Education Agencies (LEAs) applying for subgrants. This will include standardized guidance and documentation requirements to ensure consistency and transparency.</p>	6/30/2024	Shawn Richmond, Comptroller
2023-212	93.323: Epidemiology and Laboratory Capacity for Infectious Diseases	<p>In addition, OSDE will establish comprehensive procedures to conduct risk assessments of individual LEAs prior to awarding subgrants. These procedures will detail specific steps for identifying and addressing noncompliance, ensuring that higher-risk LEAs receive the appropriate level of oversight and support. To further improve the integrity of the reimbursement process, OSDE will provide regular training sessions and technical assistance to LEAs. These sessions will emphasize the importance of submitting complete and accurate documentation to support reimbursement claims. OSDE will also collaborate with our vendor, MTW, to ensure that LEAs can efficiently upload required documentation through the Grants Management System (GMS). Finally, OSDE will conduct targeted training for internal reviewers to ensure they are well-versed in identifying allowable versus unallowable expenditures and understand the documentation requirements</p>	6/30/2025	Shawn Richmond, Comptroller



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2023-213	93.323: Epidemiology and Laboratory Capacity for Infectious Diseases	<p>associated with each type of expense. This will help promote consistency and compliance in the review and approval of claims.</p> <ol style="list-style-type: none">Implementation of Time Distribution Record (TDR) Procedures: OSDE has adopted the Time Distribution Records (TDR) procedures as outlined in the ESEA Consolidated Monitoring Toolkit and the "Time Distribution Records" presentation provided to districts on October 3, 2023 . These documents establish that all employees whose salaries are funded by federal programs must document their time and effort based on actual work performed, not budget estimates.Required Documentation from Subrecipients: Going forward, LEAs will be required to submit certified time and effort records using the templates provided in the ESEA Resource Toolkit (June 2024) . These forms are designed to ensure:<ul style="list-style-type: none">Records are maintained for employees working on a single or multiple cost objectives.Monthly or semi-annual certifications, depending on the funding structure, are completed by employees and supervisors.Reconciliations are conducted to adjust salary allocations if actual time varies from budget estimates.Training and Technical Assistance: OSDE's Office of Title Services will conduct training sessions and provide technical assistance to LEAs to ensure proper understanding and implementation of the TDR process. OSDE will also establish a central repository to track and audit submitted TDRs.Monitoring and Compliance Checks: A risk-based monitoring system will be implemented to conduct periodic reviews of LEA payroll reimbursements. During desk reviews and	6/30/2025	Kellie Carter, Program Manager, School Health Services
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on-site monitoring, OSDE will verify that certified time and effort records support all payroll expenditures submitted for reimbursement.

5. **Policy Revision and Dissemination:**
OSDE will revise its federal programs procedures manual to formally include the updated TDR requirements. This policy will be shared with all LEAs and included in routine programmatic updates.

These steps demonstrate OSDE's commitment to compliance and accountability. We believe that the implementation of the certified time and effort process will provide sufficient assurance that payroll reimbursements are accurate, allowable, and appropriately allocated under Assistance Listing Number 93.323.



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on-site monitoring, OSDE will verify that certified time and effort records support all payroll expenditures submitted for reimbursement.

5. **Policy Revision and Dissemination:** OSDE will revise its federal programs procedures manual to formally include the updated TDR requirements. This policy will be shared with all LEAs and included in routine programmatic updates.

These steps demonstrate OSDE's commitment to compliance and accountability. We believe that the implementation of the certified time and effort process will provide sufficient assurance that payroll reimbursements are accurate, allowable, and appropriately allocated under Assistance Listing Number 93.323.



OKLAHOMA

Employment Security Commission

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Chief Executive Officer

J. Kevin Stitt
Governor

Representing Employers
Christy Rawlings, Commissioner
Dean Pennello, Commissioner

Representing the Public
David Reid, Chair

Representing Employees
Aaron Johnson, Commissioner
Traci Cook, Commissioner

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2023-031	#17.225 Unemployment Insurance	OESC concurs with the audit finding and agrees with the recommendation. The agency also acknowledges the importance of data integrity in submitting the ETA 9050, ETA 9052 and ETA 9055 reports. Programming was completed in June 2023 to retain backup of the detailed data at the time each report is run. As part of OESC's technology modernization efforts, technical resources continue to review reporting requirements for all regulatory reports and validate the accuracy of programming that supports such reporting. DOL completed a Data Validation monitoring of OESC in May 2024, and the DOL reviewers shared favorable comments regarding OESC's modernization efforts, and the agency was able to satisfy DOL with regard to the area of concern and finding identified in their review. OESC leadership expects to address the underlying causes for this finding as part of our modernization efforts.	Programming completed in June 2023 to retain backup data; data validation for regulatory reports is ongoing as part of OESC technology modernization efforts	Michelle Britten, Chief Administrative Officer
2023-033	#17.225 Unemployment Insurance	OESC concurs with the audit finding and agrees with the recommendation. The decrease in the total dollars associated with this finding in comparison to the prior year demonstrates that the issue has been addressed with the programming that was completed in February 2023. The agency will continue to monitor ongoing results of the new programming to address any further adjustments needed for edge-case scenarios or to appropriately handle other system changes.	Completed in February 2023	Christopher O'Brien, Vice President - OESC UI
2023-035	#17.225 Unemployment Insurance	The agency concurs with the findings and agrees with the recommendation. The agency acknowledges our responsibility for program integrity and proper controls for the RESEA program. As we referenced in our response last year, the agency has undertaken modernization efforts to provide better solutions for the RESEA program. EmployOklahoma is the first result of this effort in the workforce employment area and it launched in January 2025 as the replacement for OKJM. The majority of the findings above were related to cases pulled for the period between July 2022 and December 2022; there was improvement in the period from January 2023 to June 2023. We anticipate continued progress and improvement going forward, but there will continue to be elevated risk for	Ongoing until modernization of RESEA tools is complete	Tammy Wood, RESEA/TAA Program Manager

		inaccuracies until the agency's modernization efforts are successful in implementing solutions to address both the case management and data reporting requirements needed to fully resolve these findings.		
2023-036	#17.225 Unemployment Insurance	OESC concurs with the audit findings and agrees with the recommendation. The agency also acknowledges the importance of data integrity when reporting ETA 9128 activities and the important role such reporting plays in evaluating and monitoring the RESEA program. OESC realized there was an issue with the RESEA enrollments opened during 3rd quarter 2021 and worked on creating procedures to ensure enrollments opened properly. As referenced in the agency's response to this same finding last year, in January 2023, administrative staff identified issues with enrollments not opening with a recently implemented technology tool. The agency subsequently decided to abandon the new technology and revert to its original scheduling system. OESC worked with the OKJM vendor to ensure all required services are opened automatically when the RESEA enrollment is established. In December 2023, OESC initiated a process to verify the enrollments opened and perform monthly review of all enrollments to ensure all data elements are captured for all participants. This process involves a high degree of manual effort which presents higher risk for inaccuracies. In conjunction with the agency's modernization efforts, significant work has been directed at implementing solutions to address both the case management and data reporting requirements needed to fully resolve this finding.	Ongoing until modernization of RESEA tools is complete	Tammy Wood, RESEA/TAA Program Manager
2023-052	#17.225 Unemployment Insurance	<p>While the agency does not completely disagree with the Condition, Cause and Effect as documented by the auditors, the agency believes additional considerations are important in drawing conclusions about whether all payments associated with the \$1,578,278 in claims identified in this finding are conclusively fraudulent. We worked closely with the auditors to review these claims and had previously identified over 90% of the claims through the agency's own internal fraud review processes and initiated recovery of any funds paid for claims identified as fraudulent. As we have stated in previous years, conclusions drawn by the auditors around this risk reflect the worst-case scenario based on the information available.</p> <p>OESC processes are ever-evolving and improving to address fraud prevention and detection, as the threat from bad actors will continue in perpetuity. Oklahoma is one of few states that utilizes identity proofing as a gatekeeper to the claim application process. Though OESC launched an improved version of VerifyOK in November 2022, it took time to refine the logic behind the application that is expected to further decrease the potential findings of fraudulent claims for future audits. The agency continues to make fraud prevention a priority and is engaging with federal partners, other state agencies and vendor partners to be vigilant in anticipating trends in fraud activity. While we believe we are expending appropriate levels of effort in this area, we also want to acknowledge that the complexity and ever-changing nature of the fraud space will continue to make this a difficult risk to mitigate entirely.</p>	The efforts required for fraud prevention are not expected to end, as bad actors are expected to continually pursue new methods to exploit unemployment benefit systems in all states.	Michelle Britten, Chief Administrative Officer
23-290-026	ACFR – Benefit Expenditures	While the agency does not completely disagree with the Condition, Cause and Effect as documented by the auditors, the agency believes additional considerations are important in drawing conclusions about whether all payments associated with the \$1,577,292 in claims identified in this finding are	The efforts required for fraud prevention are not expected to end, as bad actors are	Michelle Britten, Chief Administrative Officer

		<p>conclusively fraudulent. We worked closely with the auditors to review these claims and had previously identified over 90% of the claims through the agency’s own internal fraud review processes and initiated recovery of any funds paid for claims identified as fraudulent. As we have stated in previous years, conclusions drawn by the auditors around this risk reflect the worst-case scenario based on the information available.</p> <p>OESC processes are ever-evolving and improving to address fraud prevention and detection, as the threat from bad actors will continue in perpetuity. Oklahoma is one of few states that utilizes identity proofing as a gatekeeper to the claim application process. Though OESC launched an improved version of VerifyOK in November 2022, it took time to refine the logic behind the application that is expected to further decrease the potential findings of fraudulent claims for future audits. The agency continues to make fraud prevention a priority and is engaging with federal partners, other state agencies and vendor partners to be vigilant in anticipating trends in fraud activity. While we believe we are expending appropriate levels of effort in this area, we also want to acknowledge that the complexity and ever-changing nature of the fraud space will continue to make this a difficult risk to mitigate entirely.</p>	<p>expected to continually pursue new methods to exploit unemployment benefit systems in all states.</p>	
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Finding Number	Subject Heading (Financial) or AL no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-203	93.268: Immunizations Cooperative Agreements	<p>Management agrees with this finding and recognized these issues in early 2023, and as a result, has already implemented the following control changes in 2023:</p> <ol style="list-style-type: none"> 1. Simplified the COA from 1.5M to 500 options to limit employees coding incorrectly. 2. Locked down access where possible. 3. Continuing to emphasize supervisor review. 4. July 2023 Payroll began providing a weekly payroll spreadsheet on a Teams Page (POC chat) for all agency Points of Contacts. <p>Management is also currently working to create a report in Hyperion to reconcile booked (Budgeted) payroll recorded on the general ledger to the validated (Actual) payroll as coded by OSDH employees. This will identify variances between the two, by program area, to allow an adjusting entry to be made to true up the general ledger to reflect the actual recorded time and effort. The expected completion date for this is 6/30/25.</p>	6/30/25	Stefan Von Dollen, Interim CFO
2023-204	93.323: Epidemiology and Laboratory Capacity for Infectious Diseases	<p>Management agrees with this finding and recognized these issues in early 2023, and as a result, has already implemented the following control changes in 2023:</p> <ol style="list-style-type: none"> 5. Simplified the COA from 1.5M to 500 options to limit employees coding incorrectly. 6. Locked down access where possible. 7. Continuing to emphasize supervisor review. 8. July 2023 Payroll began providing a weekly payroll spreadsheet on a Teams Page (POC chat) for all agency Points of Contacts. <p>Management is also currently working to create a report in Hyperion to reconcile booked (Budgeted) payroll recorded on the general ledger to the validated (Actual) payroll as coded by OSDH employees. This will identify variances between the two, by program area, to allow an adjusting entry to be made to true up the general ledger to reflect the actual recorded time and effort. The expected completion date for this is 6/30/25.</p>	6/30/25	Stefan Von Dollen, Interim CFO

2023-205	93.268: Immunizations Cooperative Agreements	<p>OSDH management will work with the appropriate area to provide guidance on document preparation and retention going forward.</p> <p>Based on discussion with the program area management, while the finding states that documentation was not stored in a centralized area and could not be provided during the auditor's field work, management has indicated the documentation is being stored either in the Qualtrics or the OSIIS systems. Currently, OSDH leadership is working to centralize the administrative functions from the program areas to the GMO area of Finance. This will include a compliance unit within GMO to ensure that all necessary documentation is centralized and that OSDH program areas are audit ready.</p>	12/31/25	Stefan Von Dollen, Interim CFO
2023-206	93.268: Immunizations Cooperative Agreements	<p>The overstatement of expenditures on the SEFA is due to incorrect amounts being included on the report due to using incorrect PeopleSoft queries and a lack of proper staff training. As stated in the finding, transactions related to expenditures and draws on the grant are reported in incorrect accounting periods; this is due to general ledger entries not using a budget reference code causing an under/over statement of expenditures and revenues.</p> <p>To mitigate this issue going forward, management has established a cash report in Hyperion which is currently being used by the Accounting area to ensure grant draws are accurate. To ensure transactions are recorded in the correct accounting period, management is working to create a policy and procedure to ensure a budget reference code is used on all general ledger transactions. The budget reference code will also be added to the Hyperion cash report to ensure transactions are reported in the proper accounting period. Management is also actively seeking formal training opportunities for accounting staff related to the proper procedures for completing all ACFR schedules.</p>	6/30/24	Stefan Von Dollen, Interim CFO
2023-207	93.323: Epidemiology and Laboratory Capacity for Infectious Diseases	<p>The overstatement of expenditures on the SEFA is due to incorrect amounts being included on the report due to using incorrect PeopleSoft queries and a lack of proper staff training. As stated in the finding, transactions related to expenditures and draws on the grant are reported in incorrect accounting periods; this is due to general ledger entries not using a budget reference code causing an under/over statement of expenditures and revenues.</p> <p>To mitigate this issue going forward, management has established a cash report in Hyperion which is currently being used by the Accounting area to ensure grant draws are accurate. To ensure transactions are recorded in the correct accounting period, management is working to create a policy and procedure to ensure a budget reference code is used on all general ledger transactions. The budget reference code</p>	6/30/24	Stefan Von Dollen, Interim CFO

		will also be added to the Hyperion cash report to ensure transactions are reported in the proper accounting period. Management is also actively seeking formal training opportunities for accounting staff related to the proper procedures for completing all ACFR schedules.		
2023-208	93.268: Immunizations Cooperative Agreements	The flagged contract and incorporated section were negotiated by OSDH's prior leadership at that time (May-June 2021). After a leadership change in October 2021, Commissioner Reed promptly terminated the contract - well before any such flagged services were engaged in or provided by the contractor. To OSDH's knowledge, it did not pay for any such services. Current OSDH leadership and Legal work diligently during the contract review process to ensure that unallowable activities are not included in vendor contracts.	6/30/24	Stefan Von Dollen, Interim CFO
2023-209	93.323: Epidemiology and Laboratory Capacity for Infectious Diseases	The flagged contract and incorporated section were negotiated by OSDH's prior leadership at that time (May-June 2021). After a leadership change in October 2021, Commissioner Reed promptly terminated the contract - well before any such flagged services were engaged in or provided by the contractor. To OSDH's knowledge, it did not pay for any such services. Current OSDH leadership and Legal work diligently during the contract review process to ensure that unallowable activities are not included in vendor contracts.	6/30/24	Stefan Von Dollen, Interim CFO



**OKLAHOMA HEALTH CARE AUTHORITY
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2023**

Finding Number	Subject Heading (Financial) or ALN no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-003	93.778 Medicaid Cluster	<p>OHCA will continue to utilize control processes and procedures to ensure medical claims are meeting program requirements. These processes include prior authorizations, suspended claim reviews, system edits, post payment reviews, and our payment accuracy measurement study. OHCA will also continue National Correct Coding Initiative (NCCI) edit updates, as well as continue with provider training to better educate our providers.</p> <p>Partial costs questioned were reported on the September 30, 2024 and December 31, 2024 CMS 64.9C1, Line 5 (\$64.62 and \$312.47, respectively). The remaining \$225.91 was reported on the CMS 64.9P, Line 10A on Cost of Service (COS) line 5 for the quarter ending March 31, 2025.</p>	4/30/2025	Kristine West, Senior Director of Program Integrity and Accountability
2023-004	93.767 Children's Health Insurance Program	<p>OHCA will continue to utilize control processes and procedures to ensure medical claims are meeting program requirements. These processes include prior authorizations, suspended claim reviews, system edits, post payment reviews, and our payment accuracy measurement study. OHCA will also continue National Correct Coding Initiative (NCCI) edit updates, as well as continue with provider training to better educate our providers.</p> <p>The costs questioned were reported on the December 31, 2024 CMS 64.9C1, Line 5.</p>	4/30/2025	Kristine West, Senior Director of Program Integrity and Accountability
2023-008	93.778 Medicaid Cluster	The Schedule of Expenditures of Federal Awards (SEFA) errors were corrected on October 16, 2024. To ensure the support for the Schedule of Expenditures of Federal Awards is transferred accurately from the calculation worksheets and the other GAAP packages, we will implement a GAAP Package Z – SEFA Reviewer Checklist that will be included with the backup data of the GAAP Z. This will ensure the sources of data for the Schedule of Expenditures of Federal Awards are transferred correctly and tied back to their original source.	10/31/2024	Calvin Cole, Financial Manager III



2023-009	93.767 Children's Health Insurance Program	The Schedule of Expenditures of Federal Awards (SEFA) errors were corrected on October 16, 2024. To ensure the support for the Schedule of Expenditures of Federal Awards is transferred accurately from the calculation worksheets and the other GAAP packages, we will implement a GAAP Package Z – SEFA Reviewer Checklist that will be included with the backup data of the GAAP Z. This will ensure the sources of data for the Schedule of Expenditures of Federal Awards are transferred correctly and tie back to their original source.	10/31/2024	Calvin Cole, Financial Manager III
2023-016	93.778 Medicaid Cluster	<p>Program Integrity was actively implementing corrective action to ensure that all overpayments were reported within 12 months from identification when these cases were closed. The errors associated with this finding were first reported on January 21, 2023 (Finding 2022-039) which resulted in OHCA developing corrective action to evaluate past cases and ensure all cases were reviewed and all overpayments were reported during the initial corrective action cycle. In all three instances related to late reporting of overpayments, all cases were reported on CMS-64.9c1 during implementation of corrective action plan as a result of the previous audit finding. One case was erroneously excluded during the corrective action plan. This finalized case was reported and refunded on the CMS-64.9OFWA, Line 1B for the quarter ending September 30, 2024 utilizing an average FMAP for all impacted programs.</p> <p>Internal procedures have been evaluated to ensure Service Quality Review overpayments are timely reported and refunded to the Center for Medicare and Medicaid Services (CMS). The cost of \$4,007 questioned were reported on the CMS 64.9P line 10A on Cost of Service (COS) line 5 for the quarter ending March 31, 2025.</p>	3/31/2025	Kristine West, Senior Director of Program Integrity and Accountability
2023-020	93.778 Medicaid Cluster	<p>To improve accuracy and timeliness of expenditure reporting, OHCA plans to schedule internal meetings between Long Term Services and Supports (LTSS) staff, financial management team, and federal reporting team, at a minimum, quarterly. The team will discuss project progress and review budget to actual expenditures to be reported in the quarterly spending plan. As needed, OHCA will request the Center for Medicare and Medicaid (CMS) Technical Assistance (TA) to ensure OHCA is reporting in the manner CMS requires. Prior to submitting an American Rescue Plan Act of 2021 (ARPA) spending plan, the completed document will be circulated to the internal team for review and approved by the LTSS Senior Director.</p> <p>Because the amount reported is cumulative, the error self-corrects in future spending plans; therefore, OHCA does not plan to re-submit previously reported spending plans.</p>	10/31/2024	David Ward, Senior Director of Sooner Care Operations
2023-024	93.778 Medicaid Cluster	OKDHS Response: OKDHS experienced technical issues at OMES and certificate issues with the IRS. OKDHS upgraded our machine portal for IRS Axway to Windows 10, and corrected the certificate issues preventing the job moving to the mainframe.	5/31/2025	<p>Jeff Rosenberry, OKDHS Programs Administrator</p> <p>April Anonsen, Deputy State Medicaid Director</p>

		<p>OHCA Member Audit Response: Member Audit began receiving files monthly in September of 2023. Job lists are reviewed and compared against schedules and any discrepancies are discussed with OKDHS to determine the cause and remedy put in place to ensure any failed jobs were resolved. This review will continue indefinitely.</p>		Ginger Clayton, OHCA Director of Member Audits
2023-030	93.778 Medicaid Cluster	Internal control processes and procedures to ensure MFCU overpayments are timely reported and refunded to the Center for Medicare and Medicaid Services (CMS) were implemented beginning September 2024. These processes include collaborations with the Medicaid Fraud Control Unit at the Oklahoma Attorney General's office quarterly to track the status of closed cases, obtain sufficient supporting documentation, and timely report and refund identified overpayments on the CMS- 64.	1/31/2025	Kristine West, Senior Director of Program Integrity and Accountability
2023-037	<p>93.778 Medicaid Cluster</p> <p>93.767 Children's Health Insurance Program</p>	<p>OHCA MAGI Response: OHCA implemented system changes to begin income verification requests for all self-attested income from sources unable to be verified through existing data exchange. The system changes went to production on January 13, 2022 but were impacted by Public Health Emergency (PHE) requirements prohibiting termination of eligibility. The system changes became effective at the end of the PHE and have resulted in appropriate verification of income that was previously unverified. Guidance from Centers for Medicare and Medicaid Services (CMS) during the PHE prohibited the agency from requiring verification, renewals, or termination of Medicaid during the PHE. The agency followed the requirements and guidance of CMS throughout the PHE to ensure maintenance of coverage.</p> <p>OHCA is in the process of implementing system changes to ensure only previously verified income is removed and to ensure that applications in a pending status due to incomplete information from the Federal Marketplace continue to receive new data exchange information.</p> <p>OHCA continues to improve zero income self-attestation procedures as the value of the attestations in ensuring accurate eligibility decisions is recognized, and upgrades went to Production on April 17, 2025. Guidance from Centers for Medicare and Medicaid Services (CMS) during the PHE prohibited the agency from requiring verification, renewals, or termination of Medicaid during the PHE. The agency followed the requirements and guidance of CMS throughout the PHE to ensure maintenance of coverage.</p> <p>OHCA concurs with the Soon-to-be-Sooners (STBS) exception. The questioned costs will be reported on the CMS 64.9P line 10A on Cost of Service (COS) line 5 for the quarter ending June 30, 2025.</p> <p>OHCA Member Audit MAGI Response: Member Audit will complete three months of post-corrective action audits to ensure completion. If corrective action results are not sufficient, additional corrective action will be requested, and post- corrective action audit will be repeated.</p>	8/31/2025	<p>Chris Dees, Eligibility and Coverage Services Technical Director</p> <p>April Anonsen, Deputy State Medicaid Director</p> <p>Ginger Clayton, OHCA Director of Member Audits</p>

		<p>OKDHS Non-MAGI Response: For the non-MAGI deficiencies, OKDHS has addressed case issues through the establishment of a committee responsible for monitoring corrective actions and provided training to all appropriate employees. Additional informational webpages utilized by eligibility staff have been updated.</p> <p>OHCA Member Audit Non-MAGI Response: OHCA Member Audit has been monitoring these issues through monthly case reviews and provides feedback to OKDHS leadership. This process will continue until the issues have been corrected. Additional steps to correct issues are requested as deemed necessary by Member Audit.</p>		<p>Aubrey McDonald, OKDHS Medicaid Program Administrator</p> <p>Ginger Clayton, OHCA Director of Member Audits</p>
2023-071	93.778 Medicaid Cluster	<p>OKDHS Response: The agency will manually load the workflow queues using the monitoring transactions for the G1dx discrepancies, and we will continuously work to improve the system failures preventing automatic workload management. This includes bi-weekly updates to ensure all items are properly queued for resolution until the system can fully resume this functionality.</p> <p>OHCA Member Audit Response: Member Audit began receiving Medicaid G1DX files monthly in September of 2023. Files are continuing to be received from DHS each month. Audits are completed monthly and will continue indefinitely. Any discrepancies are discussed with OKDHS to determine the cause and remedy put in place to ensure any failed jobs were resolved.</p>	9/30/2025	<p>Jennifer McSparrin, OKDHS Programs Administrator of Business Intelligence</p> <p>April Anonsen, Deputy State Medicaid Director</p> <p>Ginger Clayton, Director of Member Audits</p>



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

**CORRECTIVE ACTION PLAN
45 CFR § 75.511(c)
SFY 2023**

Finding Number	Subject Heading (Financial) or AL no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-006	93.658 – Foster Care	<p>The risk assessment cannot be completed until we have actual data and performance needed to make that assessment. Subrecipient risk assessments are completed at the beginning of the fiscal year based on prior year data and performance.</p> <p>The changes to all of the subrecipient agreements identified have been in process and were completed during State fiscal years 2024 and 2025. Additional findings are expected for the 2024 audit since the audit timing is currently almost two years in arrears.</p>	February 2025	Kevin Haddock
2023-007	10.542 – Pandemic EBT – Food Benefits	<p>In February 2025, the Oklahoma SNAP unit transitioned to new leadership with the appointment of a new Program Administrator (PA). During the transition, previous issues related to the FNS 292B report were identified and addressed.</p> <p>New procedures have been implemented to ensure future reports are accurate and properly reviewed. Moving forward:</p> <ul style="list-style-type: none"> • The SNAP Program Field Representative will enter the data for the FNS 292B report and notify the Program Administrator once the report is completed. • The Program Administrator will then review the data and information entered for accuracy. • After confirming the information is correct, the Program Administrator will certify the report in FPRs as appropriate. <p>The new Program Administrator has access to FPRs and is authorized to certify the data.</p> <p>These steps have been put in place to ensure the integrity and timeliness of the FNS 292B report moving forward.</p>	Already completed	Amy Roberts
2023-023	10.551 and 10.561 – SNAP Cluster	<p>The Oklahoma Department of Human Services (OKDHS) does not concur that an unauthorized person printed an EBT card. The employee in question did transfer to another position but was purposely left with that access to assist as needed during the transition period.</p>	4/18/2025	Amy Roberts, Deputy Director of AFS

		During the audited timeframe, many locations had only one staff member onsite due to COVID, a division-wide restructuring in AFS, and the removal of administrative staff from field offices. Recognizing this limitation, the State restructured the EBT card inventory process in its entirety. All reconciliation duties including tracking and resolving discrepancies are now handled exclusively by designated off-site administrative staff using a new dynamic Microsoft solution. This eliminates the issue of misplaced paper based records and improves oversight and accountability in the process. The function of deactivating EBT cards was moved to offsite staff allowing the County staff to better focus on serving the needs of the citizens seeking assistance.		
2023-029	93.558 – TANF	During the period covered by this audit, we experienced significant delays in certifications due to the statewide TANF restructuring and the lingering impact of COVID. To address this, we implemented a process of sending an ADM-92 form to clients every two weeks. We also request timesheets or any good cause documentation the individual may have for the time period. The supporting documents are uploaded to OnBase as received.	On Going	Rhonda Archer
2023-032	93.568 - LIHEAP	The Oklahoma Department of Human Services will ensure data used to calculate LIHEAP Quarterly Performance Data and Management report is clearly documented regarding the data is being used, how it was calculated for this report, and ensure this documentation saved at the time the report is created.	4/30/2025	Matthew Conley
2023-054	93.558 – TANF	With the addition of Current, everything uploaded into OnBase triggers a task. Program staff approve or deny extension requests and upload the documents to OnBase which generates a task for the field staff. The field staff processes the extension request by adding the ET&E line and documenting it to the case notes.	04/04/2025	Rhonda Archer
2023-055	93.558 -TANF	It was determined that the incorrect number was entered into the report due to a typographical error. The correct value should have been 12, but 23 was mistakenly recorded. Additional second party review procedures will be implemented to ensure accuracy prior to submission.	03/28/2025	Rhonda Archer
2023-060	93.558 – TANF	Additional preparation and review procedures will be put in place to ensure only TANF eligible clients are included in the population for the MOE calculations.	June, 2025	Ronda Archer
2023-068	93.558 – TANF	Oklahoma Human Services recognizes the ongoing challenges and is committed to addressing them through both manual interventions and systematic improvements. We are actively working with our IT department to resolve system issues that prevent automatic loading of workflows and anticipate these corrections will greatly reduce the manual workload and potential for errors. The agency will manually load the workflow queues using the monitoring transactions for the G1DX discrepancies, and we will continuously work to improve the system failures preventing automatic workload management. This includes bi-weekly updates to ensure all items are properly queued for resolution until the system can fully resume this functionality.	The backlog will be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.	Jennifer McSparrin, Programs Administrator of Business Intelligence

2023-069	10.551 – SNAP Cluster	The agency will manually load the workflow queues using the monitoring transactions for the G1DX discrepancies, and we will continuously work to improve the system failures preventing automatic workload management. This includes bi-weekly updates to ensure all items are properly queued for resolution until the system can fully resume this functionality.	The backlog will be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.	Jennifer McSparrin, Programs Administrator of Business Intelligence
2023-070	93.575, 93.596 – CCDF Cluster	The agency will manually load the workflow queues using the monitoring transactions for the G1dx discrepancies, and we will continuously work to improve the system failures preventing automatic workload management. This includes bi-weekly updates to ensure all items are properly queued for resolution until the system can fully resume this functionality.	The backlog will be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.	Jennifer McSparrin, Programs Administrator of Business Intelligence
2023-071	93.778 – Medicaid	The agency will manually load the workflow queues using the monitoring transactions for the G1dx discrepancies, and we will continuously work to improve the system failures preventing automatic workload management. This includes bi-weekly updates to ensure all items are properly queued for resolution until the system can fully resume this functionality.	The backlog will be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.	Jennifer McSparrin, Programs Administrator of Business Intelligence
2023-072	93.558 - TANF	The Oklahoma Department of Human Services uses a Vendor to perform these tasks. The vendor is the actual recipient of the data transmissions from the SSA, and is contracted with the SSA to monitor. The vendor maintains an audit log of these transactions as well as any discrepancies. Unfortunately, the developer who normally does these for us retired. OKDHS will request a log and history of all jobs to ensure compliance. Going forward we will require the vendor to supply OKDHS with a monthly report. OKDHS has not had any discrepancies reported to us that weren't explained and remediated.	4/30/2025	Jeff Rosebeary
2023-073	93.558 – TANF	The OKDHS concurs that an error was made on the MOE calculation. We will add review procedures to ensure this complex calculation is correct prior to submission of the report going forward. The error noted by the auditor will be corrected in the March 2025 TANF reconciliation process.	May, 2025	Kevin Haddock
2023-074	93.575 – CCDF Cluster	Child Care Services has continually inspected child care programs for compliance with health and safety requirements according to the Oklahoma Child Care Facilities Licensing Act and Oklahoma Administrative Code. Our inspection monitoring checklist that was used for a significant part of the time this was audited contained health inspection as a work step, but the checklist did not require the worker to specifically mark it as performed. The checklist did specifically state that the worker performed all steps and only exceptions would be further documented. The Oklahoma State Auditor and Inspectors took the position that our process did not provide enough assurance for them to validate that health inspections were performed, and they wanted a specific tick mark on the inspection. We do not agree on this point as one additional tick mark on a form does not provide any more assurance than the employee's signature stating that all of the steps	January 30, 2023	Dione Smith

		<p>were performed. We did however agree to change the form to resolve this issue with the auditors.</p> <p>As previously stated in our 2022 audit findings, Child Care Services is aware this would be a repeat due to the audit timeframe including monitoring inspections that were prior to our form update. On January 30th, 2023; Child Care Services implemented the “Go-Live” phase of updating the monitoring checklists and summaries to include visual verification that all health and safety requirements are observed during inspections. Licensing specialists indicate on each health and safety item; compliance, non-compliance, or not reviewed while completing inspections. Quality review audits are also being conducted annually with each supervisory group in Child Care Services to address errors or inconsistencies when monitoring child care programs. Child Care Services professional development unit has included a new training module regarding documentation requirements.</p>		
2023-075	93.558 – TANF	<p>We have a comprehensive series of SharePoint pages dedicated to the preparation and documentation of this report. It is likely that the request was not directed to the appropriate person or group, as this information has been and remains readily available.</p> <p>Additionally, case data is compared to IMS through automated processes, including various data scrapes and queries in Access that analyze file data against AllData. While cases are not manually reviewed in IMS, the data comparison in Access allows for a thorough analysis of all cases, rather than a limited manual review. Furthermore, the data in AllData originates from the same source as IMS (DB2), ensuring consistency and accuracy. Additional documents are attached to this email further documenting the process.</p>	N/A	Rhonda Archer
2023-077	93.558 – TANF	<p>The person that was contacted didn’t respond as she was no longer with the agency. Jeff Rosebeary or Jennifer McSparrin research incidents and verify the validity of the information with OMES and the IRS data. Our data and technology are handled by a separate agency that manages the majority of all the information technology for all state agencies. Exchange Data feeds from Federal Partners are digested into the system and access is limited by specific user profiles, based upon role, and controlled by username and password. Password is changed per Federal requirements, meeting the strictest criteria of the various agencies. I have supplied the supporting documentation that I think meets the request, but if this does not satisfy the finding, please contact us and we will try to clarify further so that we understand what is needed.</p>	N/A	Jeff Rosebeary and Jennifer McSparrin
2023-078	93.558 – TANF	<p>As of 9/30/2023, changes were made to the CST750 Cost Allocation Report to capture the 34X expenditures that are the source of the data noted in the finding. This automated report allows both the report preparer and reviewer to validate that the information on the lines in question is complete and accurate going forward. A revision was made to the ACF 196R report on 3/31/25 to correct the errors noted above.</p>	9/30/2023	Kevin Haddock

2023-079	93.558 – TANF	The new Current system used by AFS automatically sends TANF cases to staff to ensure reviews are completed timely. Current also sends reporting to Supervisors including cases that are not completed timely so appropriate action can be taken.	11/06/2024	Rhonda Archer
2023-080	93.558 – TANF	Steps were added to OnBase that require the worker to pull up ACES and click to add to the document to the OnBase file. Supervisors are now performing spot checks and case reviews to ensure documentation is properly performed and included in the case files.	03/29/2025	Rhonda Archer
2023-081	93.558 – TANF	Current cases were being sent directly to the coaches during this time period and workers did not receive them in a timely manner. TANF workday is now held every two weeks to ensure all employees stay current on TANF work lines and case management. Workers must complete a log and submit it to their supervisor for review.	03/25/2025	Rhonda Archer
2023-082	93.558 – TANF	<p>The worksheet for Cost Pool 612 was supplied to SAI which has child level eligibility on each invoice to determine the allocation basis of the OCS contracts. The eligibility is done in accordance with the Oklahoma TANF plan which states:</p> <p>Services that are designed to promote and allow children to be cared for in their own home or the homes of relatives; as well as provide emergency assistance. Children receiving TANF, SNAP, Childcare or Sooner Care benefits at the time-of service enrollment are automatically deemed eligible for this category. Services provided include but are not limited to in-home parenting, household management, budgeting.</p> <p>The worksheet clearly shows the children that are eligible for the other services which makes the children eligible for TANF.</p>	N/A	Kevin Haddock
2023-083	93.778 – Medicaid	An adjustment will be made in the QE March 2025 cost allocation system. System changes have been made to prevent this going forward.	4/30/2025	Kevin Haddock
2023-084	93.568 - LIHEAP	<p>DHS agrees that improvements are needed in documentation and coordination to support the accurate identification and tracking of ARPA payments. While all recipients of the supplemental ARPA payments had documented arrearages and met general LIHEAP eligibility at the time of payment, we recognize the need for improved system documentation and reporting processes to support eligibility determinations and data integrity. It is also important to note that the ARPA funding was a one-time, temporary supplement to LIHEAP and is no longer active in the current program year.</p> <p>OKDHS is taking the following steps to strengthen system documentation, reporting accuracy, and cross-divisional reconciliation:</p> <ul style="list-style-type: none"> • System and Reporting Enhancements: The Data Transformation Office (DTO) and Finance Division are collaborating to develop system functionality and reporting tools that clearly identify funding sources and improve the readability and completeness of payment data used for audit and program oversight. • Cross-Divisional Reconciliation Effort: AFS, Finance, and DTO are jointly working to 	Ongoing	Kayla Urtz

		<p>establish a coordinated reconciliation process that ensures eligibility data aligns with payment records and federal reporting, including future SEFA submissions.</p> <ul style="list-style-type: none"> • Process Documentation: OKDHS is documenting the updated processes and reporting requirements to ensure consistency in implementation and to support audit readiness going forward. • Internal Audit Oversight and Support: OKDHS has recently reorganized its Internal Audit division to enhance independence, improve reporting structure, and expand its capacity to support internal control consultation and program integrity reviews. Internal Audit will assist in evaluating reconciliation efforts, documentation standards, and data reporting controls as they are implemented. 		
2023-085	93.568 - LIHEAP	<p>The OKDHS used the existing program infrastructure for the Low Income Home Energy Assistance Program (LIHEAP) to issue LIHWAP benefits. Before the coronavirus pandemic, The OKDHS had a system edit that flagged any energy crisis payment that would exceed \$750 in a federal fiscal year. To accommodate LIHWAP processing, OKDHS modified this edit to permit LIHEAP energy crisis and LIHWAP payments. The \$750 amount was the maximum a household could receive as an energy crisis benefit, and a household could potentially receive this benefit and LIHWAP payments. The OKDHS staff adjusted the allowed payment amount to reflect this reality resulting in these overpayments.</p> <p>The LIHWAP ended on September 30, 2023. Before receiving this finding, the OKDHS restored this edit to its pre-pandemic status. The current system prevents eligibility staff from paying more than \$750 in a federal fiscal year.</p>	N/A	Caleb Turner
2023-099	93.575 – CCDF Cluster	<p>The Oklahoma Department of Human Services (DHS) respectfully disagrees with several assertions made in this finding and believes the State Auditor has misapplied certain federal guidance, including Section 2202(e)(1) of the ARP Act, and incorrectly characterized the Department’s internal controls and program intent.</p> <p>Specifically:</p> <ol style="list-style-type: none"> 1. Allowability of Costs: The activities cited as “unallowable” by the auditor do not appear to violate Section 2202(e)(1) of the ARP Act. That provision explicitly allows for a broad set of uses including “goods and services necessary to maintain or resume child care services.” DHS maintains that the expenditures made by the providers fall within the permissible categories outlined in the statute and that the 	N/A	Kayla Urtz

		<p>audit applies a narrower interpretation than what federal guidance supports.</p> <p>2. Documentation and Internal Controls: DHS issued grant funding as stabilization support to preserve child care operations during a critical period of recovery and transition, as encouraged by the federal guidance. In accordance with ARP Act expectations around expediting support, DHS designed a simplified reapplication process focused on accessibility and participation, especially for providers historically underrepresented in the quality rating system.</p> <p>While DHS did not require pre-spending documentation from providers—consistent with the stabilization nature of the funding—it did provide clear guidance on allowable uses and will further strengthen post-award monitoring protocols going forward. DHS acknowledges that improvements could be made in documentation expectations and will take steps to implement a structured sampling and review process for provider expenditures to enhance accountability without deterring participation.</p> <p>3. Stars System Reapplication and Ratings: The temporary policy to waive certain visits and allow self-nominated Stars levels was a deliberate effort to incentivize participation and improve provider engagement with the new QRIS. The assertion that increased Star ratings led to unjustified funding increases does not consider the system’s transitional design nor the planned monitoring that follows implementation. DHS was transparent in its guidance to providers and structured the increases to align with system reforms in development since before the ARP funding was issued.</p> <p>4. Commingling of Funds: DHS did not require separate accounts for stabilization grants, consistent with federal practice and provider burden considerations. We do, however, acknowledge that clearer expectations and technical assistance on fund tracking would be beneficial. DHS will issue revised guidance encouraging, but not mandating, the separation of grant-related expenditures and will explore cost-effective technical supports for provider-level financial documentation.</p>		
2023-100	93.568 - LIHEAP	Detail eligibility data is not used to complete the Household Report. OKDHS uses system-generated summary reports and eligibility data to complete the Household Report. The	N/A	Caleb Turner

		reports are EN600R02, EN600R03, EN600R04, and EN601R. OKDHS provided SAI copies of these reports for both FFY 2022 and 2023 on January 15, 2025. An image of the email is attached below:		
2023-103	93.575 – CCDF Cluster	<p>The QRIS incentive payments were designed as a strategic investment to increase participation in Oklahoma’s redesigned Stars Quality Rating and Improvement System (QRIS), which aligns directly with the statutory purposes outlined in 42 USC 9858c(c)(3)(B) — specifically, improving the quality and availability of child care services. The incentive structure was intentionally crafted to encourage engagement among providers who had not previously participated in quality rating efforts. Encouraging this engagement is a nationally recognized strategy to improve the quality of care across the system.</p> <p>42 USC § 9858c(c)(3)(B)</p> <p>The incentive payments were issued for the express purpose of engaging providers in a new QRIS system designed to improve child care quality, directly aligned with this statute. The law permits “activities that improve the quality or availability of such services” and “any other activity that the State determines to be appropriate.” DHS determined the incentive model was an appropriate and effective method to encourage participation in quality rating, a commonly accepted CCDF quality activity.</p> <p>45 CFR § 98.67(a)</p> <p>DHS did follow its internal policies and procedures in disbursing incentive payments. Providers submitted applications, were vetted through an internal process, and received payments based on eligibility criteria and Stars level requests. This structure complied with DHS’s established process and satisfied the requirements of §98.67(a). The regulation does not impose a requirement for retrospective receipts or cost documentation for incentive payments.</p> <p>45 CFR § 98.67(c)(2)</p> <p>QRIS incentive payments were disbursed through traceable, documented transactions—each tied to a provider’s application, Stars level requested, and approved amount. These records are maintained in DHS’s internal systems. There was no requirement in the federal Notice of Award (NOA) to trace QRIS incentive funds to the recipient expenditure level</p> <p>2 CFR § 200.303(a)</p> <p>DHS established pre-award internal controls, including a structured QRIS application process, eligibility screening, and fixed incentive tiers linked to Stars level requests. The Department maintained auditable records of participation</p>	N/A	Kayla Urtz

		and payment amounts. There was no requirement in the federal Notice of Award to trace these funds to the recipient expenditure level, as the child care providers were not subrecipients under 2 CFR § 200.1. Instead, they received non-reimbursement incentive payments tied to participation in a state-defined quality improvement activity. The internal control standard calls for “reasonable assurance,” which DHS satisfied through documented eligibility reviews, centralized approvals, and audit-ready payment tracking.		
2023-104	93.575 – CCDF Cluster	<p>The Oklahoma Department of Human Services (OKDHS) respectfully does not concur with the finding as written. We believe the State Auditor and Inspector (SAI) has not fully considered the federal flexibility afforded under the American Rescue Plan (ARP) Act, and that some conclusions were drawn from incomplete documentation. The Child Care Desert Grant program was thoughtfully developed in response to urgent needs during the COVID-19 recovery, with the goal of expanding access to child care in underserved communities using the discretion and authority granted to states under federal guidance.</p> <p>While OKDHS acknowledges that improvements could have been made to certain aspects of the program’s implementation—particularly regarding documentation clarity, post-award monitoring, and technical assistance—the SAI findings do not reflect the intent, structure, or compliance framework outlined in federal guidance.</p> <p>2 CFR § 200.303(a) – Internal Controls DHS has strengthened internal controls consistent with federal expectations. For example, in the instance involving a grantee related to a DHS official, the potential conflict was identified and escalated by OKDHS to SAI as well as the Ethics Commission, and the individual was not directly involved in the reviewing and approving award process. In addition, the employee’s spouse was not included on any documentation included in the facilities application. This demonstrates that internal controls operated effectively.</p> <p>2 CFR § 200.403 – Allowability of Costs This regulation applies to allowability under the Uniform Guidance, but per 45 CFR § 75.101(d), Subpart E (which includes § 200.403) does not apply to CCDF ARP discretionary funds unless explicitly stated. Federal guidance, including ACF-IM-2021-03, affirms that states were given broad flexibility in the design and implementation of such programs. Accordingly, DHS used its discretion to structure payments and allowable uses consistent with that guidance. Many costs questioned by SAI—such as business technology, minor remodeling, and</p>	N/A	Kayla Urtz

		<p>start-up costs—were clearly allowable per the Desert Grant Guidance.</p> <p>42 U.S. Code § 9858c(c)(2)(I) DHS did not fund sectarian instruction or activities. Expenditures were related to facility compliance and licensing, which is expressly permitted under this section when needed to meet health and safety standards. Providers affirmed compliance in their applications.</p> <p>42 U.S. Code § 9858k(a) No funding was used for sectarian worship or instruction. All grantees signed affirmations that they would comply with all federal requirements, including those related to religious neutrality. Where expenditures were found that may raise concerns, they are being reviewed for compliance with these requirements.</p> <p>42 U.S. Code § 9858k(b) DHS did not provide funding for services rendered during the regular school day or for academic credit. In the referenced after-school program, funds were used to expand access to licensed child care outside of regular instructional hours. Documentation of use is being reviewed, and additional guidance will be provided to ensure clarity in future programs.</p> <p>42 U.S. Code § 9858d(b) and 45 CFR § 98.2 – Construction and Renovation DHS recognizes that one provider exceeded the \$350,000 minor remodeling limit. This was an isolated case. At the time, DHS did not interpret the project scope as meeting the federal definition of "major renovation." DHS is enhancing its oversight process and guidance to providers to ensure full alignment with federal cost limits moving forward.</p> <p>Additional Clarifications</p> <ul style="list-style-type: none"> Expenditures cited as unallowable often fall within the scope of minor remodeling, technology, or business development explicitly allowed in Desert Grant FAQs and ACF guidance. SAI's estimate of questioned costs includes speculative assumptions based on documentation gaps—not confirmed misuse. Many of the questioned costs SAI appears to be extrapolating were supplied directly from OKDHS' own internal audit team and have either been addressed or are under investigation and should 		
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		<p>not be included in any additional questioned cost extrapolation.</p> <ul style="list-style-type: none"> The program was developed under severe federal timelines (obligation by 9/30/23), and ACF's memoranda explicitly encouraged innovative approaches, including expansion grants to new and small providers. <p>Corrective Actions (Planned or Completed) to be implemented on future emergency awards</p> <ol style="list-style-type: none"> Policy & Procedure Enhancements – Revised award language, documentation standards, and milestone disbursement options are being implemented. Conflict of Interest Controls – OKDHS had a conflict of interest control in place to try and capture all potential conflicts based on the structure of the agency. OKDHS is expanding the process to extend to any staff members that have decision making approval. Improved Monitoring – Targeted post-award reviews, site checks, and spending verification measures are being conducted. Provider Training & Technical Assistance – Providers are receiving additional education on fiscal documentation, grant compliance, and reporting expectations. 		
2023-105	10.542 - Pandemic EBT – Food Benefits	The P-EBT program is no longer issuing benefits. Should a similar program be required in the future, the DHS will ensure internal controls are in place to avoid duplicate or erroneous payments.	N/A	Sondra Shelby
2023-106	93.575 – CCDF	<p>The Oklahoma Department of Human Services (DHS) does not concur with the implication that all \$12,396,987 in payments under the Kith Care program were unallowable. DHS acknowledges that improvements could have been made to documentation protocols and long-term record retention when working with a third-party platform; however, DHS does not agree with the assertion that the program was administered in violation of federal requirements.</p> <p>The Kith Care initiative was developed in response to a national crisis—the COVID-19 pandemic—during which ensuring continuity of child care for essential workers became a top priority. The program's design followed the flexibility allowed under 42 USC § 601(a)(1) and 45 CFR § 98.67, with the aim of supporting low-income working</p>	This award is now closed.	Trevor Shelby, Deputy Director

		<p>families, including foster and adoptive parents, through innovative but time-limited means. The use of relative caregivers met the federal allowance for informal, license-exempt care and was consistent with CCDF guidance.</p> <p>Eligibility determinations were made by designated administrators in partnering agencies or by DHS staff in the child care subsidy and child welfare program areas. Weekly timesheets were submitted by caregivers and certified by parents through the application before payment was processed. Invoices submitted to DHS contained individual-level details on each child and caregiver, the dates of service, and the requested payment amounts.</p> <p>DHS further notes that delays in retrieving requested records were due in part to the age of the program, the sunset of the platform, and staff attrition. These limitations should not be construed as a lack of eligibility verification or failure of internal control at the time of program execution.</p>		
2023-107	93.558 - TANF	The new Current system used by AFS automatically sends TANF cases to staff to ensure reviews are completed timely. Current also sends reporting to Supervisors including cases that are not completed timely so appropriate action can be taken.	11/06/2024	Rhonda Archer



Financial Services

**STATE OF OKLAHOMA – SINGLE AUDIT
CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2023**

Finding Number	Subject Heading (Financial) or AL no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-200	96.001: Social Security - Disability Insurance Program	The OkDRS's Disability Determination Services (DDS) recognizes that some documentation of licensure verification was not completed. While the actual verification was completed, completing a document that verifies this was not. This was an oversight and is being corrected. There are two areas that are affected, the first being the Professional Relations Office (PRO) who works with outside vendors who complete exams for OkDRS' s claimants, and the internal Medical Consultants who are directly employed with OkDRS to do internal consulting while the staff makes medical decisions for the claimants. The PRO's are working to fill in the gaps of the spreadsheet to ensure that the master listing has notations that are missing. The internal reviews were completed and documented in an SSA SharePoint site; however, OkDRS had no required internal process or procedure to notate these verifications. An official process and procedure is being developed and implemented. Please note, in the upcoming year, the DDS case processing system will be implementing required inputs regarding medical consultant licensing. This will provide an additional check point for OkDRS's documentation and review of medical consultant licenses.	6/6/2025	Jennifer L. Thornton

3535 N.W. 58th Street, Suite 500, Oklahoma City, OK 73112
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Executive Director Melinda Fruendt
Commissioners Janet C. Barresi, DDS, Theresa Flannery and Kelsey Lee

OKLAHOMA DEPARTMENT OF TRANSPORTATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2023

Finding Number	Subject Heading (Financial) or Assistance Listing no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-011	20.509 - Formula Grants for Rural Areas	We concur with the auditor's recommendation. Staff will be trained on how to reconcile & identify discrepancies.	September 2025	Sam Ddamba
2023-013	20.509 - Formula Grants for Rural Areas	<p>We concur with the auditor's recommendation. OMPT—We will develop and implement risk assessments as part of our sub-recipient monitoring process and revise existing procedures related to single audits. Lastly, we will meet with Internal Audit, formerly CWO, to establish a process to ensure audit reviews are documented and received.</p> <p>Internal Audit - Unfortunately the issues that occurred in last year's audit, also effected the transactions selected in this year's audit. It should be noted that 6 of the 11 missing files were provided to SA&I, however most of those audits were not performed in a timely manner. After the finding last year many changes were implemented in the Audit Office, including a change in management of the Grants and Contract Auditing area. A Smartsheet application is in now in use that allows OMPT to check on the status of audits at any time. We also have done extensive cross training on these single audit reviews and we are currently performing these audits in a timely manner as they come in.</p>	7/1/2025	<p>OMPT - Eric Rose/Bobby Parkinson</p> <p>Anne Antonelli, Internal Audit – Holly Lowe</p>
2023-018	20.509 - Formula Grants for Rural Areas	We concur with the auditor's recommendations. As of SFY 2025, OMPT has revised its procedures to strengthen internal controls and ensure payroll expenditures are charged to the appropriate grant. A project was established for each FTA grant program to receive payroll charges based	7/1/2025	Eric Rose/Bobby Parkinson

		on actual charges. Training was provided to OMPT staff on June 28, 2024.		
2023-025	20.509 - Formula Grants for Rural Areas	We concur with the auditor's recommendations. On 06/17/2024, FSO and OMPT met to review established procedures. As of that date, the procedures are being properly followed.	7/1/2025	Sam Ddamba/Eric Rose

Chelley Hilmes

Chelley Hilmes, CPA CGFM
Chief Financial Officer

CH/cg

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**OKLAHOMA MILITARY DEPARTMENT
JOINT FORCE HEADQUARTERS
3501 MILITARY CIRCLE
OKLAHOMA CITY OK 73111-4305**

**STATE OF OKLAHOMA – SINGLE AUDIT
CORRECTIVE ACTION PLAN
2 CFR § 200.511c
SFY 2023**

Finding Number	Subject Heading (Financial) or AL no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-201	12.401: National Guard Military Operations and Maintenance Projects Program	OMD agrees with the auditors' finding that OMD could not locate or provide the proper documentation to verify the federal cost share for maintenance personnel assigned to Appendix 1. The CFO will request an updated personnel listing from the federal Director of Engineering for state employees authorized federal reimbursement through Appendix 1 as well as the supporting documentation to validate the allowable costs for reimbursement. These source documents will be maintained in the Appendix 1 files on the Oklahoma National Guard shared portal for the required records retention period with training provided to OMD staff on where to locate the documents.	Beginning of new fiscal year—July 1, 2025	Angela Tackett, CFO
2023-210	12.401: National Guard Military Operations and Maintenance Projects Program	OMD agrees with the auditors' finding that OMD did not always use the proper state expenditure codes on construction purchase orders (PO); however, the total PO amounts were correct. Since being made aware of this issue, the CFO has taken action to update the Certified Procurement Officers' procedures when processing Construction Management or Design Build Purchase Orders. Rather than increasing the distribution line for architectural and engineering (A&E) costs, the Certified Procurement Officer will add a new distribution line to the PO to identify the construction or renovation costs separately from A&E costs. The CFO will periodically review these construction POs to confirm the proper use of expenditure codes as well as improve the accuracy of the OMD's financial reporting.	Immediately	Angela Tackett, CFO

Summary Schedule of Prior Audit Findings



STATE OF OKLAHOMA/OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES
STATE OF OKLAHOMA – SINGLE AUDIT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(B)
SFY 2023

ALN: 21.023

FINDING NO: 2022-028

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA)

STATUS: Partially Corrected

Reason for recurrence: In 2022 the State disagreed with the finding. For FY2023 OMES-GMO disagreed with the finding. OMES-GMO provided the Oklahoma State Auditor and Inspector (SAI) with ample documentation to show that demographic and that verification that Q1, Q2, and Q3 of 2023 of the required reporting was received.

Actions taken: No actions taken in FY2022. OMES received the FY2022 finding for this program after FY2023 ended. OMES received the FY2023 finding for this program in FY2025. However, OMES-GMO has taken the below listed action.

Oklahoma Office of Management and Enterprise Services (OMES) acknowledges SAI's findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:

- Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.
- To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies.
- OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.
- OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for **all projects and associated project/administrative expenditures** to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.
- Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the



project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.

- OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.

Actions remaining: Increased monitoring remains in place to ensure ongoing compliance and to prevent recurrence.

ALN: 21.023

FINDING NO: 2022-030

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA)

STATUS: Corrected

ALN: 21.023

FINDING NO: 2021-080, 2022-032

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA)

STATUS: Not Corrected

Reason for recurrence: The delay in audit findings resulted in a recurrence. OMES would like to note that FY 2021 were not published until June 27, 2023. OMES received the FY2022 finding for this program after FY2023 ended. OMES received the FY2023 finding for this program in FY2025.

Actions taken: No actions taken on FY22. OMES received the FY2022 finding for this program after FY2023 ended. OMES had not received the FY2023 finding for this program until FY2025. OMESGMO partially agrees with this finding. OMES-GMO agrees with the need for increased monitoring. OMES-GMO disagrees with the part of the finding related to Afghan refugees. OMES-GMO provided ample documentation to establish payments made to Afghan refugees were allowable expenditures. The finding asserts that 22 applicants were ineligible for Emergency Rental Assistance (ERA) because they were Afghan refugees and were not “renters who lived in Oklahoma at the time of applying.” This interpretation is inconsistent with U.S. Department of the Treasury guidance, which **does not require U.S. citizenship, legal residency, or prior tenancy in Oklahoma** as a condition of eligibility. **Citizenship or Legal Residency Is Not a Requirement for ERA Eligibility. It is never mentioned in the ERA statute or Treasury guidance that U.S. citizenship, lawful residency, or duration of tenancy required.**

The U.S. Treasury’s **ERA FAQ #1** explicitly outlines the four criteria for eligibility:

- The household must be obligated to pay rent on a residential dwelling;
- One or more individuals within the household must have experienced financial hardship due to the pandemic;
- The household must demonstrate a risk of homelessness or housing instability;
- Household income must be at or below 80% of area median income (AMI).

These Afghan households were invited by our government leaders to resettle in Oklahoma as part of the federal government’s Operation Allies Welcome initiative. When the Afghans arrived in Oklahoma, they immediately sought housing, being assisted by agencies such as Catholic Charities. Obviously, they were not homeowners. As tenants or households seeking to rent housing during the midst of a pandemic without any immediate means of securing employment, they were experiencing housing instability and fully met the ERA Program 1 and 2 criteria.

Upon arrival:

- They were not homeowners;
- They had no permanent housing;
- They were working with nonprofit agencies like Catholic Charities to find housing;
- Because of the pandemic, they were not able to secure work and had no or extremely low income;
- They were at imminent risk of homelessness.



Treasury has further emphasized in FAQ #1, "... these requirements provide for various means of documentation so that grantees may extend this emergency assistance to vulnerable populations without imposing undue documentation burdens..." Again, never is the word "residence or citizen" used, even in the footnotes. This language was clearly intended to include undocumented individuals, newly arrived refugees, and others in nontraditional or transitional housing situations.

Furthermore, as noted in the CFO/CCP ERA application for rental assistance previously provided to SAI, the eligibility requirements do not require residency but that only the applicant live in the State of Oklahoma.

Hotel Stays Are Allowable Options for Temporarily Displaced Households

Treasury provided a Broader Reading of "Obligated to Pay Rent on a Residential Dwelling," and determined the costs of staying in a hotel are eligible expenses, and rental assistance could be provided to temporarily displaced households living in hotels. The audit finding narrowly interprets the term "obligated to pay rent" in FAQ #1. However, multiple Treasury FAQs — including FAQ #7, #26, and #35 — demonstrate that the Department intended a **flexible, inclusive interpretation**, recognizing the emergency nature of the program and the housing challenges faced by displaced individuals and families and reinforces that the term "residential dwelling" is not limited to traditional apartments with leases but includes hotels and other temporary housing used in transition.

- **FAQ #7:** Permits hotel or motel costs to be covered using ERA funds when the household lacks alternative housing options, **even without a formal lease**.
- **FAQ #26:** States that rental assistance may be provided to households residing temporarily in hotels or motels when they are **displaced or between housing**.
- **FAQ #27:** Allows rental assistance for rent-to-own households, further demonstrating that the key is ERA CANNOT be used for homeowners (**FAQ #20**).
- **FAQ #35:** Specifically authorizes relocation assistance for households who have been evicted or **otherwise displaced** and are attempting to secure new permanent housing.

These provisions explicitly contemplate support for individuals and families—such as Afghan refugees—who were temporarily displaced and used hotels as the only available rental housing (in truth, many Oklahomans are forced to do this) until suitable housing could be secured (rendered more difficult for larger families – up to 10+ children). As allowed under Treasury ERA FAQs #7 and #26, hotel stays were covered when used as transitional housing due to lack of available rental stock—especially for large families. Afghan refugees fell squarely within this provision.

With our partial agreement, OMES-GMO has taken the below listed action.

Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:

- Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.
- To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies.
- OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.
- OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for **all projects and associated project/administrative expenditures** to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-



GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.

- Risk assessments have been obtained and were provided to SAI in the formal audit response.
- Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.
- OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.

Actions remaining: OMES-GMO is still awaiting the determination of Treasury on the nature of the relationship between the state and its partners.

ALN: 21.023

FINDING NO: 2021-081, 2022-033

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA)

STATUS: Not Corrected

Reason for recurrence: Due to confusion in the relationship between OMES and CFO the state has entered an updated subrecipient agreement. However, this was not implemented until FY25. Additionally, delay of single audit findings has caused an additional year of repeat findings. Please see the response to 2022-032 for additional information regarding the relationship between OMES and CFO. OMES would like to note that FY 2021 were not published until June 27, 2023.

Actions taken: OMES-GMO was created to monitor and provide guidance to the subrecipient receiving ERA funds. However, due to the pandemic and staff turnover this process took longer than expected.

Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:

- Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.
- To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies.
- OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.



- OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for **all projects and associated project/administrative expenditures** to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.
- Risk assessments have been obtained and were provided to SAI in the formal audit response.
- Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.
- OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.

Actions remaining: There is no additional action needed. OMES-GMO is still awaiting the determination of Treasury on the nature of the relationship between the state and its partners.

ALN: 21.023

FINDING NO: 2022-034

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA)

STATUS: Partially Corrected

Reason for recurrence: No actions taken in FY2022. OMES received the FY2022 finding for this program after FY2023 ended. OMES received the FY2023 finding for this program in FY2025

Actions taken: Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:

- Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.
- To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies.
- OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.
- OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for **all projects and associated project/administrative expenditures** to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-



GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements. Risk assessments have been obtained and were provided to SAI in the formal audit response.

- Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.
- OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.

Actions remaining: A thorough review of grant agreements will be made to ensure appropriate agreements are in place within the period of the grant.

ALN: 21.023

FINDING NO: 2022-036

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA)

STATUS: Partially Corrected

Reason for recurrence: OMES received the FY2022 finding for this program after FY2023 ended. OMES received the FY2023 finding for this program in FY2025. OMES-GMO partially agrees with this finding. OMES-GMO agrees with the need for increased monitoring. OMES-GMO disagrees with the part of the finding related to Afghan refugees. OMES-GMO provided ample documentation to establish payments made to Afghan refugees were allowable expenditures.

Actions taken: The finding asserts that 22 applicants were ineligible for Emergency Rental Assistance (ERA) because they were Afghan refugees and were not "renters who lived in Oklahoma at the time of applying." This interpretation is inconsistent with U.S. Department of the Treasury guidance, which **does not require U.S. citizenship, legal residency, or prior tenancy in Oklahoma** as a condition of eligibility.

Citizenship or Legal Residency Is Not a Requirement for ERA Eligibility. It is never mentioned in the ERA statute or Treasury guidance that U.S. citizenship, lawful residency, or duration of tenancy required.

The U.S. Treasury's **ERA FAQ #1** explicitly outlines the four criteria for eligibility:

- The household must be obligated to pay rent on a residential dwelling;
- One or more individuals within the household must have experienced financial hardship due to the pandemic;
- The household must demonstrate a risk of homelessness or housing instability;
- Household income must be at or below 80% of area median income (AMI).

These Afghan households were invited by our government leaders to resettle in Oklahoma as part of the federal government's Operation Allies Welcome initiative. When the Afghans arrived in Oklahoma, they immediately sought housing, being assisted by agencies such as Catholic Charities. Obviously, they were not homeowners. As tenants or households seeking to rent housing during the midst of a pandemic without any immediate means of securing employment, they were experiencing housing instability and fully met the ERA Program 1 and 2 criteria.

Upon arrival:

- They were not homeowners;
- They had no permanent housing;
- They were working with nonprofit agencies like Catholic Charities to find housing;
- Because of the pandemic, they were not able to secure work and had no or extremely low income;
- They were at imminent risk of homelessness.

Treasury has further emphasized in FAQ #1, “... these requirements provide for various means of documentation so that grantees may extend this emergency assistance to vulnerable populations without imposing undue documentation burdens...” Again, never is the word “residence or citizen” used, even in the footnotes. This language was clearly intended to include undocumented individuals, newly arrived refugees, and others in nontraditional or transitional housing situations.

Furthermore, as noted in the CFO/CCP ERA application for rental assistance previously provided to SAI, the eligibility requirements do not require residency but that only the applicant live in the State of Oklahoma.

- Treasury FAQ #37 – Addresses how grantees can promote access to assistance for **all eligible** households and is clear that the Guidance contemplates serving individuals from all background and nationalities, stating that grantees “should address barriers ... including by providing program documents in multiple languages.” Furthermore, the Guidance states “Grantees should also provide, whether directly **or through partner organizations, culturally and linguistically relevant outreach and housing stability services to ensure access to assistance for all eligible households.**” In accordance with Title VI of the Civil Rights Act of 1964 (Title VI) ERA grantees must ensure they provide meaningful access to their limited-English-proficiency (LEP) applicants and beneficiaries of their federally assisted programs, services, and activities. Finally, “Denial of an LEP person’s access to federally assisted programs, services, and activities **is a form of national-origin discrimination prohibited under Title VI and Treasury’s Title VI implementing regulations at 31 CFR Part 22.**”
- Treasury guidance on creating applications for the ERA program with no mention of citizenship or residency requirements.

Allow applicants to progress and self-attest if they cannot provide documentation - At the stage when applicants are asked to provide documents to establish COVID hardship, housing instability, income, or rental obligation, applicants should also be informed that they may self-attest and move forward in the application if they do not have those documents.

Hotel Stays Are Allowable Options for Temporarily Displaced Households

Treasury provided a Broader Reading of “Obligated to Pay Rent on a Residential Dwelling,” and determined the costs of staying in a hotel are eligible expenses, and rental assistance could be provided to temporarily displaced households living in hotels. The audit finding narrowly interprets the term “obligated to pay rent” in FAQ #1. However, multiple Treasury FAQs — including FAQ #7, #26, and #35 — demonstrate that the Department intended a **flexible, inclusive interpretation**, recognizing the emergency nature of the program and the housing challenges faced by displaced individuals and families and reinforces that the term “residential dwelling” is not limited to traditional apartments with leases but includes hotels and other temporary housing used in transition.

- **FAQ #7:** Permits hotel or motel costs to be covered using ERA funds when the household lacks alternative housing options, **even without a formal lease.**
- **FAQ #26:** States that rental assistance may be provided to households residing temporarily in hotels or motels when they are **displaced or between housing.**
- **FAQ #27:** Allows rental assistance for rent-to-own households, further demonstrating that the key is ERA CANNOT be used for homeowners (**FAQ #20**).
- **FAQ #35:** Specifically authorizes relocation assistance for households who have been evicted or **otherwise displaced** and are attempting to secure new permanent housing.

These provisions explicitly contemplate support for individuals and families—such as Afghan refugees—who were temporarily displaced and used hotels as the only available rental housing (in truth, many Oklahomans are forced to do this) until suitable housing could be secured (rendered more difficult for larger families – up to 10+ children). As



allowed under Treasury ERA FAQs #7 and #26, hotel stays were covered when used as transitional housing due to lack of available rental stock—especially for large families. Afghan refugees fell squarely within this provision.

Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:

- Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.
- To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies.
- OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.
- OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.
- Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.
- OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.

Actions remaining: At this time OMES-GMO feels this has been corrected and no further action is needed.

ALN: 21.023

FINDING NO: 2022-046

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA)

STATUS: Partially Corrected

Reason for recurrence: OMES received the FY2022 finding for this program after FY2023 ended. OMES received the FY2023 finding for this program in FY2025. OMES-GMO partially agrees with the finding. The State disagrees that funds used for employment and careers are an allowable expenditure. OMES-GMO agrees with the need for increased monitoring.



We disagree with the SAI finding regarding housing and stability. Employment and careers are essential in creating housing stability. The 2024-ERA Compliance Supplement Section A. Activities Allowed or Unallowed; 1. Activities Allowed (c) states in part “Housing Stability Services: Under ERA 1, housing stability services includes case management and other services related to the COVID-19 outbreak intended to help keep households stably housed. Under ERA 2, housing stability services do not have to be related to the COVID-19 outbreak. For ERA 1 and ERA 2, housing stability services include those that enable households to maintain or obtain housing. Such services may include, among other things, eviction prevention and eviction diversion programs.”

It is apparent from the guidance and division of funds for a portion to be used for housing stability, the Treasury is supporting measures to first keep vulnerable individuals and families housed during the emergency, but secondly, provide services that will assist them for the future. Program guidance from the Treasury ([Building Housing Stability Infrastructure | U.S. Department of the Treasury](#)) encourages the integration of wrap-around services, stating these services “can be particularly important for tenants who have more than a temporary hardship related to the pandemic and for whom financial assistance covering rental arrears is not enough ‘to catch up’ over the long term. Having a network of support services can help households move out of a cycle of housing instability and into a pathway of financial stability.” The Treasury goes on to provide examples of those who may be served by this practice include eligible households which include those that need additional support and coaching to develop a reliable self-sufficiency plan for maintaining housing. The Treasury stresses that by implementing these services, a long-term infrastructure is built that can help break the cycle of housing instability and support a holistic community recovery.” Treasury concludes with their support of preventative programs, stating “An infrastructure of housing stability services can ensure that support for the most vulnerable will be available. Financial assistance is not the only priority, and services can be primarily focused on coaching and educating vulnerable households. When rental assistance is scarce, support services can still play a role in preventing eviction and homelessness.”

Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office’s (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:

- Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.
- To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies.
- OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.
- OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO’s process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program.



Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.

- Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.
- OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.

Actions remaining: All necessary corrective actions have been completed, and no further action is required at this time. Increased monitoring remains in place to ensure ongoing compliance and to prevent recurrence.

ALN: 21.019

Finding No: 2020-083, 2021-084, 2022-071

Federal Program Name: Coronavirus Relief Fund

Status: Partially Corrected

Reason for Recurrence: Due to the short term nature of this program, part of the action plans to correct findings were forward looking to make improvements for future centralized grants.

Actions Remaining: The items in question by SAI have been reviewed. Any items associated with documentation that we are unable to obtain or is found to be unallowable by US Treasury will be substituted for other eligible costs.

Actions Remaining: The Coronavirus Relief Fund grant has expired; therefore, no additional actions will be taken.

ALN: 21.019

Finding No: 2020-080, 2020-081, 2021-094, 2022-076

Federal Program Name: Coronavirus Relief Fund

Status: Partially Corrected

Reason for recurrence: Due to the short term nature of this program, part of the action plans to correct findings were forward looking to make improvements for future centralized grants.

Actions Taken: For future audits the vendor will submit detailed hours by employee to support contract invoices.

Actions Remaining: The Coronavirus Relief Fund grant has expired; therefore, no additional actions will be taken.

ALN: 21.019

Finding No: 2022-078

Federal Program Name: Coronavirus Relief Fund

Status: Not Corrected.

Reason for recurrence: The finding is no longer warranted as the OESC Back-to-Work Initiative payments were only for SFY 2022.

Actions Remaining: There are no actions remaining as the OESC Back-to-Work Initiative was only for SFY 2022. Therefore, there are no additional payments to review.

ALN: 84.425C



Finding No: 2021-019, 2022-081

Federal Program Name: Education Stabilization Fund - GEER

Status: Partially Corrected

Reason for recurrence: The Single Audit Report for the Fiscal Year Ended June 30, 2021 (2021 Single Audit) was not published until June 27, 2023. Accordingly, the response provided in the 2021 Single Audit represented the status as of the end of the fiscal year which concluded on June 30, 2022. The 2022 Single Audit was not released until April 23, 2024. The 2023 Single Audit is anticipated to be released in June of 2025. The Code of Federal Regulations Title 2 Section 200.504 *Frequency of Audits* requires that audits be performed annually, unless biennial audits are permitted by a state statute. If an audit is performed less frequently than annually, then the biennial audit must cover *both* fiscal years within the biennial period. Moreover, the audit must be submitted nine months after the end of the audit period (March 30th), or thirty (30) calendar days after the auditee receives the auditor's report, *whichever is earlier*.

The untimely pace by which the State's Auditor and Inspector's Office conducts its single audits has presented extreme challenges that would otherwise permit swift correction and completion of the findings. The ongoing recommencing of the single audit one fiscal year at a time and with large gaps in between, puts an unreasonable administrative burden on the agency while diverting the agency's own fiscal resources to pay for each subsequent delinquent single audit.

Oklahoma Office of Management and Enterprise Services (OMES) recognizes the importance of maintaining transparency and accountability in federal grant reporting and has implemented corrective measures to address the issues identified in prior audit cycles. While OMES respectfully disagrees at times with SAI's interpretation and application of law, we strive for continual improvement and transparency in both the timing and accuracy of our reporting.

Actions taken: Since the initial finding, the Oklahoma Office of Management and Enterprise Services (OMES) has implemented several corrective actions to mitigate the risk of recurrence and to strengthen internal controls across grants management and procurement processes.

For example, OMES established a dedicated Grants Management Office (OMES-GMO) to serve as the centralized resource for conducting oversight functions for certain federal grant programs. These functions include subrecipient monitoring, documentation retention, reporting, and contract administration. As part of its oversight function, the OMES-GMO staff participate in ongoing grants administration training covering federal compliance requirements, state procurement laws, and ethical standards.

In September 2023, the OMES-GMO participated in a focused training with OMES Central Purchasing to reinforce compliance expectations specific to grant-funded procurement activities. This targeted training continues to ensure consistent understanding and application of procurement protocols.

There remains a respectful disagreement with the assertion that payments under the GEER II contract were made without documentation or prior to services being performed. Prior responses stated that weekly progress reports, project templates, and other working documents were submitted throughout the agreement's term. Furthermore, it remains the position of OMES that the solicitation in question was posted to the website. OMES-GMO relies on the information provided by its Central Purchasing Division.

Regardless, the State Purchasing Director provides the corrective actions taken by the agency to mitigate future risks:

The Central Purchasing Division of OMES takes deliberate steps to detect and prevent conflicts of interest in public procurement to verify that the identified issues are not repeated. One of the primary tools used to protect the integrity of procurement is the Conflict of Interest and Non-Disclosure Statement for Evaluation Team Members (OMES Form CP 012). Each evaluator participating in a solicitation evaluation must complete and sign this form before engaging in the review of bids or proposals. By signing, evaluators certify that:



1. Neither they nor their immediate family members have any financial interest in any company submitting a bid.
2. They have not received, nor have they been promised, any personal benefit from any bidder.
3. They will disclose any personal, business, social, or professional relationships that could reasonably be perceived to affect their impartiality.
4. They will maintain confidentiality regarding all bid contents and evaluation discussions prior to the award.
5. They agree to be disqualified from the evaluation if a relationship is deemed to impair independent judgment.

This process ensures that any potential or actual conflicts are identified early and mitigated before the evaluation begins. The Central Purchasing Division applies a definition of Conflict of Interest that is consistent with Oklahoma statutory ethical rules and guidance from the Oklahoma Ethics Commission, including these key categories:

1. **Misuse of Office:** Occurs when a state employee uses their official position for personal gain or to benefit family members, business associates, or potential employers.
2. **Misuse of Authority:** Involves using one's position to coerce others into providing a benefit to the employee or their affiliates.
3. **Impartiality Concerns:** Arise when a matter under consideration could directly impact the financial interests of the employee or their family. A conflict exists when a reasonable person would question the evaluator's objectivity, even if no actual wrongdoing occurred.

This broader ethical framework helps evaluators and procurement officials understand that the appearance of bias is just as critical to address as actual bias. In summary, by combining statutory ethics principles with required documentation like the Conflict of Interest and Non-Disclosure Statement, Oklahoma Central Purchasing establishes a proactive and transparent process to safeguard procurement decisions that will prevent future occurrences of identified issues.

Actions remaining: None.

ALN: 84.425C

Finding No: 2022-082

Federal Program Name: Education Stabilization Fund - GEER

Status: Partially Corrected

Reason for recurrence: The Single Audit Report for the Fiscal Year Ended June 30, 2021 (2021 Single Audit) was not published until June 27, 2023. Accordingly, the response provided in the 2021 Single Audit represented the status as of the end of the fiscal year which concluded on June 30, 2022. The 2022 Single Audit was not released until April 23, 2024. The 2023 Single Audit is anticipated to be released in June of 2025. The Code of Federal Regulations Title 2 Section 200.504 *Frequency of Audits* requires that audits be performed annually, unless biennial audits are permitted by a state statute. If an audit is performed less frequently than annually, then the biennial audit must cover *both* fiscal years within the biennial period. Moreover, the audit must be submitted nine months after the end of the audit period (March 30th), or thirty (30) calendar days after the auditee receives the auditor's report, *whichever is earlier*.

The untimely pace by which the State's Auditor and Inspector's Office conducts its single audits has presented extreme challenges that would otherwise permit swift correction and completion of the findings. The ongoing recommencing of the single audit, one fiscal year at a time, with large gaps in between, puts an unreasonable administrative burden on the agency while diverting the agency's own fiscal resources to pay for each subsequent delinquent single audit.



Moreover, OMES recognizes the importance of maintaining transparency and accountability in federal grant reporting and has implemented corrective measures to address the issues identified in prior audit cycles. While OMES respectfully disagrees at times with SAI's interpretation and application of law, we strive for continual improvement and transparency in both the timing and accuracy of our reporting.

Actions taken:

FFATA Compliance and Updates

- OMES-GMO worked on a monthly basis during this period with the U.S. Department of Education on its completion of the FFATA reports.
- OMES-GMO updated internal procedures to include FFATA reporting as part of the Grants Management Office's monthly compliance checks and implemented a process to review all subawards for reporting eligibility and timing requirements.

GEER Annual Performance Reports

- OMES-GMO acknowledges that initial GEER Annual Reports had inaccuracies and omissions and agrees that several data fields lacked sufficient supporting documentation. We have since implemented improved processes for compiling and validating data prior to submission.
- OMES-GMO submitted the outstanding GEER I Year 2 report and, although late, worked to ensure the report was as accurate and complete as possible.
- OMES-GMO acknowledges the GEER II Year 1 report was not submitted timely and has taken steps to ensure all future reports are submitted within required timeframes, including designation of internal deadlines, formal assignments of responsibilities, and multi-level reviews.
- OMES-GMO has worked with relevant subrecipients to gather supporting expenditure and FTE documentation for inclusion in future reports and retrospective corrections.

Policy and Procedure Enhancements

- The OMES Grants Management Office has updated its Federal Reporting Policy to ensure all applicable award revisions and new subawards are reported to FSRs within the prescribed timeframes.
- A Reporting Crosswalk has been developed to align FFATA subaward data with GEER annual report categories and USDOE guidance, minimizing the risk of future discrepancies.
- OMES-GMO is coordinating with Central Purchasing and agency legal counsel to ensure future contracts and subawards are reviewed for FFATA applicability during the contract formation process.

Forward Movement

- OMES-GMO collaborated with the USDOE to make corrections to prior year annual reports during specific correction windows.

Actions remaining: OMES will implement all additional revisions necessary within the timelines set by the USDOE and will document all changes for future audit trail and compliance purposes.

ALN: 21.023

FINDING NO: 2022-085

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA)

STATUS: Partially Corrected

Reason for recurrence: OMES received the FY2022 finding for this program after FY2023 ended. OMES received the FY2023 finding for this program in FY2025.

Actions taken: OMES-GMO disagrees with the SAI finding about incentive pay.



OMES-GMO agrees in part. OMES-GMO agrees that increased monitoring was needed, please see the action below.

Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:

- Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.

- To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies.

- OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.

- OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the federal grant requirements.

- Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.

- OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.

Actions remaining: Increased monitoring remains in place to ensure ongoing compliance.

ALN: 21.023

FINDING NO: 2022-086

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA)

STATUS: Partially Corrected

Reason for recurrence: OMES received the FY2022 finding for this program after FY2023 ended. OMES received the FY2023 finding for this program in FY2025.



Actions taken: We partially disagree with SAI's findings per OMES's response. OMES-GMO agrees that increased monitoring was needed. Actions taken include the reimbursement of ineligible expenditures to the ERA program, providing additional supporting documentation to SAI verifying that some expenditures were incorrectly disallowed.

Actions remaining: Increased monitoring remains in place to ensure ongoing compliance and to prevent recurrence.

ALN: 21.023

FINDING NO: 2022-087

FEDERAL PROGRAM NAME: Emergency Rental Assistance (ERA)

STATUS: Partially Corrected

Reason for recurrence: OMES received the FY2022 finding for this program after FY2023 ended. OMES received the FY2023 finding for this program in FY2025.

Actions taken: OMES-GMO agrees in part. OMES-GMO agrees that increased monitoring was needed, please see the action below.

Oklahoma Office of Management and Enterprise Services (OMES) acknowledges the Oklahoma State Auditor and Inspector Office's (SAI) findings that OMES did not implement the proper internal controls and oversight of the ERA Program during FY2023. However, OMES has taken steps to correct these findings and follow the recommendations set forth by SAI. Beginning with FY2025, OMES has taken the following measures:

- Oversight and management of the ERA program has been transferred to the OMES Grant Management Office (OMES-GMO) which has staff with several years of grant experience. OMES-GMO has recently hired additional staff, and the two staff members dedicated to the management of the ERA program have 20+ years of combined federal grant specific experience.
- To ensure that the subrecipient agreement includes all the required terms under the ERA Program and that the agreement does not expire, OMES-GMO and the Communities of Foundation of Oklahoma (CFO) have recently executed a Subrecipient Grant Agreement Amendment that details the responsibilities of OMES to monitor CFO and the duties and processes that CFO must follow in regard to ERA Program, including detailed cash management policies.
- OMES-GMO required the return of the remaining ERA2 Program funds from CFO to ensure proper oversight and review of ERA expenditures is performed.
- OMES-GMO has a multi-level system of internal controls for grant management and oversight that includes routine monitoring, desk review, and site visits for all projects and associated project/administrative expenditures to ensure allowability, accuracy, and assist in the detection of fraud. For example, OMES-GMO's process for disbursing funds to a subrecipient requires a written request from the subrecipient with supporting documentation, then OMES-GMO assigns a staff lead and secondary grant analyst to perform a primary and secondary review for compliance and to require additional supporting documentation if needed to approve the request. Once those reviews are completed and approved by the OMES-GMO staff, the Director of the OMES-GMO must approve the request before it is sent to the OMES Finance Division, who will then verify the calculated amount(s) before completing the disbursement to the subrecipient. These internal controls and policies have been implemented for the management and oversight of the ERA Program and provide a multi-layer review that will prevent fraud and risk factors applicable to the ERA program. Additionally, the OMES-GMO staff assigned to the ERA program have the training and knowledge to ensure compliance with the Federal grant requirements.
- Depending on the level of risk, OMES-GMO conducts monthly, bi-weekly or weekly meetings with each subrecipient to monitor the progress of projects and address any issues or changes that might impact the project. For the ERA Program, OMES-GMO conducts bi-weekly monitoring meetings with CFO and is currently reviewing documentation provided by CFO to ensure all current ERA projects are eligible under the ERA guidelines and that CFO is exercising the proper oversight over their subrecipients.



- OMES-GMO will continue with their current ERA monitoring steps and internal controls and will work with CFO to ensure ERA program funds are spent in accordance with ERA program guidelines and state and federal regulations.

Actions remaining: All necessary corrective actions have been completed, and no further action is required at this time. Increased monitoring remains in place to ensure ongoing compliance and to prevent recurrence.

ALN: Multiple

Finding No: 2022-090

Federal Program Name: Multiple

Status: Partially Corrected

Reason for Recurrence: Due to the finding being noted in the SFY 2022 Single Audit after 6/30/23, corrective action was unable to be implemented by the end of SFY 2023.

Actions Taken:

1. On May 13, 2024, in an attempt to assist agencies in understanding requirements of spending federal dollars, OMES issued a Procurement Information Memorandum and a new contract attachment to be utilized by agencies when using federal funds for an acquisition.
2. On July 1, 2024, the pilot program known as Rolling RFPs closed. Therefore, nothing was taken before the legislature to suggest statutory changes as none would have been appropriate.

Actions Remaining:

1. Central Purchasing is currently recreating our training program for Certified Procurement Officers, which will include specific training about ordering off statewide contracts.
2. Central Purchasing is also creating Standard Operating Procedures for our team to use when creating, soliciting, evaluating and awarding statewide contracts.
3. Central Purchasing is additionally drafting a Central Purchasing Manual, which will include provisions for the State Purchasing Director's authority to develop and test new contracting policies and procedures and any future pilot projects. An internal Standard Operating Procedure for utilizing this authority is also being finalized.



RYAN WALTERS
STATE SUPERINTENDENT *of* PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT *of* EDUCATION

ALN: 84.425C, 84.425D, 84.425U

Finding No: 2022-012

Federal Program Name: Education Stabilization Fund (ESF)

Status: Not corrected

Reason for recurrence: The corrective action planned fell after 6/30/2023.

Actions taken: The Office of Title Services has a list of LEAs that have ESF funded contract applications with their approval status. The approved ESF funded contract applications are uploaded in GMS with the ESSER application. Construction contracts are uploaded to GMS with the ESSER application. As part of the review process, reviewers ensured that the construction project claims only reimbursed LEAs that had an approved construction contract on file in GMS. The Construction Assurances signed by the LEAs superintendent served as a statement of compliance that the LEA followed the Davis-Bacon requirements. The Office of Title Services have acted on cases of non-compliance that have come to light through Consolidated Monitoring or through required independent audits.

Actions remaining: The Office of Title Services lacks the compacity to require LEAs to submit documentation to verify the contracts including the wage rate clause as well as certified payroll records. The Office of Title Services will continue to act on cases of non-compliance that are found through independent audits.

ALN: 84.425C, 84.425D, 84.425U

Finding No: 2022-022

Federal Program Name: Education Stabilization Fund (ESF)

Status: Not corrected

Reason for recurrence: The corrective action planned fell after 6/30/2023.

Actions taken: Procedures will be revised to include a second review of the data sourced for the risk assessment rubric.

Actions remaining: The Office of Title Services will continue providing training to reviewers.

ALN: 84.425D, 84.425U

Finding No: 2022-043

Federal Program Name: Education Stabilization Fund (ESF)

Status: Not corrected

Reason for recurrence: The corrective action planned fell after 6/30/2023.

Actions taken: The Office of Title Services will provide additional training to all reviewers in FY24 to strengthen its claims review process.

Actions remaining: The Office of Title Services will continue providing training to reviewers.

ALN: 84.425D, 84.425U, 84.425V

Finding No: 2022-044, 2021-036

Federal Program Name: Education Stabilization Fund (ESF)

Status: Partially corrected

Reason for recurrence: Change in OTS staff.

Actions taken: Corrective Action Planned: OSDE, in partnership with a third-party consulting firm, has developed a formalized procedure of FFATA reporting that includes an established timeline and calendar notifications/reminders for the staff members involved in the FFATA reporting process to report in a timely manner in compliance with USDE requirements.

We have a Project Director of Data and Reporting in place now to ensure the established timeline for meeting FFATA reporting is being met.

Actions remaining: Continue to ensure that follow-through procedures are carried out.

ALN: 84.425R

Finding No: 2022-049

Federal Program Name: Education Stabilization Fund (ESF)

Status: Not corrected

Reason for recurrence: The corrective action planned fell after 6/30/2023.

Actions taken: ESSER Annual Report (ESSER Performance Report) is now collected and saved in GMS. The Office of Title Services has ensured staff is trained in reviewing LEA ESSER data.

Actions remaining: Continue to ensure that follow-through procedures are carried out.

ALN: 84.425V

Finding No: 2022-070

Federal Program Name: Education Stabilization Fund (ESF)

Status: Not corrected

Reason for recurrence: The corrective action planned fell after 6/30/2023.

Actions taken: Because of the complexities of revising nonpublic schools ARP EANS allocations, the Office of Title Services adjusted the ARP EANS II allocations to ARP EANS I allocations for those non-public schools that qualified under EANS I but did not qualify for allocations under EANS II. OSDE consulted with USDE and was given permission to make this adjustment.

After initial allocations were made to the non-public schools in GMS, leadership of the Office of Federal Programs amended the way services were delivered. OSDE contracted with Catapult Learning West, LLC, and Galt Foundation to provide services to non-public schools based on services needed by the school to respond to COVID-19. As services were rendered to the non-public schools, Catapult Learning West LLC and/or Galt Foundation were paid directly from OSDE with EANS fund

Actions remaining: Develop policies and procedures to follow if there are future emergency funds made available to non-public schools.

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PREPAREDNESS
RESPONSE
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MITIGATION

STATE OF OKLAHOMA- SINGLE AUDIT SUMMARY
SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
SFY 2023

ALN: 97.036

Finding No: 2020-066, 2021-073

Program Name: Disaster Grants - Public Assistance

Status: Partially Corrected

Reason for recurrence: The agency was unable to update their subrecipient monitoring processes for state fiscal year 2023.

Actions taken: The agency updated the Subrecipient Monitoring Standard Operating Procedures in August of 2023. The revised SOP can be found here, SOP 3.1.2 Agency Subrecipient Monitoring Policy. Approximately 773 PA projects were monitored in calendar year 2023, proof of monitoring can be provided. PA monitoring activities are recorded in SharePoint and OKEMGrants.

Actions remaining: A full implementation of the Monitoring SOP has not yet been adopted across all programs; we anticipate it being implemented by June 30, 2024.

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ALN: 17.225

Finding No: 2022-038, 2021-011

Federal Program Name: Unemployment Insurance Program

Status: Not Corrected

Reason for recurrence: Aged and/or antiquated technologies are at the root of the cause for the challenges the agency faces in the area of reliable data capture and reporting.

Actions taken: After extensive time and effort, the agency rolled out EmployOklahoma in January 2025 to replace the previous OK Job Match system.

Actions remaining: Reporting requirements continue to be a priority effort to be addressed in EmployOklahoma, so work remains to be done. The agency still expects to address the issues underlying this finding through these technology efforts.

ALN: 17.225

Finding No: 2022-051

Federal Program Name: Unemployment Insurance Program

Status: Partially Corrected

Reason for recurrence: Aged and/or antiquated technologies are at the root of the cause for the challenges the agency faces in the area of reliable data capture and reporting.

Actions taken: A technology implementation project to address issues in the system allocation programming was completed during February 2023.

Actions remaining: The underlying programming issue associated with this finding was addressed during February 2023. The agency will continue to identify and address programming issues as modernization efforts continue.

ALN: 17.225

Finding No: 2022-053, 2021-001

Federal Program Name: Unemployment Insurance Program

Status: Not Corrected

Reason for recurrence: The agency continuously makes fraud prevention a priority and is engaging with federal partners, other state agencies and vendor partners to be vigilant in anticipating trends in fraud activity. While we believe we are expending appropriate levels of effort in this area, the complexity and ever-changing nature of the fraud space makes it difficult to mitigate this risk entirely.

Actions taken: The agency has not implemented any new technologies around fraud prevention since our last update. Fraud prevention is a priority and the agency engages with numerous outside parties to anticipate trends in fraud activity to adjust the agency's methods to identify high-risk transactions.

Actions remaining: As mentioned above, the agency will continue to make fraud prevention a priority to minimize the possibility of fraud, but we also expect this to be a difficult risk to fully mitigate.

ALN: 17.225

Finding No: 2022-077, 2021-022

Federal Program Name: Unemployment Insurance Program

Status: Not Corrected

Reason for recurrence: Aged and/or antiquated technologies are at the root of the cause for the challenges the agency faces in the area of reliable data capture and reporting.

Actions taken: After extensive time and effort, the agency rolled out EmployOklahoma in January 2025 to replace the previous OK Job Match system.

Actions remaining: Specific requirements for the RESEA program will be addressed as EmployOklahoma evolves to meet the broader needs of the various workforce stakeholders. The agency still expects to address the issues underlying this finding through these technology efforts.

ALN: 17.225

Finding No: 2022-084

Federal Program Name: Unemployment Insurance Program

Status: Corrected

ALN: 17.225

Finding No: 2022-088

Federal Program Name: Unemployment Insurance Program

Status: Corrected

ALN: 17.225

Finding No: 2022-290-035, 2021-290-013

Federal Program Name: Unemployment Insurance Program

Status: Not Corrected

Reason for recurrence: The agency continuously makes fraud prevention a priority and is engaging with federal partners, other state agencies and vendor partners to be vigilant in anticipating trends in fraud activity. While we believe we are expending appropriate levels of effort in this area, the complexity and ever-changing nature of the fraud space makes it difficult to mitigate this risk entirely.

Actions taken: The agency has not implemented any new technologies around fraud prevention since our last update. Fraud prevention is a priority and the agency engages with numerous outside parties to anticipate trends in fraud activity to adjust the agency's methods to identify high-risk transactions.

Actions remaining: As mentioned above, the agency will continue to make fraud prevention a priority to minimize the possibility of fraud, but we also expect this to be a difficult risk to fully mitigate.

STATE OF OKLAHOMA – SINGLE AUDIT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
SFY 2023

ALN: 10.557

Finding No: 2021-030

Federal Program Name: Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Status: Not Corrected

Reason for Recurrence: The leadership responsible for this did not follow procedures and are no longer employed in Finance or with OSDH.

Actions Taken: Regarding the follow-up on finding 2021-030 and how it is impacted by the finding mentioned in the SFY 2022 audit, these are two separate issues with two separate programs. Over a two-year period, Finance has taken the following actions:

1. Regarding the timely reconciliation between the “Time & Effort” system and the general ledger, the system used in 2021 has since been de-commissioned. Currently, OSDH uses WorkDay to input actual time worked. Workday is reconciled monthly, by program, to the time booked on the general ledger on the PeopleSoft system. A final reconciliation between Workday and the GL is completed at the close-out of each grant to determine if there is any difference and any necessary adjusting entry is then completed.
2. In regard to a lack of controls related to time recording, Finance has simplified the COA from 1.5M to 500 options to limit employees coding incorrectly, locked down access where possible; are continuing to emphasize supervisor review. In July 2023 Payroll began providing a weekly payroll spreadsheet on a Teams Page (POC chat) for all agency Points of Contacts.

Actions Remaining: Finance is working with Innofin Solutions to create reporting in Hyperion to provide a payroll variance report along with additional reports to ensure more accurate reporting for the SEFA. The estimated time frame to complete the payroll variance report is 4th quarter 2025.

ALN: 10.557

Finding No: 2021-061

Federal Program Name: Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Status: Corrected

ALN: 10.557

Finding No: 2021-096

Federal Program Name: Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Status: Not Corrected

Reason for Recurrence: The leadership responsible for this did not follow procedures and are no longer employed in Finance or with OSDH.

Actions Taken: In 2023, OSDH established a dedicated employee to be responsible for tracking audit requests and ensuring a timelier response to all requests going forward. Management has also revised the current report structure

of the dedicated employee to report directly to the Deputy CFO to help eliminate any bottlenecks and delays in providing responses. Management has also recently added a new Deputy CFO to the leadership team, with a background in Auditing, to be designated as the primary contact person on OSDH audits.

Actions Remaining: No further actions remaining. This was completed during the 3rd quarter of 2023.

ALN: 93.268; 93.323

Finding No: 2022-201

State Agency: Oklahoma State Department of Health

Federal Program Name: Immunizations Cooperative Agreements; Epidemiology and Laboratory Capacity for Infectious Diseases

Status: Not Corrected

Reason for Recurrence: Management agrees with this finding and recognized these issues in early 2023, and as a result, has already implemented the following control changes in 2023:

1. Simplified the COA from 1.5M to 500 options to limit employees coding incorrectly.
2. Locked down access where possible.
3. Continuing to emphasize supervisor review.
4. July 2023 Payroll began providing a weekly payroll spreadsheet on a Teams Page (POC chat) for all agency Points of Contacts.

Actions Taken: Management is also currently working to create a report in Hyperion to reconcile booked (Budgeted) payroll recorded on the general ledger to the validated (Actual) payroll as coded by OSDH employees. This will identify variances between the two, by program area, to allow an adjusting entry to be made to true up the general ledger to reflect the actual recorded time and effort.

Actions Remaining: The expected completion date for this is 6/30/25. This has been delayed however Finance is currently working with Innofin to create this report and the estimated completion date and implementation would be late 4th quarter 2025.

ALN: 93.268; 93.323

Finding No: 2022-202

State Agency: Oklahoma State Department of Health

Federal Program Name: Immunizations Cooperative Agreements; Epidemiology and Laboratory Capacity for Infectious Diseases

Status: Not Corrected

Reason for Recurrence: The overstatement of expenditures on the SEFA is due to incorrect amounts being included on the report due to using incorrect PeopleSoft queries and a lack of proper staff training. As stated in the finding, transactions related to expenditures and draws on the grant are reported in incorrect accounting periods; this is due to general ledger entries not using a budget reference code causing an under/over statement of expenditures and revenues.

Actions Taken: To mitigate this issue going forward, management has established a cash report in Hyperion which is currently being used by the Accounting area to ensure grant draws are accurate. To ensure transactions are recorded in the correct accounting period, management is working to create a policy and procedure to ensure a budget reference code is used on all general ledger transactions. The budget reference code will also be added to the Hyperion cash report to ensure transactions are reported in the proper accounting period. Management is also

actively seeking formal training opportunities for accounting staff related to the proper procedures for completing all ACFR schedules.

Actions Remaining: A cash report was completed and has been in use since late 4th quarter 2024. Finance is working with Innofin to add the budget reference field to the cash report and that should be completed in the 4th quarter 2025.

ALN: 93.268; 93.323

Finding No: 2022-203

State Agency: Oklahoma State Department of Health

Federal Program Name: Immunizations Cooperative Agreements; Epidemiology and Laboratory Capacity for Infectious Diseases

Status: Corrected

ALN: 93.268

Finding No: 2022-204

State Agency: Oklahoma State Department of Health

Federal Program Name: Immunizations Cooperative Agreements

Status: Not Corrected

Reason for Recurrence: OSDH management will work with the appropriate area to provide guidance on document preparation and retention going forward. Based on discussion with the program area management, while the finding states that documentation was not stored in a centralized area and could not be provided during the auditor's field work, management has indicated the documentation is being stored either in the Qualtrics or the OSIIS systems.

Actions Taken: Currently, OSDH leadership is working to centralize the administrative functions from the program areas to the GMO area of Finance. This will include a compliance unit within GMO to ensure that all necessary documentation is centralized and that OSDH program areas are audit ready.

Actions Remaining: As of May 5, 2025, GMO began the centralization process by moving some of the staff for the ELC program into the GMO department. The ELC program is being used as a pilot model for centralizing and the estimated completion to move all program administrative functions into GMO would be mid to late 2026.

ALN: 93.268; 93.323

Finding No: 2022-205

State Agency: Oklahoma State Department of Health

Federal Program Name: Immunizations Cooperative Agreements; Epidemiology and Laboratory Capacity for Infectious Diseases

Status: Not Corrected

Reason for Recurrence:

Actions Taken: Additional controls are currently being developed to ensure an adequate review of PMS claimed costs are being completed and documentation of the review is retained.

Actions Remaining: FFRs are currently reviewed by a supervisor in the Finance Grants Accounting area and a final review and subsequent approval is completed by the Deputy CFO with the electronically signed/dated FFR being retained as documentation of the completed review.

ALN: 93.268; 93.323

Finding No: 2022-206

State Agency: Oklahoma State Department of Health

Federal Program Name: Immunizations Cooperative Agreements; Epidemiology and Laboratory Capacity for Infectious Diseases

Status: Not Corrected

Reason for Recurrence: The overstatement of expenditures on the SEFA is due to incorrect amounts being included on the report due to using incorrect PeopleSoft queries and a lack of proper staff training. As stated in the finding, transactions related to expenditures and draws on the grant are reported in incorrect accounting periods; this is due to general ledger entries not using a budget reference code causing an under/over statement of expenditures and revenues.

Actions Taken: To mitigate this issue going forward, management has established a cash report in Hyperion which is currently being used by the Accounting area to ensure grant draws are accurate. To ensure transactions are recorded in the correct accounting period, management is working to create a policy and procedure to ensure a budget reference code is used on all general ledger transactions. The budget reference code will also be added to the Hyperion cash report to ensure transactions are reported in the proper accounting period. Management is also actively seeking formal training opportunities for accounting staff related to the proper procedures for completing all ACFR schedules.

Actions Remaining: A cash report in Hyperion was created and implemented in Q4 2024. OSDH Finance is currently working to add a budget reference field to the cash report and estimated completion of the update is end of 3rd quarter 2025.



ALN: 93.767; 93.778

Finding No: 2019-025, 2020-021, 2021-014, 2022-029

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

Status: Not Corrected

Reason for recurrence: Clearing GIDX exceptions is a manual process that involves hundreds of caseworkers across the state. Oklahoma Human Services (OKDHS) has provided training and emphasized the importance of clearing exceptions in a timely manner. OKDHS should continue their work to improve the timeliness of clearing GIDX exceptions.

Actions remaining: OKDHS is implementing a new structure for GIDX edits to create tasks in a queue as workers work through the workload. GIDX edits on open cases will be bundled with pending case actions so that they can be addressed along with the case actions. The OHCA Member Audit unit continues to review cases and monitor OKDHS progress to ensure GIDX cases are timely and appropriately resolved.

ALN: 93.778

Finding No: 2019-089, 2020-034, 2021-026, 2022-054

Federal Program Name: Medicaid Cluster

Status: Not Corrected

Reason for recurrence: The timing of the finding and implementation of the corrective action occurred within a nine-month period and encompassed multiple state fiscal years (SFY) – 2021, 2022, and 2023. The SFY 2021 Single Audit finding reporting the Lottery Exchange deficiency was reported to OHCA during SFY 2023 (December 2022). Corrective action implementation took place during SFY 2024 (August 2023). All other corrective action was implemented prior to SFY 2022.

Actions taken: The Lottery Commission change order is now in production and being utilized by the OKDHS as of August 14, 2023. OKDHS. Corrective Action was implemented during SFY 2024 (August 2023).

OKDHS has resolved all issues preventing jobs from running as expected and monitors to ensure jobs are running. OHCA Member Audit completed review of the corrective action plan with no issues identified.

ALN: 93.778

Finding No: 2021-028, 2022-074

Federal Program Name: Medicaid Cluster

Status: Corrected

ALN: 93.767; 93.778

Finding No: 2019-087, 2020-045, 2021-069, 2022-025

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

Status: Partially Corrected

Reason for recurrence:

MAGI: OHCA temporarily stopped income verification requests and changes due to data matches to prevent closures during the public health emergency (PHE).

Non-MAGI: OKDHS training materials and additional staff training has been ongoing due to the complexity of the programs. Modifications to the training were implemented during MEQC corrective action plans.

Actions taken:

MAGI - Corrective actions were implemented during the PHE unwind (SFY 2024).

Non-MAGI: Training has been implemented as of April 30, 2025.



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Actions remaining:

Non-MAGI: OHCA Member Audit will continue to monitor these issues through monthly case reviews and provides feedback to OKDHS leadership. This process will continue until the issues have been corrected. Additional steps to correct issues are requested as deemed necessary by Member Audit.

ALN: 93.778

Finding No: 2020-051, 2021-008, 2022-040

Federal Program Name: Medicaid Cluster

Status: No further action warranted

For the SFY2023 audit period, the "National Correct Coding Initiative (NCCI) requirement was removed as an audit requirement from the compliance supplement. Additionally, we believe the finding warrants no further action based on the following.

- (i) Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse FAC;
- (ii) The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and
- (iii) A management decision was not issued.

ALN: 93.778

Finding No: 12-807-008, 2013-043, 2014-026, 2015-035, 2016-006, 2017-033, 2018-025, 2019-046, 2020-068, 2021-010, 2022-002

Federal Program Name: Medicaid Cluster

Status: Not Corrected

Reason for recurrence: The agency continues to utilize actions in the "Actions taken" section to mitigate unallowable claims. Due to the high volume of claims submitted, reviewing every claim is not feasible.

Actions taken: The OHCA will continue to utilize control processes and procedures to ensure medical claims are meeting program requirements. These processes include prior authorizations, suspended claim reviews, system edits, post payment reviews, and our payment accuracy measurement study. OHCA will also continue National Correct Coding Initiative (NCCI) edit updates, as well as continue with provider training to better educate our providers.

Partial costs questioned were reported on the September 30, 2024 and December 31, 2024 CMS 64.9C1, Line 5 (\$64.62 and \$312.47, respectively). The remaining \$225.91 was reported on the CMS 64.9P, Line 10A on Cost of Service (COS) line 5 for the quarter ending March 31, 2025.

ALN: 93.778

Finding No: 2020-075, 2021-048, 2022-039

Federal Program Name: Medicaid Cluster

Status: Partially Corrected

Reason for recurrence: Program Integrity was actively implementing corrective action to ensure that all overpayments were reported timely. The timing of the finding and implementation of the corrective action required coordination with another state agency, which prolonged the process.

Actions taken: Fraud: Internal control processes and procedures to ensure MFCU overpayments are timely reported and refunded to the Center for Medicare and Medicaid Services (CMS) were implemented beginning September 2024. These processes include collaborations with the Medicaid Fraud Control Unit at the Oklahoma Attorney General's office quarterly to track the status of closed cases, obtain sufficient supporting documentation, and timely report and refund identified overpayments on the CMS-64.

Non-Fraud: One case was erroneously excluded during the corrective action plan. This finalized case was reported and refunded on the CMS-64.9OFWA, Line 1B for the quarter ending September 30, 2024 utilizing an average FMAP for all impacted programs.

Actions remaining: Reconciliation of all reported cases will be resolved by June 2025.

Fund Type: General Fund

Finding No: 21-807-010, 22-807-008

Federal Program Name: Accounts Payable & Federal Receivable (GAAP Pkg. Q - Medicaid Payable and Receivable & GAAP Pkg. Z – Schedule of Expenditures of Federal Awards)

Status: Corrected

ALN: 93.767; 93.778

Finding No: 2022-004

Federal Program Name: Children's Health Insurance Program

Status: Not Corrected

Reason for recurrence: The agency continues to utilize actions in the "Actions taken" section to mitigate unallowable claims. Due to the high volume of claims submitted, reviewing every claim is not feasible.

Actions taken: The OHCA will continue to utilize control processes and procedures to ensure medical claims are meeting program requirements. These processes include prior authorizations, suspended claim reviews, system edits, post payment reviews, and our payment accuracy measurement study. OHCA will also continue National Correct Coding Initiative (NCCI) edit updates, as well as continue with provider training to better educate our providers.

The costs questioned were reported on the December 31, 2024 CMS 64.9C1, Line 5.

Finding No: 2022-006

Federal Program Name: Medicaid Cluster (MAP)

Status: Not Corrected

Reason for recurrence: The overpayment deficiency reported in the SFY 2022 Single Audit was issued to OHCA during SFY 2024. The implementation of the corrective action occurred after the finding was reported. Corrective action implementation took place during SFY 2025 (March 2025).

Actions taken: Internal procedures have been evaluated to ensure Service Quality Review overpayments are timely reported and refunded to the Center for Medicare and Medicaid Services (CMS). Final questioned costs were reported on the CMS 64.9P line 10A on Cost of Service (COS) line 5 for the quarter ending March 31, 2025.

Finding No: 2022-020

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

Status: Not Corrected

Reason for recurrence: A sufficient review checklist was needed to ensure errors were identified and corrected in the review process.

To ensure the support for the Schedule of Expenditures of Federal Awards (SEFA) is transferred accurately from the calculation worksheets and the other GAAP packages, we will implement a GAAP Package Z – SEFA Reviewer Checklist that will be included with the backup data of the GAAP Z. This will ensure the sources of data for the Schedule of Expenditures of Federal Awards are transferred correctly and tied back to their original source. Corrective action implementation has been put in place for the SFY 2024 SEFA.

Actions taken: Corrective action has been implemented. The Schedule of Expenditures of Federal Awards (SEFA) errors were corrected on October 16, 2024.

ALN: 10.551

Finding No: 2018-067, 2019-016, 2020-058, 2021-059, 2022-007

Program Name: SNAP Cluster

Status: Not Corrected

Reason for Recurrence: Paper based records were prepared at all of the county offices and it proved to be impossible for the DHS to monitor compliance and maintain the documents properly. Inventory records were moved from paper copies to an electronic format in April 2023 allowing the DHS to centrally monitor compliance. We were also updating the destruction process to comply with CFR requirements.

Actions remaining: The changes to the EBT card logging process are in place for the SFY 2024 audit. We expect to have little or no exceptions in this process going forward.

ALN: 10.551

Finding No: 2022-010

Program Name: SNAP Cluster

Status: Corrected

ALN: 93.575, 93.596

Finding No: 2019-001, 2020-061, 2021-089, 2022-014

Program Name: CCDF Cluster

Status: Not Corrected

Reason for Recurrence: As previously stated in our 2022 audit findings, Child Care Services is aware this would be a repeat due to the audit timeframe including monitoring inspections that were prior to our form update. On January 30th, 2023; Child Care Services implemented the “Go-Live” phase of updating the monitoring checklists and summaries to include visual verification that all health and safety requirements are observed during inspections. Licensing specialists indicate on each health and safety item; compliance, non-compliance, or not reviewed while completing inspections.

Actions remaining: Quality review audits are being conducted annually with each supervisory group in Child Care Services to address errors or inconsistencies when monitoring child care programs. Child Care Services professional development unit has included a new training module regarding documentation requirements.

ALN: 93.659

Finding No: 2021-100, 2022-017

Program Name: Adoption Assistance

Status: Corrected

ALN: 93.658

Finding No: 2017-050, 2018-052, 2019-063, 2020-053, 2021-099, 2022-018

Program Name: Foster Care – Title IV-E

Status: Not Corrected

Reason for recurrence: The Single audits over the last few years have been running almost two years in arrears and the results of corrective action are similarly delayed. Changes in contracts are a legal process and take significant time to amend and resolve.

Actions remaining: The changes to all of the subrecipient agreements identified have been in process and were completed during State fiscal years 2024 and 2025. Additional findings are expected for the 2024 audit.

ALN: 93.658, 93.659, 93.778, 93.558, 93.596, 10.561

Finding No: 2022-023

Program Name: Foster Care – Title IV-E, Adoption Assistance, Medicaid Cluster, TANF, Child Care Development Cluster, & SNAP Cluster

Status: Corrected

ALN: 93.558

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, 2019-025, 2020-021, 2021-014, 2022-029

Program Name: Temporary Assistance for Needy Families

Status: Not Corrected

Reason for Recurrence: This is an extremely complex application with large volume of transactions. Updates to system programming issues have been ongoing over the last two years. Clearing the backlog has been time consuming. The total number of exceptions in 2022 was 133,321 and that number was reduced to 23,622 in 2023 which is a significant improvement as the backlog is being cleared.

Actions remaining: We expect the backlog to be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.

ALN: 10.551

Finding No: 2019-025, 2020-021, 2021-014, 2022-029

Program Name: SNAP Cluster

Status: Not Corrected

Reason for Recurrence: This is an extremely complex application with large volume of transactions. Updates to system programming issues have been ongoing over the last two years. Clearing the backlog has been time consuming. The total number of exceptions in 2022 was 133,321 and that number was reduced to 23,622 in 2023 which is a significant improvement as the backlog is being cleared.

Actions remaining: We expect the backlog to be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.

ALN: 93.575, 93.596

Finding No: 2019-025, 2020-021, 2021-014, 2022-029

Program Name: CCDF Cluster

Status: Not Corrected

Reason for Recurrence: This is an extremely complex application with large volume of transactions. Updates to system programming issues have been ongoing over the last two years. Clearing the backlog has been time consuming. The total number of exceptions in 2022 was 133,321 and that number was reduced to 23,622 in 2023 which is a significant improvement.

Actions remaining: We expect the backlog to be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.

ALN: 93.778

Finding No: 2019-025, 2020-021, 2021-014, 2022-029

Program Name: Medicaid Cluster

Status: Not Corrected

Reason for Recurrence: This is an extremely complex application with large volume of transactions. Updates to system programming issues have been ongoing over the last two years. Clearing the backlog has been time

consuming. The total number of exceptions in 2022 was 133,321 and that number was reduced to 23,622 in 2023 which is a significant improvement.

Actions remaining: We expect the backlog to be resolved by 06/01/2025. System queue management functionality will be resolved by 09/30/2025.

ALN: 93.658

Finding No: 2021-101, 2022-031

Program Name: Foster Care – Title IV-E

Status: Corrected

ALN: 93.558

Finding No: 2021-015, 2022-037

Program Name: Temporary Assistance for Needy Families

Status: Not Corrected

Reason for recurrence: The Single audits over the last few years have been running almost two years in arrears and the results of corrective action are similarly delayed. It also appears the DHS failed to provide support that the auditors requested for the 2023 audit and this would likely have cleared the finding.

Actions remaining: Case data is compared to IMS through automated processes, including various data scrapes and queries in Access that analyze file data against AllData. While cases are not manually reviewed in IMS, the data comparison in Access allows for a thorough analysis of all cases, rather than a limited manual review. Furthermore, the data in AllData originates from the same source as IMS (DB2), ensuring consistency and accuracy. This is in effect for the 2024 audit.

ALN: 10.542

Finding No: 2022-041

Program Name: Pandemic EBT – Food Benefits

Status: Partially Corrected

Reason for Recurrence: The Single audits over the last few years have been running almost two years in arrears and the results of corrective action are similarly delayed.

Action Taken: The PEBT program has expired but we will use the lessons learned to place better controls in place for any programs of a similar nature going forward.

Action Remaining: N/A

ALN: 10.542

Finding No: 2021-062, 2022-042

Program Name: Pandemic EBT Food Benefits (P-EBT)

Status: Not Corrected

Reason for recurrence: The Single audits over the last few years have been running almost two years in arrears and the results of corrective action are similarly delayed.

Actions remaining: The PEBT program has expired but we will use the lessons learned to place better controls in place for any programs of a similar nature going forward.

ALN: 93.558

Finding No: 2022-048

Program Name: TANF

Status: Corrected

ALN: 93.778

Finding No: 2019-089, 2020-034, 2021-026, 2022-054

Program Name: Medicaid Cluster

Status: Not Corrected

Reason for recurrence: The timing of the finding and implementation of the corrective action occurred within a nine-month period and encompassed multiple state fiscal years (SFY) – 2021, 2022, and 2023. The SFY 2021 Single Audit finding reporting the Lottery Exchange deficiency was reported to OHCA during SFY 2023 (December 2022). Corrective action implementation took place during SFY 2024 (August 2023). All other corrective action was implemented prior to SFY 2022.

Actions taken: The Lottery Commission change order is now in production and being utilized by the OKDHS) as of August 14, 2023. OKDHS. Corrective Action was implemented during SFY 2024 (August 2023).

OKDHS has resolved all issues preventing jobs from running as expected and monitors to ensure jobs are running. OHCA Member Audit completed review of the corrective action plan with no issues identified.

ALN: 93.558

Finding No: 2021-064, 2022-057

Program Name: Temporary Assistance for Needy Families

Status: Corrected

ALN: 93.558

Finding No: 2022-058

Program Name: TANF

Status: Corrected

ALN: 93.558

Finding No: 2019-027, 2020-040, 2021-088, 2022-059

Program Name: Temporary Assistance for Needy Families

Status: Not Corrected

Reason for recurrence: The Single audits over the last few years have been running almost two years in arrears and the results of corrective action are similarly delayed.

Actions remaining: Current cases were being sent directly to the coaches during this time period and workers did not receive them in a timely manner. TANF workday is now held every two weeks to ensure all employees stay current on TANF work lines and case management. Workers must complete a log and submit it to their supervisor for review.

ALN: 93.558

Finding No: 2019-043, 2020-035, 2021-065, 2022-060

Program Name: Temporary Assistance for Needy Families

Status: Not Corrected

Reason for recurrence: The Single audits over the last few years have been running almost two years in arrears and the results of corrective action are similarly delayed. As a result, our corrective action was not put in place until after the beginning of 2023 resulting in repeat findings.

Actions remaining: The new Current system used by AFS automatically sends TANF cases to staff to ensure reviews are completed timely. Current also sends reporting to Supervisors including cases that are not completed timely so appropriate action can be taken.

ALN: 93.558

Finding No: 2021-066, 2022-061

Program Name: TANF

Status: Corrected

ALN: 93.558

Finding No: 2019-044, 2020-037, 2021-067, 2022-062

Program Name: Temporary Assistance for Needy Families

Status: Not Corrected

Reason for recurrence: The Single audits over the last few years have been running almost two years in arrears and the results of corrective action are similarly delayed.

Actions remaining: Steps were added to OnBase that require the worker to pull up ACES and click to add to the document to the OnBase file. Supervisors are now performing spot checks and case reviews to ensure documentation is properly performed and included in the case files.

ALN: 93.558

Finding No: 2022-063

Program Name: TANF

Status: Corrected

ALN: 93.558

Finding No: 2019-045, 2020-057, 2021-046, 2022-064

Program Name: Temporary Assistance for Needy Families

Status: Not Corrected

Reason for recurrence: The Single audits over the last few years have been running almost two years in arrears and the results of corrective action are similarly delayed.

Actions remaining: With the addition of Current, everything uploaded into OnBase triggers a task. Program staff approve or deny extension requests and upload the documents to OnBase which generates a task for the field staff. The field staff processes the extension request by adding the ET&E line and documenting it to the case notes.

ALN: 93.558

Finding No: 2022-065

Program Name: TANF

Status: Corrected

ALN: 93.558

Finding No: 2020-033, 2021-053, 2022-066

Program Name: Temporary Assistance for Needy Families

Status: Not Corrected

Reason for recurrence: The Single audits over the last few years have been running almost two years in arrears and the results of corrective action are similarly delayed.

Actions remaining: Additional preparation and review procedures will be put in place to ensure accuracy of the clients included in the MOE calculation.

ALN: 93.558

Finding No: 2021-068, 2022-067

Program Name: Temporary Assistance for Needy Families

Status: Corrected

ALN: 93.558

Finding No: 2022-068

Program Name: TANF

Status: Corrected

ALN: 93.767; 93.778

Finding No: 2021-028, 2022-074

Program Name: Medicaid Cluster

Status: Corrected

ALN: 10.565, 10.568, 10.569

Finding No: 2021-106

Program Name: Food Distribution Cluster

Status: Corrected



OKLAHOMA
Rehabilitation Services

Financial Services

ALN: 84.126

Finding No: 2022-101

Federal Program Name: Vocational Rehabilitation Services Program

Status: Cleared.

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Executive Director Melinda Fruendt
Commissioners Janet C. Barresi, DDS, Theresa Flannery and Wes Hilliard

ALN: 20.509

Finding No: 2021-017, 2022-024

Program Name: Formula Grants for Rural Areas

Status: Not corrected

Reason for recurrence: The Office of Mobility & Public Transit (OMPT) and Internal Audit were developing processes to ensure sub-recipient monitoring; however, these processes were not fully implemented by June 30, 2023.

Actions Taken: OMPT now performs annual requests for certification (ARC) for each subrecipient & ensures they are not suspended or debarred by checking SAMS.gov before each grant award is made. OMPT now makes an inquiry annually with sub-recipients to determine federal expenditures for audit type & updates the tracker monthly for review/follow-up.

Internal Audit, formerly Cabinet Wide Audit, created a central repository for all audit work papers and established an additional review process to sample work papers beyond the manager review that already occurs.

Actions Remaining: The Office of Mobility & Public Transit will include the Internal Audit Division in implementing audit review processes, and results will be shared with OMPT for monitoring activities. Starting in SFY 2024, OMPT is working to obtain consultant services to help perform comprehensive triennial subrecipient reviews, which include risk assessments.

Internal Audit will develop a SmartSheet to log all audits and update their status as they progress through the audit process. This SmartSheet will establish transparency into our audit progress and will be shared with our clients, including the Office of Mobility & Public Transit (OMPT), by year-end 2024. Staff changes within the Grant and Contracts Auditing group have been made at the Audit Manager level.

CFDA No: 20.205

Finding No: 2021-025

Program Name: Highway Planning and Construction Cluster

Status: Corrected

Actions Taken: The Contract Compliance Division was created in March 2022. Its primary function is establishing, supporting, and ensuring adequate subrecipient monitoring of ODOT-administered federal programs. The policy 501 was adopted on 7/26/2022.

CFDA No: 20.205

Finding No: 2021-051

Program Name: Highway Planning and Construction Cluster

Status: Partially corrected

Reason for recurrence: As of June 30, 2023, the materials certification procedures were being developed but not adopted as a policy until October 7, 2024.

Actions Taken: Materials certification procedures are currently in place.

Actions Remaining: The materials certification procedures policy was modified on October 7, 2024. The Quality Assurance / Independent Assurance process will be modified to provide an alternative for performance or review/approval in the event of an absence. We plan on providing training and awareness through the annual Resident Engineer Academy training and the monthly District Engineer meeting to emphasize the required steps for the materials certification documentation.

CFDA No: 20.205

Finding No: 2021-077

Program Name: Highway Planning and Construction Cluster

Status: Corrected

Actions Taken: Procedures and instructions have been revised to ensure closed projects are processed on time. The finance and revenue accountant procedures policy was modified on August 3, 2022.

CFDA No: 20.509

Finding No: 2022-056

Program Name: Formula Grants for Rural Areas

Status: Corrected

Actions Taken: The Office of Mobility & Public Transit (OMPT) implemented 100% documentation requirements for all sub-recipient monthly claims as of 01/2022. Project Managers review 100% of the supporting documentation to ensure allowability before reimbursement.

CFDA No: 20.509

Finding No: 2022-079

Program Name: Formula Grants for Rural Areas

Status: Partially corrected

Reason for recurrence: As of June 30, 2023, the Office of Mobility and Public Transit (OMPT) is on a Federal Transit Administration (FTA) billing -Electronic Clearing House Operation – (ECHO) suspension, in effect since the last tri-annual review in 2021. Consequently, the ECHO suspension contributes to a delay in the reimbursement.

Actions Taken: Staff training is ongoing to ensure draws are reviewed and adequately supported with approved documentation. Since the last tri-annual review in 2021, OMPT has been on an FTA Electronic Clearing House Operation (ECHO) billing suspension. Consequently, this impacts the weekly billing timing. The preauthorization approval process includes the following: OMPT provides all documentation to FTA for review. Once reviewed, conditional approval is provided to enable the department to submit the ECHO reimbursement request.

Actions remaining: The preauthorization approval process continues through September 2024 and includes the following: OMPT provides all reviewed documentation to FTA for their review. Once reviewed, conditional approval is provided to enable the department to submit the ECHO reimbursement request.

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