



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 18, 2024

**MEMORANDUM FOR JESSICA MILANO, CHIEF PROGRAM OFFICER, OFFICE OF
CAPITAL ACCESS, DEPARTMENT OF THE TREASURY**

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Desk Review of the State of Oklahoma's Use of
Coronavirus Relief Fund Proceeds
(OIG-CA-25-023)

Please find the attached desk review memorandum¹ on the State of Oklahoma's (Oklahoma) use of Coronavirus Relief Fund (CRF) proceeds. The CRF is authorized under Title VI of the Social Security Act, as amended by Title V, Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under a contract monitored by our office, Castro & Company, LLC (Castro), a certified independent public accounting firm, performed the desk review. Castro performed the desk review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General* standards of independence, due professional care, and quality assurance.

In its desk review, Castro personnel reviewed documentation for a non-statistical selection of 28 transactions reported in the quarterly Financial Progress Reports (FPR) and identified unsupported and ineligible questioned costs of \$35,499,181 and \$75,926, respectively, resulting in total questioned costs of \$35,575,107 (see attached schedule of monetary benefits).²

¹ The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) assigned the Department of the Treasury Office of Inspector General with responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Fund (CRF) payments. The purpose of the desk review is to perform monitoring procedures of the prime recipient's receipt, disbursement, and use of CRF proceeds as reported in the grant-reporting portal on a quarterly basis.

² Questioned costs consist of unsupported expenditures related to multiple pandemic grant programs, unsupported and ineligible expenditures related to transfers made to multiple local governments, unsupported purchases of personal protective equipment, unsupported Internal Revenue Service offset fees, ineligible subscription costs, and unsupported payroll expenses.

Castro determined that the expenditures related to Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000,³ Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000,⁴ and Aggregate Payments to Individuals⁵ payment types did not comply with the CARES Act and the Department of the Treasury's (Treasury) Guidance. Castro determined that the expenditures related to the Contracts greater than or equal to \$50,000 payment type complied with the CARES Act and Treasury's Guidance. Castro determined Oklahoma's risk of unallowable use of funds is high.

Castro recommends that Treasury Office of Inspector General (OIG) follow up with Oklahoma's management to confirm if the \$35,499,181 noted as unsupported expenditures within the Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Oklahoma management to provide support for replacement expenses, not previously charged to CRF, that were incurred during the period of performance.

In addition, Castro recommends that Treasury OIG request Oklahoma management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$75,926 of ineligible costs charged to the Transfers greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 payment types. If support is not provided, Treasury OIG should recoup the funds. Further, based on Oklahoma's responsiveness to Treasury OIG's requests and management's ability to provide sufficient documentation and/or replace unsupported and ineligible transactions charged to CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types.

At the time of fieldwork, Castro noted that Oklahoma had findings in their Single Audit Act reports for Fiscal Years (FY) 2020 and 2021. Castro recommends that

³ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

⁴ Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the grant-reporting portal. Transactions less than \$50,000 can be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

⁵ Obligations and expenditures for payments made to individuals, regardless of amount, are required to be reported in the aggregate in the grant-reporting portal to prevent inappropriate disclosure of personally identifiable information.

Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the findings identified by the auditor in the Single Audit Act reports, as summarized below:

- Oklahoma's FY 2020 Single Audit Act report was published on July 15, 2021, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$6,164,332.
- Oklahoma's FY 2021 Single Audit Act report was published on June 27, 2023, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$12,119,843.

Castro also recommends that Treasury OIG obtain and review Oklahoma's FY 2022 Single Audit Act report, as this was not available to Castro during the desk review planning procedures.

Castro also recommends that Treasury OIG follow-up with Oklahoma and request management to perform an analysis over all grant-reporting portal balances to determine if there were other instances, separate from those identified by Castro, of subscription costs that extended past the expenditure deadline of September 30, 2022.

Treasury OIG and Castro met with Oklahoma management to discuss the report. Oklahoma management stated they would provide additional documentation to Treasury OIG to support the questioned costs or replace them with other eligible expenditures.

In connection with our contract with Castro, we reviewed Castro's desk review memorandum and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express an opinion on Oklahoma's use of CRF proceeds. Castro is responsible for the attached desk review memorandum and the conclusions expressed therein. Our review found no instances in which Castro did not comply in all material respects with the *Quality Standards for Federal Offices of Inspectors General*.

We appreciate the courtesies and cooperation provided to Castro and our staff during the desk review. If you have any questions or require further information, please contact me at (202) 486-1420, or a member of your staff may contact Lisa DeAngelis, Audit Director, at (202) 487-8371.

cc:

Michelle. A. Dickerman, Deputy Assistant General Counsel, Department of the Treasury

Danielle Christensen, Deputy Chief Program Officer, Office of Capital Access, Department of the Treasury

Wayne Ference, Partner, Castro & Company, LLC

Felicia Clark, Oklahoma State Comptroller, Office of Management and Enterprise Services

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,⁶ a questioned cost is a cost that is questioned due to a finding:

- (a) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
- (b) where the costs, at the time of the review, are not supported by adequate documentation; or
- (c) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Questioned costs are to be recorded in Treasury's Joint Audit Management Enterprise System (JAMES).⁷ The amount will also be included in the OIG Semiannual Report to Congress. It is Treasury management's responsibility to report to Congress on the status of the agreed to recommendations with monetary benefits in accordance with 5 USC 405.

Recommendation

Recommendation No. 1

Questioned Costs

\$35,575,107

The questioned costs represent amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$35,575,107 is Oklahoma's expenditures reported in the grant-reporting portal that were ineligible or lacked supporting documentation.

⁶ 2 CFR § 200.84 – Questioned Cost

⁷ JAMES is Treasury's audit recommendation tracking system.

Desk Review of the State of Oklahoma

December 18, 2024

OIG-CA-25-023

MEMORANDUM FOR DEBORAH L. HARKER,
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the State of Oklahoma

On January 22, 2024, we initiated a desk review of the State of Oklahoma's (Oklahoma) use of the Coronavirus Relief Fund (CRF) authorized under Title VI of the Social Security Act, as amended by Title V, Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).¹ The objective of our desk review was to evaluate Oklahoma's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions² portal and to assess the risk of unallowable use of funds. The scope of our desk review was limited to obligation and expenditure data for the period of March 1, 2020 through December 31, 2022,³ as reported in the GrantSolutions portal.

As part of our desk review, we performed the following:

- 1) reviewed Oklahoma's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through December 31, 2022;
- 2) reviewed the *Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;⁴

¹ P.L. 116-136 (March 27, 2020).

² GrantSolutions, a grant and program management Federal shared service provider under the United States (U.S.) Department of Health and Human Services, developed a customized and user-friendly reporting solution to capture the use of CRF payments from prime recipients.

³ Oklahoma fully expended their total CRF proceeds as of December 31, 2022. Castro set the scope end date to December 31, 2022, which was the date of Oklahoma's last reporting submission within the GrantSolutions portal.

⁴ Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021) https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf

Desk Review of the State of Oklahoma

- 3) reviewed Treasury's Office of Inspector General (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁵
- 4) reviewed Treasury OIG's monitoring checklists⁶ of Oklahoma's quarterly FPR submissions for reporting deficiencies;
- 5) reviewed other audit reports issued, such as Single Audit Act reports,⁷ and those issued by the Government Accountability Office and other applicable Federal agency OIGs for internal control or other deficiencies that may pose risk or impact Oklahoma's uses of CRF proceeds;
- 6) reviewed Treasury OIG Office of Investigations, the Council of the Inspectors General on Integrity and Efficiency Pandemic Response Accountability Committee,⁸ and Treasury OIG Office of Counsel input on issues that may pose risk or impact Oklahoma's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Oklahoma's GrantSolutions portal quarterly FPR submissions, as well as officials responsible for obligating and expending CRF proceeds;

⁵ Department of the Treasury Office of Inspector General *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping* OIG-20-028R; March 2, 2021.

⁶ The checklists were used by Treasury OIG personnel to monitor the progress of prime recipient reporting in the GrantSolutions portal. GrantSolutions quarterly submission reviews were designed to identify material omissions and significant errors, and where necessary, included procedures for notifying prime recipients of misreported data for timely correction. Treasury OIG followed the *CRF Prime Recipient Quarterly GrantSolutions Submissions Monitoring and Review Procedures Guide*, OIG-CA-20-029R to monitor the prime recipients on a quarterly basis.

⁷ P. L. 104-156 (July 5, 1996) The Single Audit Act of 1984, as amended in 1996, requires entities who receive federal funds in excess of \$750,000 to undergo an annual audit of those Federal funds. The act was enacted for the purpose of promoting sound financial management, including effective internal controls, with respect to Federal awards administered by non-Federal entities and to establish uniform requirements for audits. This prime recipient was subject to those audit requirements, and Castro reviewed applicable prior year single audit reports as part of our desk review risk assessment procedures.

⁸ Section 15010 of P.L. 116-136, the CARES Act, established the Pandemic Response Accountability Committee within the Council of the Inspectors General on Integrity and Efficiency to promote transparency and conduct and support oversight of covered funds (see Footnote 17 for a definition of covered funds) and the coronavirus response to (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries.

Desk Review of the State of Oklahoma

- 8) made a non-statistical selection of Contracts, Grants, Transfers,⁹ Direct Payments, Aggregate Reporting,¹⁰ and Aggregate Payments to Individuals^{11,12} data identified through GrantSolutions reporting; and
- 9) evaluated documentation and records used to support Oklahoma's quarterly FPRs.

Based on our review of Oklahoma's documentation supporting the uses of its CRF proceeds as reported in the GrantSolutions portal, we determined that the expenditures related to the Contracts greater than or equal to \$50,000 payment type complied with the CARES Act and Treasury's Guidance. We also found that the Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types did not comply with the CARES Act and Treasury's Guidance.

We identified unsupported and ineligible questioned costs of \$35,499,181 and \$75,926, respectively, resulting in total questioned costs of \$35,575,107. We also determined Oklahoma's risk of unallowable use of funds is high.

Castro recommends that Treasury OIG follow-up with Oklahoma's management to confirm if the \$35,499,181 noted as unsupported expenditures within the Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Oklahoma management to provide support for replacement expenses, not previously charged to CRF, that were incurred during the period of performance.

⁹ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

¹⁰ Prime recipients were required to report CRF transactions greater than or equal to \$50,000 in detail in the GrantSolutions portal. Transactions less than \$50,000 could be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

¹¹ Obligations and expenditures for payments made to individuals, regardless of amount, were required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information.

¹² Castro's review of Oklahoma's underlying general ledger (GL) detail resulted in identification of reporting reconciling errors that Castro deemed to be misclassifications that did not comply with Treasury's Guidance. A total of \$141,769,058 of payroll costs and interest revenue were reported in the Grants greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Reporting less than \$50,000 payment types that should have been reported in the Aggregate Payment to Individuals payment type. Castro included the Aggregate Payments to Individuals payment type updated GL total in our transaction selection process. Refer to Desk Review Results – Financial Reporting Control Issue below for further details.

Desk Review of the State of Oklahoma

In addition, Castro recommends Treasury OIG request Oklahoma management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$75,926 of ineligible costs charged to the Transfers greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 payment types. If support is not provided, Treasury OIG should recoup the funds.

Further, based on Oklahoma's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation and/or replace unsupported and ineligible transactions charged to CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types.

At the time of our fieldwork, Castro noted that Oklahoma had findings in their Single Audit reports for Fiscal Years (FY) 2020 and 2021. Castro recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the findings identified by the auditor in the Single Audit reports, which we have summarized below.

- Oklahoma's FY 2020 Single Audit report was published on July 15, 2021, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$6,164,332.
- Oklahoma's FY 2021 Single Audit report was published on June 27, 2023, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$12,119,843.

Castro also recommends Treasury OIG obtain and review Oklahoma's FY 2022 Single Audit report, as this was not available to Castro during our desk review planning procedures.

Non-Statistical Transaction Selection Methodology

Treasury issued a \$1,259,072,820 CRF payment to Oklahoma. As of December 31, 2022, Oklahoma expended all of its CRF proceeds. Oklahoma’s cumulative obligations and expenditures by payment type are summarized below.

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 81,088,270	\$ 81,088,270
Grants >= \$50,000	\$ 58,139,833	\$ 58,139,833
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ 228,903,810	\$ 228,903,810
Direct Payments >= \$50,000	\$ 525,592,629	\$ 525,592,629
Aggregate Reporting < \$50,000	\$ 365,348,278	\$ 365,348,278
Aggregate Payments to Individuals (in any amount) ¹³	\$ -	\$ -
Totals	\$ 1,259,072,820	\$ 1,259,072,820

Castro made a non-statistical selection of the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies¹⁴ identified by the Treasury OIG CRF monitoring team, and review of Oklahoma’s FPR submissions. Oklahoma did not obligate or expend CRF proceeds to the Loans greater than or equal to \$50,000 payment type; therefore, we did not select transactions from this payment type.

¹³ Castro’s review of Oklahoma’s underlying general ledger (GL) detail resulted in identification of reporting reconciling errors that Castro deemed to be misclassifications that did not comply with Treasury’s Guidance. A total of \$141,769,058 of payroll costs and interest revenue were reported in the Grants greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Reporting less than \$50,000 payment types that should have been reported in the Aggregate Payment to Individuals payment type. Castro included the Aggregate Payments to Individuals payment type updated GL total in our transaction selection process. Refer to Desk Review Results – Financial Reporting Control Issue below for further details.

¹⁴ Treasury OIG had a pre-defined list of risk indicators that were triggered based on data submitted by prime recipients in the FPR submissions that met certain criteria. Castro reviewed these results provided by Treasury OIG for the prime recipient.

Desk Review of the State of Oklahoma

The number of transactions (28) we selected to test was based on Oklahoma's total CRF award amount and our overall risk assessment of Oklahoma. To allocate the number of transactions (28) by payment type (Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the payment type dollar amounts as a percentage of cumulative expenditures as of December 31, 2022.

Additionally, Treasury OIG provided information on anomalies identified for Oklahoma. We selected five anomalies within our transaction selections. Treasury OIG also identified additional anomalies in the form of potential duplicates, which had not already been included within our transaction selections, of which we selected 13 potential duplicates. We performed limited testing on these 13 potential duplicate payments to determine that the payments were not duplicates. We identified exceptions within this potential duplicate testing. See Other Matter for Treasury OIG Consideration - Anomalies (Potential Duplicate Payments) in the Desk Review Results section below for further discussion. The transactions selected for testing were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

Background

The CARES Act appropriated \$150 billion to establish the CRF. Under the CRF, Treasury made payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories, including the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and Tribal governments (collectively referred to as "prime recipients"). Treasury issued a \$1,259,072,820 CRF payment to Oklahoma. The CARES Act stipulates that a prime recipient may only use the funds to cover costs that—

- (1) were 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; and
- (3) were incurred during the covered period between March 1, 2020 and December 31, 2021.¹⁵

¹⁵ P.L. 116-260 (December 27, 2020). The covered period end date of the CRF was extended through December 31, 2021 by the Consolidated Appropriations Act, 2021. The covered period end date for tribal entities was further extended to December 31, 2022 by the State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act, Division LL of the Consolidated Appropriations Act, 2023, P.L. 117-328, December 29, 2022, 136 Stat. 4459.

Desk Review of the State of Oklahoma

Section 15011 of the CARES Act required each covered recipient¹⁶ to submit to Treasury and the Pandemic Response Accountability Committee, no later than 10 days after the end of each calendar quarter, a report that contained (1) the total amount of large, covered funds^{17,18} received from Treasury; (2) the amount of large, covered funds received that were expended or obligated for each project or activity; (3) a detailed list of all projects or activities for which large, covered funds were expended or obligated; and (4) detailed information on any level of sub-contracts or sub-grants awarded by the covered recipient or its sub-recipients.

The CARES Act assigned Treasury OIG the responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of CRF proceeds. Treasury OIG also has the authority to recoup funds in the event that it is determined a recipient failed to comply with requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)).

Desk Review Results

Financial Reporting Control Issues

Castro's review of Oklahoma's underlying general ledger (GL) detail resulted in identification of GrantSolutions portal misclassification reconciling errors that did not comply with Treasury's Guidance. For instance, Oklahoma should have reported its payroll costs of \$141,769,058 in the Aggregate Payments to Individuals payment type, but erroneously reported those costs in other payment types within its final December 31, 2022 FPR. Castro also inquired about why the total GL detail populations provided of \$1,260,275,070 was greater than the total CRF award amount of \$1,259,072,820. Oklahoma provided a response that these errors were due to interest revenue earned from investing CRF proceeds in

¹⁶ Section 15011 of P.L. 116-136, the CARES Act, defined a covered recipient as any entity that received large, covered funds and included any State, the District of Columbia, and any territory or possession of the United States.

¹⁷ Section 15010 of P.L. 116-136, the CARES Act, defined covered funds as any funds, including loans, that were made available in any form to any non-Federal entity, not including an individual, under Public Laws 116-123, 127, and 136, as well as any other law which primarily made appropriations for Coronavirus response and related activities.

¹⁸ Section 15011 of P.L. 116-136 defined large, covered funds as covered funds that amounted to more than \$150,000.

Desk Review of the State of Oklahoma

interest bearing accounts¹⁹ totaling \$1,202,250, which was allowable under Treasury’s Guidance. After excluding the interest revenue, the GL detail balance agreed to the total expenditures reported in the GrantSolutions portal, so we did not have any questioned costs. See table below for a summary of these misclassification errors that Oklahoma corrected in the GL.

Payment Type	Cumulative Expenditures per FPR	Cumulative Expenditures Per GL Population	Difference ²⁰
Contracts >= \$50,000	\$ 81,088,270	\$ 81,088,270	\$ -
Grants >= \$50,000	\$ 58,139,833	\$ 58,183,466	\$ (43,633)
Loans >= \$50,000	\$ -	\$ -	\$ -
Transfers to Other Government Agencies >= \$50,000	\$ 228,903,810	\$ 228,903,810	\$ -
Direct Payments >= \$50,000	\$ 525,592,629	\$ 525,669,590	\$ (76,961)
Aggregate Reporting < \$50,000	\$ 365,348,278	\$ 224,660,876	\$ 140,687,402
Aggregate Payments to Individuals (in any amounts)	\$ -	\$ 141,769,058	\$ (141,769,058)
Totals	\$ 1,259,072,820	\$ 1,260,275,070	\$ (1,202,250)

¹⁹ Treasury’s Federal Register guidance states the following, “May recipients deposit Fund payments into interest bearing accounts? Yes, provided that if recipients separately invest amounts received from the Fund, they must use the interest earned or other proceeds of these investments only to cover expenditures incurred in accordance with section 601(d) of the Social Security Act and the Guidance on eligible expenses. If a government deposits Fund payments in a government’s general account, it may use those funds to meet immediate cash management needs provided that the full amount of the payment is used to cover necessary expenditures. Fund payments are not subject to the Cash Management Improvement Act of 1990, as amended.”

²⁰ Castro used parentheses to denote understated values within payment types for Oklahoma’s GrantSolutions portal reporting as of December 31, 2022. The Cumulative Expenditures Per GL Population section in the table above were derived from Oklahoma’s GL details as of December 31, 2022. The Difference section is generating the variances between Oklahoma’s claimed amounts as of December 31, 2022 from GrantSolutions portal reporting and the GL details. The excess of \$1,202,250 was due to accrued interest on the CRF proceeds. Prime recipients were allowed to earn interest revenue on CRF proceeds, but the Treasury OIG did not require prime recipients to report expenditure sources by interest bearing accounts.

Desk Review of the State of Oklahoma

Financial Progress Reports

We reviewed Oklahoma's quarterly FPRs through December 31, 2022, and found that Oklahoma timely filed quarterly FPRs in the GrantSolutions portal for the reporting periods ending June 30, 2020 through December 31, 2021 and the reporting periods ending June 30, 2022 through December 31, 2022. However, Oklahoma failed to submit a quarterly FPR in the GrantSolutions portal for the reporting period ending March 31, 2022, resulting in non-compliance with Treasury OIG's reporting requirements for that reporting period. Oklahoma fully expended their total CRF proceeds as of December 31, 2022.

Summary of Testing Results

We found that the Contracts greater than or equal to \$50,000 payment type complied with the CARES Act and Treasury's Guidance. Additionally, we found that the Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types did not comply with the CARES Act and Treasury's Guidance because we were unable to determine if all tested expenditures were necessary due to the COVID-19 public health emergency, were not accounted for in the budget most recently approved as of March 27, 2020, and were incurred during the covered period. The transactions selected for testing were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

Within Table 1 below, we have included a summary of \$34,559,842 in unsupported and ineligible expenditures identified as questioned costs through our testing of detailed transactions, which did not comply with the CARES Act and Treasury's Guidance. Castro also identified other matters throughout the course of our desk review procedures which we considered to be questioned costs that were not part of our testing of detailed transactions. Table 2 below combines the questioned costs identified in Table 1 with the other questioned costs of \$1,015,265 identified separately from our detailed transaction testing to account for total questioned costs of \$35,575,107. See the Desk Review Results section below Table 2 for a detailed discussion of questioned costs and other issues identified throughout the course of our desk review.

**Table 1 - Summary of Expenditures Testing and Recommended Results
As of December 31, 2022**

Payment Type	Cumulative Expenditure GL Population Amount	Cumulative Expenditure Tested Amount	Unsupported Tested Questioned Costs	Ineligible Tested Questioned Costs	Total Tested Questioned Costs
Contracts >= \$50,000	\$ 81,088,270	\$ 54,135,000	\$ -	\$ -	\$ -
Grants >= \$50,000	\$ 58,183,466	\$ 115,040	\$ 69,900	\$ -	\$ 69,900
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ 228,903,810	\$ 34,660,111	\$ 586,166	\$ 36,491	\$ 622,657
Direct Payments >= \$50,000	\$ 525,669,590	\$ 160,002,039	\$ 26,774,158	\$ -	\$ 26,774,158
Aggregate Reporting < \$50,000	\$ 224,660,876	\$ 171,945	\$ 49,536	\$ -	\$ 49,536
Aggregate Payments to Individuals (in any amount)	\$ 141,769,058	\$ 69,708,089	\$ 7,043,591	\$ -	\$ 7,043,591
Totals	\$ 1,260,275,070	\$ 318,792,224	\$ 34,523,351	\$ 36,491	\$ 34,559,842

**Table 2 – Summary of Tested and Other Matters Identified Questioned Costs
As of December 31, 2022**

Payment Type	(A) Unsupported Questioned Costs (Tested)	(B) Unsupported Questioned Costs (Other Matter)	(C=A+B) Total Unsupported Questioned Costs	(D) Ineligible Questioned Costs (Tested)	(E) Ineligible Questioned Costs (Other Matter)	(F=D+E) Total Ineligible Questioned Costs	(G=C+F) Total Questioned Costs
Contracts >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants >= \$50,000	\$ 69,900	\$ -	\$ 69,900	\$ -	\$ -	\$ -	\$ 69,900
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Other Government Agencies >= \$50,000	\$ 586,166	\$ 554,803	\$ 1,140,969	\$ 36,491	\$ -	\$ 36,491	\$ 1,177,460
Direct Payments => \$50,000	\$ 26,774,158	\$ 175,853	\$ 26,950,011	\$ -	\$ 39,435	\$ 39,435	\$ 26,989,446
Aggregate Reporting < \$50,000	\$ 49,536	\$ -	\$ 49,536	\$ -	\$ -	\$ -	\$ 49,536
Aggregate Payments to Individuals (in any amount)	\$ 7,043,591	\$ 245,174	\$ 7,288,765	\$ -	\$ -	\$ -	\$ 7,288,765
Totals	\$ 34,523,351	\$ 975,830	\$ 35,499,181	\$ 36,491	\$ 39,435	\$ 75,926	\$ 35,575,107

Desk Review of the State of Oklahoma

Contracts Greater Than or Equal to \$50,000

We determined Oklahoma's Contracts greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. We tested two transactions totaling \$54,135,000 and identified no exceptions. The contracts tested related to leases for hospital space needed for a surge in hospital patients during the COVID-19 pandemic.

Grants Greater Than or Equal to \$50,000

We determined Oklahoma's Grants greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested one grant totaling \$115,040. We tested five invoices related to the grant and identified exceptions for three out of five invoices tested. We identified total unsupported questioned costs of \$69,900, as detailed below. The transactions tested related to payroll costs for employees running Oklahoma's Eviction Mitigation Grant Program, which included legal services for those suffering evictions due to the pandemic.

Eviction Mitigation Grant Program: Unsupported Costs

A non-profit organization was awarded CRF proceeds related to a grant award for the Oklahoma's Eviction Mitigation Grant Program. We tested five invoices related to the grant totaling \$115,040. The individuals involved with the Eviction Mitigation Grant Program met with lawyers, and performed tasks related to assisting individuals who were being evicted due to losses suffered from the COVID-19 pandemic. We found the following three exceptions related to this grant program, which resulted in total unsupported questioned costs of \$69,900:

- For one of the five invoices tested valued at \$6,840, we questioned \$700 as unsupported costs, after identifying a variance between the reported amount of \$6,840 and the invoiced amount of \$6,140.
- For one of the five invoices, we questioned the total invoice amount of \$68,000 as unsupported costs because we were unable to verify the reported labor hours.
- For one of the five invoices, Castro reviewed the sub-recipient contractors' payroll costs totaling \$6,200 submitted to the grantee that reconciled to the amount claimed in the GrantSolutions portal. We noted one line item related to a \$1,200 "sign on bonus" charged to administrative expenses. We followed up with the sub-recipient and received the following response, "A bonus was paid to all team members (independent contractors) when joining the team to assist in the purchase of adequate electronic equipment required to perform the services, including a laptop. This was referred to as

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the “BYOD stipend” (bring your own device). The non-profit organization had no equipment as it was a brand-new program set up specifically for the administration of CRF for eviction mitigation.” Castro requested invoices and receipts to support the electronic equipment purchased with the stipend, but Oklahoma did not provide any additional support by end of fieldwork. Castro questioned \$1,200 as unsupported costs.

Transfers Greater Than or Equal to \$50,000

We determined Oklahoma's Transfers greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested five transactions totaling \$34,660,111. The transactions tested related to public health and safety payroll²¹; uniform purchases for inmates; sanitization/disinfection supplies; and small business grants. We identified four exceptions from our testing, resulting in total tested questioned costs of \$622,657, which consisted of unsupported and ineligible costs of \$586,166 and \$36,491, respectively, as detailed below.

Castro also questioned \$554,803 in unsupported other matter identified questioned costs, increasing our total questioned costs to \$1,177,460 for Transfers, as detailed below.

Transfer Exception #1 – Edmond Small Business Emergency Grant Program

The City of Edmond received \$150,000 in CRF proceeds from Oklahoma to establish the Edmond Small Business Emergency Grant Program. This program offered grants to small businesses to ensure continuity of operations during the pandemic. The grant program required applicants to be for-profit businesses that were registered with the Oklahoma Secretary of State, located in the city limits of Edmond, Oklahoma, and members of the Edmond Area Chamber of Commerce. Grant applicants also had to provide:

- a signed application with responses to narrative questions.
- 2019 profit and loss statements.
- balance sheets or 2018 tax returns.

²¹ Treasury’s Federal Register guidance provided the following examples of public health and safety employees: “police officers (including state police officers), sheriffs and deputy sheriffs, firefighters, emergency medical responders, correctional and detention officers, and those who directly support such employees such as dispatchers and supervisory personnel... employees involved in providing medical and other health services to patients and supervisory personnel, including medical staff assigned to schools, prisons, and other such institutions, and other support services essential for patient care (e.g., laboratory technicians) as well as employees of public health departments directly engaged in matters related to public health and related supervisory personnel.”

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Castro tested \$7,500 in grant awards related to three small businesses who each received a payment of \$2,500. We identified \$5,000 as unsupported questioned costs related to two out of the three selected applicants who did not satisfy the eligibility requirements outlined in the grant program, as detailed below.

- For one \$2,500 grant award, Castro determined Oklahoma voided one \$2,500 grant award but did not properly remove this transaction from the FPR within the GrantSolutions portal. As such, Castro questioned \$2,500 as unsupported costs.
- For another \$2,500 grant award, Castro reviewed the application and 2019 financial statements and noted that the applicant did not respond to the required grant narrative questions. Castro determined that Oklahoma did not verify that all eligibility requirements were met prior to awarding the grant proceeds. As such, Castro questioned \$2,500 as unsupported costs.

Additionally, during our transfers reconciliation procedures, Castro identified a \$1,000 variance between Oklahoma's GL detail of \$149,000 and the GrantSolutions portal amount of \$150,000. Oklahoma provided a spreadsheet accounting for the \$150,000 claimed amount, stating that a grantee was approved for a \$1,500 payment but had accidentally been issued a \$2,500 check. Additionally, Oklahoma provided a canceled check demonstrating that the amount paid to the grantee was \$2,500. As such, since the discrepancy was not reversed from the GrantSolutions portal, Castro questioned \$1,000 as unsupported other matter (identified from the reconciliation as opposed to the detailed testing of transactions from our judgmental selections) costs.

Transfer Exception #2 - Comanche County Detention Centers

Oklahoma claimed \$701,773 for a transfer to Comanche County related to expenditures incurred by the sub-recipient. Castro tested two invoices totaling \$141,397 related to this transfer. For one invoice tested for \$129,696 related to public health and safety payroll incurred by Comanche County, Oklahoma did not provide the payroll distribution report to support the payroll costs by the end of fieldwork. Castro was unable to reconcile and test our transaction selection amount for this one invoice, as we were not provided employee job titles, departments, and pay codes needed to verify these costs were related to public health and safety payroll. As such, Castro questioned \$129,696 as unsupported costs.

Additionally, during our transfers reconciliation procedures, we noted that Oklahoma reported \$701,773 in CRF proceeds transferred to Comanche County in the GrantSolutions portal. However, Castro only received \$165,663 of

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documentation to support the \$701,773 in CRF proceeds claimed by Oklahoma, resulting in a variance of \$536,110. We followed up with Oklahoma on this discrepancy, and Oklahoma confirmed that it paid Comanche County \$165,663; however, they were unsure why the payment was reported in the GrantSolutions portal as \$701,773. As such, Castro questioned the variance of \$536,110 as unsupported other matter questioned costs.

Transfer Exception #3 – Wynnewood Public Health and Safety Payroll

Oklahoma claimed \$137,170 for a transfer to the City of Wynnewood for public health and safety payroll expenses. Castro tested \$3,197 out of the \$137,170 without exception. However, we identified unsupported questioned costs for the remaining \$133,973, which consisted of \$133,793 and \$180 in questioned costs (as detailed below).

- Castro requested a payroll distribution report or an employee roster that included employee positions, but Oklahoma did not respond by our final suspense date. Castro could not verify these amounts were related to public health and safety payroll expenses without the employee positions. As such, Castro questioned \$133,793 in public health and safety payroll expenses as unsupported costs.
- Additionally, Castro received an invoice for cleaning/disinfection supplies and a receipt for a computer purchase but was not provided a receipt for the purchase of two computer monitors. As a result, Castro questions an additional amount of \$180 in miscellaneous purchases as unsupported.

Transfer Exception #4 – Rogers County Public Health and Safety Payroll

Oklahoma claimed \$3,626,867 for a transfer to Rogers County for public health and safety payroll expenses. Castro verified that the payroll expenses were related to public health and safety payroll; however, we identified reconciling and ineligible pay items, which resulted in unsupported and ineligible costs of \$317,497 and \$36,491 respectively, for total questioned costs for this transfer of \$353,988, as detailed below.

For one public health and safety payroll selection, Castro reviewed the payroll distribution report and calculated that the report totaled \$459,455 in payroll costs, which did not reconcile to the GrantSolutions portal selection amount of \$469,738, resulting in a variance of \$10,283. Castro followed up with Oklahoma requesting additional payroll distribution reports to support this variance; however, Oklahoma did not respond by the end of fieldwork. Therefore, Castro questioned \$10,283 as unsupported costs.

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For an additional public health and safety payroll selection, Castro reviewed the payroll distribution report and calculated that the report totaled \$323,524 in payroll costs, which did not reconcile to the GrantSolutions portal selection amount of \$630,738, resulting in a variance of \$307,214. Castro followed up with Oklahoma requesting additional payroll distribution reports to support this variance; however, Oklahoma did not provide a response by the end of fieldwork. Castro questioned \$307,214 as unsupported costs. Additionally, Castro noted that the payroll distribution report included \$36,491 of payroll expenses for February 19, 2020, through February 29, 2020, which was outside of the covered period. As such, Castro questioned \$36,491 as ineligible costs.

Additionally, during our transfers reconciliation procedures, we noted that Oklahoma reported \$3,626,867 in CRF proceeds transferred to Rogers County in the GrantSolutions portal; however, Oklahoma provided Castro with \$3,609,174 of GL details for the transfer, resulting in a variance of \$17,693. Oklahoma did not provide any additional expenditure GL details to evidence that Rogers County received and spent this missing \$17,693. Castro questioned the \$17,693 as other matter unsupported costs.

Direct Payments Greater Than or Equal to \$50,000

We determined Oklahoma's Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We selected 12 direct payment transactions totaling \$160,002,039, including testing of 48 invoices. The direct payment transactions tested included expenditures for a replenishment to the Oklahoma Unemployment Insurance Trust Fund due to an unprecedented increase in claims due to COVID-19, personal protective equipment (PPE); COVID-19 supplies and tests; a driver's license renewal software needed so that citizens could apply for their licenses remotely due to quarantining; unemployment call centers needed due to unprecedented call volume due to the pandemic; funding for higher education entities to reimburse their students for fees and meal costs resulting from COVID-19 in person shutdown; advertisements produced to mitigate the negative financial effects of COVID-19 on Oklahoma's tourism industry; and software upgrades for monitoring COVID-19 testing results. Castro identified nine invoice-level exceptions related to the 48 invoices tested. We questioned \$26,774,158 as a result of our testing as unsupported costs, as detailed below.

Castro noted Oklahoma listed the Executive Office of the State of Oklahoma as the sub-recipient for all expenditure transactions reported to Direct Payments greater than or equal to \$50,000 totaling \$525,669,590. Castro considered this a reporting error that did not comply with the Treasury's Guidance. Since the Executive Office of the State of Oklahoma was part of the prime recipient's government for CRF

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reporting purposes, Treasury's Guidance required Oklahoma to report the Executive Office of the State of Oklahoma's use of CRF proceeds in the applicable payment types with the related vendors being identified as payees in the GrantSolutions portal. Additionally, we identified reporting misclassifications related to the Direct Payments greater than or equal to \$50,000 payment type that should have been reported within the Grants greater than or equal to \$50,000 payment type. Castro also completed an **Unemployment Trust Fund Replenishment Analysis** which can be found at the end of the direct payments section below. We identified no exceptions related to Oklahoma's unemployment replenishment payments.

Furthermore, Castro identified other matters questioned costs of (1) \$19,000 in unsupported questioned costs related to reconciliation errors, and (2) unsupported and ineligible costs of \$156,853 and \$39,435, respectively, related to anomaly transactions identified by Treasury OIG, as detailed below.

In summary, questioned costs consisted of \$26,774,158 in unsupported questioned costs identified through testing, \$19,000 in unsupported other matter questioned costs identified from reconciliation procedures, and \$196,288 in other matter questioned costs for anomaly transactions, which resulted in a Direct Payment total questioned costs of \$26,989,446.

Personal Protective Equipment (PPE) Purchased but Not Received

Prior Year Oklahoma State Auditor's Investigative Audit Summary

Castro noted that Oklahoma's State Auditor identified errors for transactions incurred where Oklahoma purchased but did not receive the PPE from various vendors, as reported in its "*Investigative Audit Report of the Oklahoma State Department of Health.*"²² Oklahoma personnel were engaged in lawsuits with some of the vendors however, the State Auditor's findings stated that Oklahoma did not reverse these transactions from their GrantSolutions portal submission. Castro followed up with Oklahoma regarding the status of the investigative audit findings and requested a listing of items that had been reversed. Oklahoma provided a listing of transactions that it indicated were reversed; however, within that listing there were multiple transactions that Castro confirmed were not reversed within the GrantSolutions portal. Castro used this listing to select transactions for testing from Oklahoma's GL detail. Castro selected 14 expenditure transactions for testing related to the Oklahoma State Auditor investigative report

²² The Oklahoma's State Auditor published its "*Investigative Audit Report of the Oklahoma State Department of Health For the Period September 2019 through February 2021,*" dated February 8, 2022, at the following link:
<https://www.sai.ok.gov/Search%20Reports/database/Dept%20of%20Health%20Web%20Final.pdf>

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to determine if Oklahoma could support receipt of the purchased PPE. The exceptions listed below were similar to the findings identified in the Oklahoma State Auditor report.

Direct Payments Exception # 1 - No Evidence of Receipt of PPE Purchased (\$19,443,409 of Total Unsupported Questioned Costs)

No Evidence of Receipt of PPE Purchased (\$16,403,303 of Unsupported Questioned Costs)

For all 14 invoices that Castro tested related to the State Auditor's investigative audit, Oklahoma failed to provide evidence of (1) the PPE being received (e.g., receiving reports, e-mail communications, or signatures on invoices) and (2) proof of payment. As a result, Castro questioned \$16,403,303 as unsupported costs.

No Evidence of Receipt of PPE Purchased (\$1,799,100 of Unsupported Questioned Costs)

Oklahoma claimed and Castro tested \$1,799,100 in CRF expenses for masks purchased during the pandemic. Castro reviewed the invoice that agreed to the amount claimed. Castro also reviewed a bill of lading for this transaction; however, the bill of lading noted that gloves were received as opposed to masks. Additionally, Castro requested Oklahoma provide a receiving report to show that the masks were received, but Oklahoma was unable to provide one by our final suspense date. Oklahoma did provide a written response to our follow up, confirming this was a duplicate transaction. Castro questioned \$1,799,100 as unsupported costs, because we could not confirm receipt of the purchased masks.

No Evidence of Receipt of PPE Purchased (\$1,241,006 of Unsupported Questioned Costs)

Oklahoma claimed and Castro tested \$1,241,006 in CRF expenses for surgical gowns purchased during the pandemic. Castro reviewed the invoice that agreed to the claimed amount. We noted within an email between the vendor and Oklahoma that 1,449 boxes of gowns had been picked up, but there was no confirmation from the Oklahoma individual in charge of purchasing PPE that these items had been delivered to Oklahoma. The only confirmation received was that the items were approved for payment, but Castro could not confirm that the PPE were received by Oklahoma. We also requested Oklahoma provide external payment support for the transaction selection. Oklahoma provided a wire confirmation from the Oklahoma State Treasury; however, the payment amount did not agree to our transaction amount. We requested Oklahoma provide external payment support that agreed with our selection amount, but Oklahoma

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did not provide any by the end of fieldwork. Castro questioned \$1,241,006 as unsupported costs.

Direct Payments Exception #2 - Internal Revenue Service (IRS) Offset Fees (\$234,855 Unsupported Questioned Costs)

From a GrantSolutions portal balance of \$14,659,421, Oklahoma's Department of Human Services claimed, and Castro tested \$234,855 in CRF expenses for the economic offset fees²³ associated with the IRS and U.S. Treasury's CARES Act 2020 stimulus payments.²⁴ The IRS charges Oklahoma an offset fee each time it garnishes a portion of an individual's wages on the state's behalf. During the pandemic, the IRS garnished past-due child support owed by Oklahoma residents from the IRS stimulus payments. Then, the IRS remitted the garnished past-due child support amounts to Oklahoma. Oklahoma provided a justification that stated: "The IRS offset fee is \$20 per offset. Oklahoma's Department of Human Services child support services normally spends approximately \$450,000 per year on IRS offset fees. [In] FY 2020, the fee totaled \$1,213,349 due to increased offsets of stimulus payments under the CARES Act." Castro requested that Oklahoma management provide the following to fully support this expenditure:

- the invoice/bill from the IRS for the post-COVID offset fees.
- documentation to support the costs of the IRS offset fees prior to the pandemic and during the pandemic.

Oklahoma was unable to provide any of the requested documentation by the end of fieldwork. Castro questioned the \$234,855 amount as unsupported costs.

During our Direct Payment reconciliation procedures performed to select the transaction in the finding, Castro noted that the GL population total of \$14,659,421 did not agree to the total amount claimed within the GrantSolutions portal of \$14,678,421, resulting in a variance of \$19,000. We followed up with Oklahoma management regarding this variance, but management was unable to provide GL detail to support the remaining \$19,000 which Castro questioned as unsupported other matter identified costs.

²³ The U.S. Treasury may withhold money to satisfy an overdue (delinquent) debt. The official term for withholding money from a payment is "offset" or "administrative offset."

²⁴ In 2020, the IRS and the U.S. Treasury issued CARES Act stimulus checks directly to individuals to ease the burdens of the COVID-19 pandemic and to stimulate the economy.

Direct Payments Exception # 3 - Returned Transactions Not Reversed (\$95,781 Unsupported Questioned Costs)

For one invoice tested totaling \$95,781, Castro noted that this transaction represented funds that were returned to Oklahoma by its state agency and vendor, but was not reversed from the GrantSolutions portal. While Castro was able to corroborate that Oklahoma received a refund, Castro noted that Oklahoma did not respond by the end of fieldwork to Castro's requests on why it did not reverse these funds from the GrantSolutions portal. Castro questioned \$95,781 as unsupported costs.

Direct Payments Exception #4 - Unsupported Non-Profit Grants (\$777,911 Total Unsupported Questioned Costs)

For three invoices tested related to funding awarded to a non-profit organization totaling \$910,363, Castro tested \$132,452 without exception, but identified \$777,911 in expenses where Oklahoma did not provide any expenditure support. These costs consisted of \$40,514 in administrative costs and \$737,397 in programmatic costs. Castro requested invoices for the administrative and programmatic expenses to support the items purchased by the sub-recipient; however, Oklahoma did not provide this requested support. Without this detail, Castro questioned \$777,911 as unsupported.

Finally, Castro noted the transactions were misclassified under the Direct Payments greater than or equal to \$50,000 payment type, instead of within the Grants greater than or equal to \$50,000 payment type, which we considered to be non-compliant with Treasury's Guidance.

Direct Payments Exception #5 - Nonprofit Arts Center Grant (\$2,235,316 Unsupported Questioned Costs)

For one transaction tested totaling \$2,235,316, Oklahoma made a grant payment to an arts center that was raising funds for a new location in the Innovation District of Oklahoma City. Castro considered this a reporting misclassification that did not comply with Treasury's Guidance, as Oklahoma reported this as a direct payment when it should have reported this as a grant.

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Castro reviewed the project submission file and noted that the eligibility justification statement indicated that the \$2,235,316 payment would eliminate a line of credit the art center used to close the gap between their capital campaign goal and funding received via private gifts and pledges. To fully support the expenditure, Castro requested for the following from Oklahoma:

- an explanation on how it was determined that the selected expenditure incurred was necessary due to the public health emergency with respect to COVID-19.
- grant requirements, application and agreement.
- any of the documentation Oklahoma reviewed to determine that the non-profit was eligible for the grant program.
- an explanation on how it was determined that the expenditures were not accounted for in the budget most recently approved as of March 27, 2020.

Oklahoma was unable to provide any of the requested documentation or explanations by the end of fieldwork. Castro questioned the total \$2,235,316 transaction as unsupported costs.

Direct Payments Exception # 6 - Professional Fees and Expenses: Missing Eligibility and Budget Documentation (\$2,162,500 Unsupported Questioned Costs)

For one transaction tested totaling \$2,162,500, Castro noted that the invoice agreed to the CRF reported selected amount. The invoice indicated that the fees were for contracted professional services related to the "Oklahoma State Employment Security Commission Digital Transformation Project (Phase 2)." Castro followed up with Oklahoma and requested the following to fully support the expenditure:

- the contract referenced in the invoice.
- documentation to support what exactly these professional fees and expenses entailed.
- an explanation on how it was determined that the selected expenditure incurred was necessary due to the public health emergency with respect to COVID- 19.
- an explanation on how it was determined that the expenditures were not accounted for in the budget most recently approved as of March 27, 2020.

Oklahoma was unable to provide any of the requested documentation or explanations by the end of fieldwork. Castro questioned the total \$2,162,500 transaction as unsupported costs.

Direct Payments Exception #7 - Storage Expansion Services (\$912,815 Unsupported Questioned Costs)

For one invoice tested totaling \$912,815, Castro reviewed the invoice and noted the full invoice amount of \$1,430,690 included a note that the purchase was for a fiscal year 2022 Data Protection Storage Expansion. Castro reviewed the payment voucher provided by Oklahoma and noted that the \$1,430,690 invoice amount was broken out into two separate amounts of \$912,815 (our transaction selected amount) and \$517,875. Castro followed up with Oklahoma and requested the following to fully support our selected expenditure amount of \$912,815:

- an obligating document such as a purchase order to evidence the type of purchase made.
- an elaboration on what the invoice purchase of "FY22 Data Protection Storage Expansion" was for and an explanation on how Oklahoma determined that the selected expenditures incurred were necessary due to the public health emergency with respect to COVID-19.
- an explanation on how it was determined that the expenditures were not accounted for in the budget most recently approved as of March 27, 2020.

Oklahoma was unable to provide any of the requested documentation or explanations by the end of fieldwork. Castro questioned the entire balance of \$912,815 as unsupported costs.

Direct Payments Exception #8 - Workforce System (\$663,750 Unsupported Questioned Costs)

For one invoice tested totaling \$663,750 related to the purchase of a workforce system, we received a "Claim Jacket Voucher Form" which was an internal Oklahoma prepared voucher approving a transaction for payment, but we did not receive an invoice to verify eligibility. Castro followed up with Oklahoma and requested the following to fully support the expenditure:

- the missing invoice which was noted in Oklahoma's internal payment voucher.
- an obligating document between the State of Oklahoma and the vendor, if applicable, which was needed to understand the terms of the agreement and the details of the workforce system being purchased.
- an explanation on how it was determined that the selected expenditure incurred was necessary due to the public health emergency with respect to COVID-19.
- an explanation on how it was determined that the expenditures were not accounted for in the budget most recently approved as of March 27, 2020.

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Oklahoma was unable to provide the requested documentation or explanations by the end of fieldwork. Castro questioned the total tested amount of \$663,750 as unsupported costs.

Direct Payments Exception #9 - Tower Expenditure (\$247,821 Unsupported Questioned Costs)

For one invoice tested totaling \$247,821, Castro reviewed the invoice and it agreed with the claimed amount. The invoice detailed that the transaction was for an "Elk City Self Supporting Tower New Tower and Demo." Castro noted within an email communication between Oklahoma and the vendor that the transaction was for a contract for cable installation, relocation, and tower maintenance for the Oklahoma Department of Transportation. Castro followed up with Oklahoma and requested the following to fully support the expenditures:

- the contract between the Oklahoma Department of Transportation and the vendor.
- the work order or purchase order for the project.
- an explanation on how it was determined that the selected expenditure incurred was necessary due to the public health emergency with respect to COVID-19.
- an explanation on how it was determined that the expenditures were not accounted for in the budget most recently approved as of March 27, 2020.

Oklahoma was unable to provide the requested documentation or explanations by the end of fieldwork. Castro questioned the total amount tested of \$247,821 as unsupported costs.

Other Matter for Treasury OIG Consideration - Anomalies (Potential Duplicate Payments)

Castro tested 13 anomalies that were potential duplicate payments totaling \$1,530,449. We noted exceptions in five out of the 13 potential duplicate payments tested for a total questioned costs of \$196,288. The questioned costs consisted of \$39,435 of ineligible costs and \$156,853 of unsupported costs, respectively, as detailed below.

Potential Duplicate Payments – Warranty Extending Beyond Final Period to Expend Funds

For three out of 13 potential duplicate selections totaling \$405,543, Castro determined that Oklahoma purchased 3-year warranty subscriptions on September 11, 2020, and the subscriptions would be active through September 2023, which was outside Treasury’s final period for Oklahoma to expend obligated funds from the CRF, September 30, 2022.²⁵ For each subscription, we determined the amount of time that would occur after September 30, 2022, and utilized this to calculate the dollar amount associated with the portion of these prepaid warranty subscriptions that was not fully expended prior to September 30, 2022. Castro determined the ineligible portion of the total prepaid expenditures claimed by Oklahoma was \$39,435. Castro is questioning these costs as ineligible since the amounts associated with the subscription time were outside of Treasury’s period to expend funds received from the CRF.

We recommend Treasury OIG follow-up with Oklahoma and request they perform an analysis over all of their GrantSolutions portal reported balances to determine if there were other instances of subscription costs included and determine if other instances of subscription costs that extended past the final date to incur CRF expenditures of September 30, 2022.

Potential Duplicate Payments – Missing Invoices

For two out of 13 potential duplicates totaling \$156,853, Oklahoma was unable to provide invoices by the end of fieldwork. Therefore, Castro could not confirm if these transactions were duplicate payments. Castro questioned \$156,853 as unsupported costs.

²⁵ Coronavirus Relief Fund Guidance as published in the Federal Register (December 14, 2021) CRF-Guidance_Revision-Regarding-Cost-Incurred.pdf (Treasury.gov) states: “Costs incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. 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.”

Unemployment Insurance Replenishment Analysis

Oklahoma reported two payments used to replenish Oklahoma's Unemployment Insurance (UI) Trust Fund totaling \$100,000,000. The first was a \$75,000,000 payment made in November 2020 that was included as one of Castro's transaction selections, and the second was a \$25,000,000 payment made in October 2020 that was not included as one of our tested transactions, but which we considered for the purpose of this overall analysis. Oklahoma provided the Oklahoma Department of Labor (DOL) prepared unemployment claim analysis supporting how it determined that the change in this balance (unemployment claims paid) occurred due to the COVID-19 pandemic and not due to unemployment claims that would have been paid regardless of the pandemic.

Castro inspected the bank statements to support key UI Trust Fund balances included within Oklahoma DOL's unemployment claim analysis. Castro also obtained a written confirmation from the Oklahoma DOL personnel responsible for managing the UI Trust Fund, which stated that Oklahoma claimed unemployment claims for reimbursement under other federal funding sources. This included the Emergency Unemployment Relief for Governmental Entities and Nonprofit Organizations program (EURGENO), which was funded by the U.S. Department of Labor. In their written confirmation, Oklahoma DOL stated that EURGENO was the only other federal funding that went into Oklahoma's Trust Fund from March 1, 2020 through September 30, 2022. Castro performed an analysis over the \$46,273,107 of EURGENO funding and noted that when combined with the two replenishment payments of \$100,000,000 using CRF funding, the combined contribution towards the UI Trust Fund balance was \$146,273,107. Castro noted that the \$146,273,107 combined contribution resulted in an increase to the balance that was far below the UI Trust Fund balance of \$1,069,678,356 in March 2020 at the start of the pandemic.

Therefore, after considering Oklahoma's use of other federal funding sources, Castro determined Oklahoma's CRF payments to be a replenishment to the UI Trust Fund and not an augmentation. Additionally, Castro determined these payments were necessary due to the COVID-19 pandemic and did not represent unemployment claims that would have been paid regardless of the pandemic.

Aggregate Reporting Less Than \$50,000

We determined Oklahoma's Aggregate Reporting less than \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested four transactions totaling \$171,945. The transactions tested included expenditures related to implementing a new nurse licensing system to allow licensing to occur electronically during the pandemic that could not occur prior to system implementation; purchase of virtual reality headsets to enable the training of new meat processing facilities personnel when a hands-on environment was unavailable or to supplement the hands-on instruction due to COVID-19; childcare stabilization payments; and event catering for an employee event. We identified one exception with unsupported questioned costs of \$49,536, as detailed below.

Aggregate Reporting Exception – Childcare Stabilization Payments

Castro tested five invoices totaling \$49,536 in expenditures that Oklahoma claimed under the Childcare CARES 'True North' Funding Strategy Grant Program. Castro determined that this transaction should have been classified as a Grant greater than or equal to \$50,000 instead of an Aggregate Reporting less than \$50,000 transaction. We considered this to be a reporting error that did not comply with Treasury's Guidance. Oklahoma designed this grant program to provide tiered supplemental payments to all childcare providers who remained open during the COVID-19 pandemic. Providers were allowed to use these funds towards purchases of cleaning and sanitation supplies and other activities necessary to maintain or resume the operation of programs.

Castro requested the following documents from Oklahoma:

- Grant agreements between Oklahoma and the childcare providers detailing requirements and terms of the agreement.
- childcare provider incurred invoices to support whether the childcare providers spent funding on eligible expenses such as purchases of cleaning and sanitation supplies.
- external disbursement documentation to support that Oklahoma made payments to these childcare providers.
- an explanation on how it was determined that the expenditures were not accounted for in the budget most recently approved as of March 27, 2020.

Oklahoma was unable to provide any of the requested documents by the end of fieldwork. Without these documents, we could not determine whether the expenses were necessary due to the COVID-19 pandemic. Castro questioned the total amount tested of \$49,536 as unsupported costs.

Aggregate Payments to Individuals

CRF payments made to individuals, regardless of amount, were required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information. Castro notes that Aggregate Payments to Individuals consists of the following broad types of potential costs which we have defined from the Treasury's guidance as published in the Federal Register.²⁶ Prime recipients may or may not have claimed all of these types of expenditures.

- **Public Safety/Health Payroll** – consisted of payroll costs for public health and safety department personnel.
- **Substantially Dedicated Payroll**²⁷ – consisted of payroll costs for non-public health and safety personnel who were substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- **Non-Substantially Dedicated Payroll**²⁸ – consisted of payroll costs for personnel who performed COVID-19 related tasks on a part-time basis.
- **Non-Payroll Expenditures** – consisted of financial assistance payments to citizens due to hardship or loss of income, unemployment claims, and other non-payroll related expenditures made to individuals.

²⁶ *Coronavirus Relief Fund Guidance* as published in the Federal Register (January 15, 2021) https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf

²⁷ Substantially dedicated payroll costs meant that personnel must have dedicated over 50 percent of their time to responding or mitigating COVID-19. Treasury's Federal Register guidance stated that: "The full amount of payroll and benefits expenses of substantially dedicated employees may be covered using payments from the Fund. Treasury has not developed a precise definition of what "substantially dedicated" means given that there is not a precise way to define this term across different employment types. The relevant unit of government should maintain documentation of the "substantially dedicated" conclusion with respect to its employees."

²⁸ Payroll costs that were not substantially dedicated were payroll costs that were not public health and safety, and which were not substantially dedicated to performing COVID-19 related tasks. Treasury's Federal Register guidance defined more stringent tracking requirements for these types of payroll costs. Specifically, Treasury's Federal Register guidance stated: "track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department. This means, for example, that a government could cover payroll expenses allocated on an hourly basis to employees' time dedicated to mitigating or responding to the COVID-19 public health emergency."

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Oklahoma's Aggregate Payments to Individuals balance consisted of payroll and other transactions from the following types of claimed costs.

Aggregate Payments to Individuals Category Types ²⁹	Total Expenses Claimed
Public Health and Safety Payroll	\$ 135,989,922
Substantially Dedicated Payroll	\$ 5,779,136
Totals	\$ 141,769,058

Castro noted that public health and safety payroll transactions were subject to Treasury's administrative accommodation,³⁰ and therefore, were subject to less detailed documentation requirements. Castro tested public health and safety payroll transactions by reviewing itemized payroll distribution reports to support these balances. Substantially dedicated payroll balances were not subject to this administrative accommodation, and therefore, Castro tested these transactions by reviewing Oklahoma's "substantially dedicated" conclusion with respect to its employees and payroll distribution files, and by performing tests over specific employee timesheet submissions.

We determined Oklahoma's Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We tested four transactions totaling \$69,708,089. Out of those four transactions, two were for public health and safety payroll, and two were for substantially dedicated payroll. Castro identified exceptions related to one public health and safety payroll transaction tested and one substantially dedicated payroll transaction tested. We questioned a total of \$7,043,591 as unsupported costs, as detailed below.

As part of our reconciliation procedures performed when selecting transactions for testing, Castro identified other matters unsupported questioned costs of \$245,174 as detailed below.

²⁹ Oklahoma did not report non-substantially dedicated payroll or non-payroll expenditures within its Aggregate Payments to Individuals balance reported.

³⁰ Treasury's Federal Register guidance states that the administration accommodation means "In recognition of the particular importance of public health and public safety workers to State, local, and tribal government responses to the public health emergency, Treasury has provided, as an administrative accommodation, that a State, local, or tribal government may presume that public health and public safety employees meet the substantially dedicated test...This means that, if this presumption applies, work performed by such employees is considered to be a substantially different use than accounted for in the most recently approved budget as of March 27, 2020. All costs of such employees may be covered using payments from the Fund for services provided during the period that begins on March 1, 2020, and ends on December 31, 2021."

Public Health and Safety Payroll Exception

For one public health and safety transaction tested, Castro obtained and reviewed the payroll distribution report provided and identified a total amount of \$61,308,196, which did not agree to the amount claimed of \$68,351,184, resulting in a total variance of \$7,042,988. We requested Oklahoma provide additional payroll distribution support to substantiate the full amount claimed within the GrantSolutions portal, but Oklahoma did not provide any additional payroll distribution reports. Castro questioned \$7,042,988 as unsupported.

Other Matter for Treasury OIG Consideration – Public Health and Safety Payroll Population Reconciling Errors

As part of our public health and safety payroll reconciliation procedures performed, we attempted to reconcile the payroll distribution report amount of \$4,699,195 to the \$4,942,817 claimed in the GrantSolutions portal for one of our public health and safety payroll testing selections (a different testing selection than the one from the finding above), but we identified a variance of \$243,622. We requested Oklahoma provide additional supporting documentation to substantiate the full population amount claimed within the GrantSolutions portal. Oklahoma provided an updated payroll distribution report but was unable to determine the cause of the variance identified. As a result, Castro questioned \$243,622 as unsupported other matter identified costs.

Substantially Dedicated Payroll Exception

For one substantially dedicated employee tested, Castro obtained and reviewed pay stubs and the payroll distribution report and noted that the employee was paid \$4,673 under the COVID-19 pay code, which did not agree to the transaction claimed amount of \$5,276. We requested that Oklahoma provide an explanation and additional support for the variance identified in the amount of \$603. Oklahoma did not provide a response to our request. Castro questioned \$603 as unsupported costs.

Other Matter for Treasury OIG Consideration – Substantially Dedicated Payroll Population Reconciling Errors

As part of our reconciliation procedures performed over both of the substantially dedicated payroll transactions tested, we attempted to reconcile the payroll distribution report amount of \$3,147,513 to the \$3,149,065 claimed in the GrantSolutions portal, but we identified a variance of \$1,552. We requested Oklahoma provide additional supporting documentation to substantiate the full population amount claimed within the GrantSolutions portal. Oklahoma provided an updated payroll distribution report but was unable to determine the cause of

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the variance identified. As a result, Castro questioned \$1,552 as unsupported other matter identified costs.

Conclusion

We determined that the expenditures related to the Contracts greater than or equal to \$50,000 payment type complied with the CARES Act and Treasury's Guidance. We also determined that the Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types did not comply with the CARES Act and Treasury's Guidance.

We identified unsupported and ineligible questioned costs of \$35,499,181 and \$75,926, respectively, resulting in total questioned costs of \$35,575,107. Also, we identified GrantSolutions portal misclassification reporting issues related to Grants greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Reporting less than \$50,000 that did not comply with Treasury's Guidance.

Additionally, Oklahoma's risk of unallowable use of funds is **high**.

Castro recommends that Treasury OIG follow up with Oklahoma's management to confirm if the \$35,499,181 noted as unsupported expenditures within the Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Oklahoma management to provide support for replacement expenses, not previously charged to CRF, that were incurred during the period of performance.

In addition, Castro recommends Treasury OIG request Oklahoma management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$75,926 of ineligible payroll costs charged to the Transfers greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 payment types. If support is not provided, Treasury OIG should recoup the funds.

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Further, based on Oklahoma's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation and/or replace unsupported and ineligible transactions charged to CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types.

At the time of fieldwork, Castro noted that Oklahoma had findings in their Single Audit reports for FYs 2020 and 2021. Castro recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the findings identified by the auditor in the Single Audit report, which we have summarized below.

- Oklahoma's FY 2020 Single Audit report was published on July 15, 2021, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$6,164,332.
- Oklahoma's FY 2021 Single Audit report was published on June 27, 2023, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$12,119,843.

Castro also recommends Treasury OIG obtain and review Oklahoma's FY 2022 Single Audit report, as this was not available to Castro during our desk review planning procedures.

Castro also identified other matters throughout the course of our desk review, which warrant recommendations to Treasury OIG for additional action. Castro recommends Treasury OIG follow-up on this issue:

- Since Castro identified ineligible questioned costs related to subscriptions in the GrantSolutions portal, we recommend Treasury OIG follow-up with Oklahoma and request they perform an analysis over all of their GrantSolutions portal reported balances to determine if there were other instances of subscription costs included in the CRF reported expenditures and review those expenditures to determine if there were other instances of subscription costs that extended past September 30, 2022.

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All work completed with this letter complies with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General*, which require that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.³¹ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

³¹ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>